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APPLICATION PROOF OF

NEXION TECHNOLOGIES LIMITED

(Incorporated in the Cayman Islands with limited liability)

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NEXION TECHNOLOGIES LIMITED

(Incorporated in the Cayman Islands with limited liability)

[REDACTED]

Number of [REDACTED] : [REDACTED] Shares (Subject to the [REDACTED])
Number of [REDACTED] : [REDACTED] Shares (Subject to reallocation)
Number of [REDACTED] : [REDACTED] Shares (Subject to reallocation and the [REDACTED])
[REDACTED] : Not more than [REDACTED] per [REDACTED] and expected to be not less than [REDACTED] per [REDACTED] (payable in full upon application, plus brokerage of 1%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005%)
Nominal value : HK\$0.01 each
Stock code : [REDACTED]

Sole Sponsor



[REDACTED]

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The [REDACTED] (for itself and on behalf of the other [REDACTED]) and the Company will determine the [REDACTED] and sign the [REDACTED] on or before [REDACTED] or such later time as may be agreed between the parties, but in any event, no later than [REDACTED]. The [REDACTED] will not be more than [REDACTED] per [REDACTED] and is expected to be not less than [REDACTED] per [REDACTED]. If, for any reason, the [REDACTED] (for itself and on behalf of the other [REDACTED]) and the Company are unable to reach an agreement on the [REDACTED] on or before the [REDACTED] or the [REDACTED] is not entered into, the [REDACTED] will not proceed and will lapse immediately. In the case of such event, a notice will be published on the website of the Stock Exchange at www.hkexnews.hk and the Company's website at www.nexion.com.hk.

Prior to making an investment decision, prospective investors should consider carefully all of the information set out in this document, including the risk factors set out in the section headed "Risk factors" in this document.

[REDACTED] of the [REDACTED] should note that the [REDACTED] are or will be entitled to terminate their obligations under the [REDACTED] by notice in writing to be given by the [REDACTED] (for itself and on behalf of the other [REDACTED]) upon the occurrence of any of the events set forth in the paragraph headed "Grounds for termination" under the section headed "[REDACTED]" in this document at any time prior to 8:00 a.m. (Hong Kong time) on the [REDACTED]. Should the [REDACTED] (for itself and on behalf of the other [REDACTED]) terminate any of the [REDACTED], the [REDACTED] will not proceed and will lapse. It is therefore important that you refer to that section for further details.

[REDACTED]

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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.

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EXPECTED TIMETABLE

[REDACTED]

THIS DOCUMENT IS IN DRAFT FORM, INCOMPLETE AND SUBJECT TO CHANGE AND THAT THE INFORMATION MUST BE READ IN CONJUNCTION WITH THE SECTION HEADED "WARNING" ON THE COVER OF THIS DOCUMENT.

EXPECTED TIMETABLE

[REDACTED]

CONTENTS

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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;

SUMMARY

- 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.

SUMMARY

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.

SUMMARY

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.

SUMMARY

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.

SUMMARY

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.

SUMMARY

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.

SUMMARY

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.

SUMMARY

- 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].

	<u>Based on minimum [REDACTED] of [REDACTED] per [REDACTED]</u>	<u>Based on maximum [REDACTED] of [REDACTED] per [REDACTED]</u>
[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]

SUMMARY

[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

SUMMARY

- 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

SUMMARY

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.

DEFINITIONS

In this document, unless the context otherwise requires, the following terms shall have the meanings set out below.

“3i System”, “3i-CS System”, “3i-RS System”, “3i-Tactical System”, “3i-Filter System”	names of major products developed by the Group
“Accountants’ Report”	the accountants’ report of the Group for the years ended 31 December 2014, 2015 and 2016 prepared by Mazars CPA Limited and Mazars LLP as set out in Appendix I to this document
“Alpha Sense (BVI)”	Alpha Sense Investments Limited, a company incorporated under the laws of the BVI with limited liability on 18 May 2016 and one of the Controlling Shareholders, which is wholly owned by Mr. Foo
[REDACTED]	[REDACTED]
“Articles”	the articles of association of the Company, conditionally adopted on [●], which will take effect on the [REDACTED] Date, and as amended, supplemented or otherwise modified from time to time, a summary of which is contained in Appendix III to this document
“Audit Committee”	the audit committee of the Board
“Board”	the board of Directors
“Business Day(s)”	any day(s) (other than a Saturday, Sunday or public holiday) on which banks in Hong Kong are generally open for normal banking business
“BVI”	the British Virgin Islands
[REDACTED]	the issue of [REDACTED] Shares upon capitalisation of part of the share premium account of the Company as further described in the section headed “Statutory and General Information — A. Further information about the Group — 3. Written resolutions of the Shareholder” in Appendix IV to this document
“Cayman Company Law”	the Companies Law, Chapter 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands as amended, modified and supplemented from time to time
“CCASS”	the Central Clearing and Settlement System established and operated by HKSCC
“CCASS Clearing Participant(s)”	a person admitted to participate in CCASS as a direct participant or a general clearing participant

DEFINITIONS

“CCASS Custodian Participant(s)”	a person admitted to participate in CCASS as a custodian participant
“CCASS Investor Participant(s)”	a person admitted to participate in CCASS as an investor participant who may be an individual or joint individuals or a corporation
“CCASS Operational Procedures”	the operational procedures of HKSCC in relation to CCASS, containing the practices, procedures and administrative requirements relating to the operations and functions of CCASS, as from time to time in force
“CCASS Participant(s)”	a CCASS Clearing Participant or a CCASS Custodian Participant or a CCASS Investor Participant
“CEO”	Chief Executive Officer
“Companies Ordinance”	the Companies Ordinance (Chapter 622 of the Laws of Hong Kong) which came into effect on 3 March 2014 as amended, supplemented or otherwise modified from time to time
“Companies (Winding Up and Miscellaneous Provisions) Ordinance”	the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong) as amended, supplemented or otherwise modified from time to time
“Company”	Nexion Technologies Limited, a company incorporated in the Cayman Islands as an exempted company with limited liability on 22 June 2016
“Controlling Shareholder(s)”	has the meaning ascribed to it under the GEM Listing Rules, and in the context of this document, refers to Mr. Foo and Alpha Sense (BVI)
“Cyber Pioneer (BVI)”	Cyber Pioneer Investments Limited, a company incorporated under the laws of the BVI with limited liability on 18 May 2016 and one of the substantial shareholders of the Company, which is wholly owned by Mr. Chan
“Deed of Indemnity”	the deed of indemnity dated [●] and executed by the Controlling Shareholders in favour of the Company (for itself and as trustee for the present subsidiaries) in respect of, among others, certain indemnities regarding taxation and non-compliance matters, particulars of which are set out in the section headed “Statutory and General Information — E. Other information — 1. Estate duty, tax and other indemnities” in Appendix IV to this document

DEFINITIONS

“Deeds of Non-Competition” . . . collectively, (i) the deed of non-competition executed by the Controlling Shareholders namely, Alpha Sense (BVI) and Mr. Foo, as covenantors in favour of the Company (for itself and as trustee for the subsidiaries from time to time), and (ii) the deed of non-competition executed by the substantial Shareholders namely, Future Way (BVI) and Mr. Hoo, as covenantors in favour of the Company (for itself and as trustee for the subsidiaries from time to time), both dated [●], particulars of which are set out in the section headed “Relationship with Controlling Shareholders — Non-competition undertaking” in this document

“Director(s)” the director(s) of the Company

“Expert Team (BVI)” Expert Team (BVI) Limited, a company incorporated under the laws of the BVI with limited liability on 31 May 2016, which is an indirect wholly-owned subsidiary of the Company upon completion of the Reorganisation

“Expert Team (Singapore)” Expert Team Pte. Ltd., a company incorporated under the laws of Singapore with limited liability on 15 August 2012 and the issued share capital of which was owned as to 68% by Mr. Foo, 17% by Mr. Chan and 15% by Mr. Hoo prior to the Reorganisation, which is an indirect wholly-owned subsidiary of the Company upon completion of the Reorganisation

“Former Shareholder” a former individual shareholder and former director of Expert Team (Singapore) and GET (Malaysia), an Independent Third Party

“Future Way (BVI)” Future Way Investments Limited, a company incorporated under the laws of the BVI with limited liability on 18 May 2016, and one of the substantial shareholders of the Company, which is wholly owned by Mr. Hoo

“GEM” the Growth Enterprise Market of the Stock Exchange

“GEM Listing Rules” the Rules Governing the Listing of Securities on GEM as amended, supplemented, or otherwise modified from time to time

“GET (BVI)” Global Expert Team (BVI) Limited, a company incorporated under the laws of the BVI with limited liability on 31 May 2016 and an indirect wholly-owned subsidiary of the Company upon completion of the Reorganisation

“GET (Malaysia)” Global Expert Team Sdn. Bhd., a company incorporated under the laws of Malaysia with limited liability on 18 February 2015 and the issued share capital of which was owned as to 51% by Mr. Foo, 17% by Mr. Chan and 32% by Mr. Hoo prior to the Reorganisation, which is an indirect wholly-owned subsidiary of the Company upon completion of the Reorganisation

DEFINITIONS

“Greater China”	the region comprising the PRC, Hong Kong, Macau and Taiwan
[REDACTED]	[REDACTED]
“Group”	the Company and its subsidiaries or, where the context so requires in respect of period before the Company becomes the holding company of its present subsidiaries, the present subsidiaries of the Company and the businesses carried on by such subsidiaries or their predecessors (as the case may be)
[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]
“HK\$” or “Hong Kong dollar(s)”	Hong Kong dollar(s), the lawful currency of Hong Kong
“HKFRS”	Hong Kong Financial Reporting Standards
“HKICPA”	Hong Kong Institute of Certified Public Accountants
“HKSCC”	Hong Kong Securities Clearing Company Limited
“HKSCC Nominees”	HKSCC Nominees Limited, a wholly-owned subsidiary of HKSCC
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Hong Kong Share Registrar”	[REDACTED], the Hong Kong branch share registrar and transfer office
“International Sanctions”	All applicable laws and regulations related to economic sanctions, export controls, trade embargoes and wider prohibitions and restrictions on international trade and investment related activities, including those adopted, administered and enforced by the Government of the US, the European Union and its member states, the United Nations or the Government of Australia
“IFRS”	International Financial Reporting Standards, as issued by the International Accounting Standards Board

DEFINITIONS

“Independent Third Party(ies)” . . .	an individual(s) or a company(ies) who or which is/are independent of and not connected with (within the meaning of the GEM Listing Rules) any of the directors, chief executives or substantial shareholders of the Company or subsidiaries of the Company or any of their respective associates
“Industry Expert”	China Insights Consultancy Limited, the Company’s industry consultant and an Independent Third Party
“Industry Report”	the industry report dated [●] prepared by Industry Expert on cyber infrastructure solution and cyber security solution industry in Southeast Asian countries, the contents of which are quoted in this document
“Issue Mandate”	the general mandate to issue Shares given to the Directors by the Shareholders, particulars of which are set out in the sub-section headed “Statutory and General Information — A. Further information about the Group — 3. Resolutions in writing of the Shareholder” in Appendix IV to this document
“Latest Practicable Date”	Wednesday, 12 April 2017, being the latest practicable date prior to the date of this document for ascertaining certain information in this document
[REDACTED]	the [REDACTED] and commencement of dealings in the Shares on GEM
“[REDACTED] Date”	the date expected to be on or about [REDACTED], on which dealings in the Shares commence on GEM
“Listing Division”	the Listing Division of the Stock Exchange
“Major Projects”	shall have the meaning as ascribed to it in the section headed “Financial Information — Description of selected items from the Group’s combined statements of profit or loss and other comprehensive income — Revenue” in this document
“Memorandum”	the memorandum of association of the Company, conditionally adopted on [●], which will take effect on the [REDACTED] Date, and as amended, supplemented or otherwise modified from time to time, a summary of which is set out in Appendix III to this document
“Mr. Chan”	Mr. Chan Kok Liang, Frankie, the Group’s Chief Development Officer and a Shareholder
“Mr. Chen”	Mr. Chen Kao Chih, the Group’s R&D Director
“Mr. Foo”	Mr. Foo Moo Teng, the chairman of the Board, an executive Director and a Controlling Shareholder

DEFINITIONS

"Mr. Gonzales"	Mr. Edgardo Osillada Gonzales II, the Group's Chief Technology Officer and an executive Director
"Mr. Hoo"	Mr. Hoo Kam Choy, the Group's Sales and Marketing Director and a substantial Shareholder
"Ms. Tang"	Ms Tang Mei Leng, Olivia, the Group's Head of Sales and Marketing Department
"Netsis (BVI)"	Netsis Technology (BVI) Limited, a company incorporated under the laws of the BVI with limited liability on 31 May 2016 and an indirect wholly-owned subsidiary of the Company upon completion of the Reorganisation
"Netsis (Singapore)"	Netsis Technology (S) Pte. Ltd., a company incorporated under the laws of Singapore with limited liability on 11 March 2002 and the issued share capital of which was owned as to 100% by Foo Moo Teng prior to the Reorganisation, which is an indirect wholly-owned subsidiary of the Company upon completion of the Reorganisation
"Netsis Hybrid Converge Hub", "Netsis Security Hub"	names of cyber infrastructure planned by the Group
"Nexion Global (BVI)"	Nexion Global Investments Limited, a company incorporated under the laws of the BVI with limited liability on 20 May 2016 and a wholly-owned subsidiary of the Company upon completion of the Reorganisation
"Nexion (Hong Kong)"	Nexion (Hong Kong) Limited, a company incorporated under the laws of Hong Kong with limited liability on 31 May 2016 and an indirect wholly-owned subsidiary of the Company upon completion of the Reorganisation
"Nomination Committee"	the nomination committee of the Board
"OFAC"	the US Treasury Department's Office of Foreign Assets Control
[REDACTED]	the final [REDACTED] per [REDACTED] (exclusive of brokerage, Stock Exchange trading fee and SFC transaction levy) at which the [REDACTED] are to be subscribed pursuant to the [REDACTED]
[REDACTED]	the [REDACTED] and the [REDACTED], collectively
[REDACTED]	the option to be granted by the Company to the [REDACTED] exercisable by the [REDACTED] (for itself and on behalf of the [REDACTED]), at its sole and absolute discretion under the [REDACTED] to require the Company to issue up to an additional [REDACTED] Shares, representing 15% of the number of the [REDACTED], details of which are described in the section headed "Structure and Conditions of the [REDACTED]" in this document

DEFINITIONS

- [REDACTED] the conditional [REDACTED] of the [REDACTED] by the [REDACTED] on behalf of the Company for cash at the [REDACTED], as further described in the section headed "Structure and Conditions of the [REDACTED]" in this document

- [REDACTED] the [REDACTED] being offered by the Company for subscription at the [REDACTED] pursuant to the [REDACTED], subject to reallocation and the [REDACTED] as described under the section headed "Structure and conditions of the [REDACTED]" in this document

- [REDACTED] the [REDACTED], whose names are set out under the section headed "[REDACTED] — Hong Kong [REDACTED] — [REDACTED]" in this document, expected to enter into the [REDACTED] to [REDACTED] the [REDACTED]

- [REDACTED] the conditional agreement relating to the [REDACTED] expected to be entered into, amongst others, the Company, the executive Director, the Controlling Shareholders, the Sole Sponsor, the [REDACTED], the [REDACTED] and the [REDACTED], on or about the [REDACTED]

- "PRC" or "China" the People's Republic of China, excluding, for the purpose of this document, Hong Kong, Macau and Taiwan

- "[REDACTED] Investment" the investment made by Vantage Network (BVI) as described in the section headed "History, Reorganisation and Corporate Structure — [REDACTED] Investment" in this document

- [REDACTED] the agreement to be entered into between the Company and the [REDACTED] (for itself and on behalf of the other [REDACTED]) on the [REDACTED] to fix and record the [REDACTED] (or such later time or date as may be agreed between the Company and the [REDACTED])

- [REDACTED] the date, expected to be on or around [REDACTED] (or such later time or date as may be agreed between the Company and the [REDACTED]), on which the [REDACTED] will be determined for the purpose of the [REDACTED]

DEFINITIONS

“PSIA” or “Singapore Private Security Industry Act”	the Private Security Industry Act, Chapter 250A of Singapore
[REDACTED]	the [REDACTED] of the [REDACTED] for subscription in Hong Kong at the [REDACTED] on and subject to the terms and conditions stated in this document and in the Application Forms as further described in the section headed “Structure and Conditions of the [REDACTED]” in this document
[REDACTED]	the [REDACTED] being offered by the Company for subscription at the [REDACTED] pursuant to the [REDACTED], subject to reallocation as described under the section headed “Structure and Conditions of the [REDACTED]” in this document
[REDACTED]	the [REDACTED] of the [REDACTED], whose names are set out in the section headed “[REDACTED] — [REDACTED] — [REDACTED]” in this document
[REDACTED]	the conditional [REDACTED] dated [●] 2017 relating to the [REDACTED] entered into by, amongst others, the Company, the executive Directors, the Controlling Shareholders, the [REDACTED], the [REDACTED], the [REDACTED] and the [REDACTED]
“R&D”	Research and Development
“Remuneration Committee”	the remuneration committee of the Board
“Reorganisation”	the corporate reorganisation arrangements that the Company has undergone in preparation for the [REDACTED] and prior to the issue of this document which are more particularly described in the section headed “History, Reorganisation and Corporate Structure — Reorganisation” in this document
“Repurchase Mandate”	the general mandate to repurchase Shares given to the Directors by the Shareholders, particulars of which are set out in the section headed “Statutory and General Information — A. Further information about the Group — 3. Resolutions in writing of the Shareholder” in Appendix IV to this document
“S\$” or “Singapore Dollar(s)”	Singapore dollar(s), the lawful currency of the Republic of Singapore
“Sanctioned Countr(ies)”	Countr(ies) which is/are the targets of International Sanctions as adopted, administered and enforced by the US, the United Nations, the European Union and its member states or Australia
“Sanctioned Person”	certain persons and entities listed on OFAC’s SDN List and other restricted parties lists maintained by the European Union, the United Nations or Australia

DEFINITIONS

"SDN List"	OFAC's Specially Designated Nationals and Blocked Persons List
"SFC"	the Securities and Futures Commission of Hong Kong
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
"Share(s)"	ordinary share(s) of HK\$0.01 each in the share capital of the Company
[REDACTED]	the [REDACTED] and the [REDACTED]
"Share Option Scheme"	the share option scheme conditionally approved and adopted by the Company pursuant to the written resolutions of the Shareholders passed on [●], the principal terms of which are summarised in the section headed "Statutory and General Information — D. Share Option Scheme" in Appendix IV to this document
"Shareholder(s)"	the holder(s) of Share(s)
"Southwest HK Brokerage", [REDACTED] or [REDACTED]	[REDACTED], a corporation licensed by the SFC to conduct Type 1 (dealing in securities) and Type 4 (advising on securities) regulated activities under the SFO
"Southwest HK Capital" or "Sole Sponsor"	Southwest Securities (HK) Capital Limited, a corporation licensed by the SFC to conduct Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO, being the sole sponsor to the [REDACTED]
"Stock Exchange" or "HKEx" . . .	The Stock Exchange of Hong Kong Limited
"Strategic Investor" or "Vantage Network (BVI)"	Vantage Network Global Limited, a company incorporated under the laws of the BVI with limited liability on 18 May 2016, one of the substantial Shareholder of the Company, and the issued share capital of which is owned as to 100% by Vast Mega Limited, a company incorporated in the BVI
"Takeovers Code"	the Code on Takeovers and Mergers issued by the SFC, as amended, supplemented or otherwise modified from time to time
"Track Record Period"	the period comprising the financial years ended 31 December 2014, 2015 and 2016
"UAE"	the United Arab Emirates
[REDACTED]	the [REDACTED] and the [REDACTED]

DEFINITIONS

[REDACTED] the [REDACTED] and the [REDACTED]

"US" the United States of America

"US\$" or "US dollar(s)" United States dollar(s), the lawful currency of the United States of America

[REDACTED] [REDACTED]

[REDACTED] [REDACTED]

"%" per cent

In this document:

* the term "associate(s)", "close associate(s)", "connected person(s)", "core connected person(s)", "subsidiary(ies)" and "substantial shareholder(s)" shall have the meanings given to such terms in the GEM Listing Rules, unless the context otherwise requires.

GLOSSARY OF TECHNICAL TERMS

This glossary contains certain terms and definitions used in this document in connection with the Group and/or its business. The terms and their meanings may not correspond to standard industry meanings or usage of those terms.

- "Anti-DDos" a solution to prevent attacks from multiple computers and internet connections by flooding the target system with data traffic

- "Applications" computer programs designed to perform a group of coordinated functions, tasks or activities for the benefit of users

- "ATCA" Advanced Telecommunications Computing Architecture design with specifications incorporates the latest trends in high speed interconnect technologies, next-generation processors, and improved Reliability, Availability and Serviceability

- "bandwidth" carrying capacity or amount of information transmitted over a given connection in gigabits per second

- "C", "C++" a programming language

- "caching" the process of storing data in a cache

- "cache" a hardware or software component that stores data so future requests for the same data can be served faster

- "CAGR" compound annual growth rate

- "CGN" carrier grade NAT, large scale network address system which permit the sharing of small pools of IP addresses among many users

- "cloud" an internet-based computing in which large groups of remote servers are networked to allow centralised data storage, and online access to computer services or resources; and usually in three different forms, namely public cloud, private cloud and hybrid cloud

- "collector" a computer networking device that is used to collect or replicate network data as the network data pass through towards its destination

- "core engine" a framework composed of series of instructions or algorithms used to deliver certain output that passed expected performance, accuracy, stability and scalability

GLOSSARY OF TECHNICAL TERMS

"DPI"	deep packet inspection is a form of computer network packet filtering that examines the data part of a packet as it passes an inspection point, searching for protocol non-compliance, viruses, spam, intrusions, or defined criteria to decide whether the packet may pass or if it needs to be routed to a different destination, or, for the purpose of collecting statistical information that functions at the application layer of the OSI model
"electromagnetic shield"	a barrier which guards against incoming or outgoing emissions of electromagnetic frequencies
"email"	electronic mail
"firewall"	a network security system that monitors and controls the incoming and outgoing network traffic based on predetermined security rules
"hardware"	physical aspect of computers, telecommunications, and other devices
"ICT"	information and communications technology
"integration"	the process of bringing together the component subsystems into one system
"internet"	the global system of interconnected computer networks
"IP address"	internet protocol address, a numerical label assigned to each device participating in a computer network that uses internet protocol for communication
"IPAM"	IP address management
"IRGO"	Intelligent Reconstruction Gear Operating System, an operating system developed by the Group
"ISO"	the International Organisation for Standardisation, a non-governmental organisation which sets the ISO standards, which are worldwide industrial and commercial standards
"ISP"	internet service provider
"IT"	information technology
"J2EE"	Java 2 Platform, Enterprise Edition, an enterprise computing platform
"load balancer"	a system that distribute workloads across multiple computers
"Linux"	a type of operating system
"MTBF"	mean time between failures is the predicted elapsed time between inherent failures of a system during operation, a measure of how reliable a IT hardware product or component is

GLOSSARY OF TECHNICAL TERMS

"network"	the linking of a number of devices, such as personal computers, printers and servers into a network (system) for the purpose of sharing resources and information
"network infrastructure"	the hardware and/or software resources of an entire network that enable network connectivity, communication, operations and management of an enterprise network. Network infrastructure provides the communication path and services between users, processes, applications, services and external networks/the internet
"operating system" or "OS"	a master control programme that manages and coordinates a computer's internal functions and provides a means of control to a computer's operations and file system
"OSI"	The Open Systems Interconnection (OSI) model is a conceptual model that characterises and standardises the communication functions of a telecommunication or computing system without regard to their underlying internal structure and technology
"PCT"	Patent Cooperation Treaty, an international patent law treaty
"proof of concept"	a demonstration, the purpose of which is to verify that certain concepts or theories have the potential for real-world application. It is therefore a prototype that is designed to determine feasibility, but does not represent deliverables
"protocol"	well-defined formats for exchanging messages in a communication system
"router"	a computer networking device that forwards data packets between computer networks. Routers perform traffic directing functions on the internet. A data packet is typically forwarded from one router to another router through the networks that constitute the internetwork until it reaches its destination node
"routing"	the process of selecting best paths in a network
"RTPR"	Real Time Packet Reconstruction, a technology developed by the Group
"server"	a computer with software designed to perform a specific "serving" function to other computers
"software"	any set of machine-readable instructions that directs a computer's processor to perform specific operations
"SSL"	the standard security technology for establishing an encrypted link between a web server and a browser which ensures that all data passed between the web server and browsers remain private and integral
"storage"	a physical device where data is stored. It is logically mounted or managed by servers

GLOSSARY OF TECHNICAL TERMS

"switch"	a computer networking device that connects devices together on a computer network, by using packet switching to receive, process and forward data to the destination device
"throughput"	rate of successful message delivery over a communication channel
"UAV"	unmanned aerial vehicle — commonly known as a drone, as an unmanned aircraft system (UAS), or by several other names, is an aircraft without a human pilot aboard
"UTM"	unified threat management, one system able to perform multiple security functions in the network
"VPN"	virtual private network, being an extension of a private network across a public network

FORWARD-LOOKING STATEMENTS

This document contains forward-looking statements that are, by their nature, subject to significant risks and uncertainties, including the risk factors described in this document. These forward-looking statements include, but are not limited to, statements relating to:

- the Group's operations and business prospects;
- future developments, trends and competition in industries and markets in which the Group operates;
- products under development or planning;
- strategy, business plans, objectives and goals of the Group;
- the Group's capital expenditure plans;
- the Group's dividend distribution plans;
- the prospective financial information regarding the Group's business;
- the Group's future financial condition and results of operations;
- the amount and nature of, and potential for, future development of the Group's business;
- general economic conditions; and
- changes to regulatory and operating conditions in the markets in which the Group operates.

The use of words such as "believe", "seek", "intend", "anticipate", "estimate", "project", "plan", "potential", "will", "may", "should", "expect" and other similar expressions are intended to identify a number of these forward-looking statements. All statements other than statements of historical facts included in this document, including statements regarding the Group's future financial position, strategy, projected costs and plans and objectives of management for future operations, are forward-looking statements. Although the Group believes that the expectations reflected in those forward-looking statements are reasonable, the Group can give no assurance that those expectations will prove to have been correct, and you are cautioned not to place undue reliance on such statements.

Furthermore, these forward-looking statements merely reflect the Group's current view with respect to future events and are not a guarantee of future performance. The Group's financial condition may differ materially from the information contained in the forward-looking statements as a result of a number of factors, including, without limitation, factors disclosed under "Risk Factors" and elsewhere in this document.

Subject to the requirements of applicable laws, rules and regulations, the Group does not have any obligation and do not intend to update or otherwise revise the forward-looking statements in this document, whether as a result of new information, future events or otherwise. Because of these risks, uncertainties or assumptions, the forward-looking events and circumstances discussed in this document might not occur in the way the Group expects, or at all. Accordingly, you should not place undue reliance on any forward-looking statements. All forward-looking statements contained in this document are qualified by reference to this cautionary statement.

RISK FACTORS

Investing in the Shares involves certain risks. Prospective investors should read this document in its entirety and carefully consider each of the risks described below and all of the other information contained in this document before deciding to purchase the Shares. If any of the following risks materialises, the Group's business, financial condition and results of operations could be materially and adversely affected. The trading price of the Shares could decline and investors may lose all or part of their investment. Additional risks and uncertainties that are not presently known to the Group, or not expressed or implied below, or that the Group currently deems to be immaterial, could also have a material adverse effect on the Group's business, financial condition and operating results.

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. Prospective investors should consider the Group's business and prospects in light of the challenges it faces, including the ones discussed in this section.

RISKS RELATED TO THE GROUP'S BUSINESS

Failure to anticipate and respond to changes in technologies or needs could harm the Group's business

As a technology-focused enterprise committed to developing innovative technology, the Group's R&D capabilities are critical to its success. There is no assurance that any of the Group's R&D activities would produce meaningful results or will lead to creation of revenue-generating solutions.

There is no assurance that the Group will be able to offer, on a timely basis, new solutions or enhancements of existing solutions that will address the changing needs of the marketplace. The Group may experience unanticipated delays in the availability of new solutions and enhancements and fail to meet customer expectations with respect to the timing of such availability. The Group's existing range of solutions may also become obsolete due to rapid technological changes. If the Group does not quickly respond to the rapidly changing and rigorous needs of its customers by making available on, a timely basis, new solutions and enhancements to its solutions that can respond to advanced threats and its customers' needs, its competitive position, profitability and business prospects will be adversely affected.

Furthermore, from time to time, the Group's competitors may announce new solutions with capabilities or technologies that could have the potential to replace or shorten the life cycles of the existing solutions of the Group. There is no assurance that announcements of new solutions by competitors will not cause customers to defer purchasing the existing offerings of the Group.

Even if the Group is able to make available upgrades or new solutions, there is no assurance that these upgrades and new solutions will achieve widespread market acceptance or meet users' expectations. If the Group fails to develop any upgrades and new solutions or they do not receive the expected market acceptance, its competitive position, profitability and business prospects will also be adversely affected.

RISK FACTORS

The Group is dependent on its key management personnel for its operations, profitability and prospects

The Group's continued success is dependent on the Group's ability to retain its key management personnel, who are responsible for overseeing its business operations, marketing and maintaining its relationships with existing and potential customers as well as formulating and implementing its growth, corporate development and overall business strategies. Such key personnel include its executive Directors and senior management such as Mr. Foo, Mr. Gonzales, Ms. Tang and Mr. Chan. Please refer to the sections headed "Directors and Senior Management — Directors" and "Directors and Senior Management — Senior Management" for details of the responsibilities of the Group's executive directors and senior management, respectively. If the Group's executive directors, senior management, or other key management personnel are unable or unwilling to continue their service, the Group may not be able to replace them with persons of equivalent expertise and experience within a reasonable period of time or at all. In addition, the Group does not maintain any key employee insurance.

Given that the competition to recruit key personnel is intense, the Group may not be able to attract or retain those key personnel. Should key personnel cease to be involved in the Group's management in the future and suitable replacements cannot be located, the Group's operation and profitability may be materially and adversely affected. Additionally, the Group may need to incur additional costs to recruit, train and retain key personnel.

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

Some of the Group's solutions were developed using open source software or solutions. There is no assurance that such open source software or solutions will not infringe the intellectual property rights of third parties and that third parties will not initiate intellectual property claims against the Group. The validity and scope of claims relating to the intellectual property rights of the Group's solutions may involve complex technological, scientific, engineering, legal and factual questions and analysis, which is likely to result in ambiguity, confusion and uncertainty.

Any third parties' assertion of copyright or patent infringement or violations of other intellectual property rights against the Group may involve it in administrative proceedings or litigation, which may result in substantial costs and a diversion of its resources.

If any of the Group's employees infringes any third party's intellectual property rights or violates his obligations of confidentiality to any third party (including his previous employer) during his employment with the Group and uses such intellectual properties to develop any of the Group's solutions, the Group may be held liable for his actions.

An adverse determination in any administrative proceedings or litigation, and claims could damage the Group's reputation and impose significant liability on the Group, require the Group to pay royalties or to seek licences from third parties, or even subject the Group to injunctions prohibiting the production, marketing and sale of the Group's solutions. If the foregoing happens, it may have a material and adverse effect on the Group's business, financial conditions and results of operations.

RISK FACTORS

The Group may be affected by political, legal and economic situations in emerging markets

A majority of end users of the Group's solutions are located in emerging countries 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 the emerging markets.

The political climate in the emerging countries such as Laos and Myanmar are unpredictable. Political uncertainties include the risks of frequent changes in government and government policy, regional and global political tensions and expropriation and nationalisation of assets which may affect continued and stable business operations. The legal and regulatory framework in the emerging markets are still maturing, as compared to that of the more developed countries. The changes in laws and regulations in such emerging countries may be frequent and unpredictable with changes made to existing laws and regulations without adequate notice. This may in certain instances result in the imposition of conditions that will increase the cost of doing business in such countries and adversely affect the Group's financial performance. There may also be limited precedents that provide guidance on the interpretation, implementation or enforcement of such countries' laws and regulations, thus giving rise to uncertainty in the application of such laws and regulations to varying circumstances and conditions. Such arbitrary policy changes and uncertainty in the interpretation of applicable laws may produce unexpected consequences which could have an adverse effect on the Group's business and operations in such markets.

The economies of emerging countries are still developing and are subject to change and differ from that of most developed countries in a number of aspects, including its level of development and extent of government involvement. There is no certainty that the business and investment environment in such countries will remain susceptible to foreign investments or continue to improve. Furthermore, companies operating in emerging countries may be constrained by factors such as inadequate infrastructure and shortage of utilities and essential services, which will affect their ease and cost of doing business in such countries. Therefore, any unfavourable changes in the economic and social conditions of the emerging markets may adversely affect the Group's business and operations in such markets.

Changes in project mix may have an impact on the Group's gross operating profit margin

Because of the different cost structure in different solutions, the gross operating profit margin may vary depending on the type of the solutions. In general, the supply of the Group's software in its cyber security solutions projects will have a higher gross operating profit margin compared to cyber infrastructure solutions projects that involve sourcing of software and hardware from third party suppliers. In addition, the cost structure of each project may be different depending on the specification of the projects. As such, any change in project mix of the Group during a period may have an impact on its gross operating profit margin and may continue to lead to fluctuations in its overall gross operating profit margin and working capital requirements. There is no assurance that the Group will be able to maintain its current level of gross operating profit margin. Should the Group fail to maintain such high gross operating profit margin, its operating results may be adversely affected.

RISK FACTORS

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

During the Track Record Period, the Group generated approximately 62.2%, 43.0% and 36.7% of total revenue from public sector projects, which represented mainly cyber security solutions projects, and approximately 27.4%, 37.9% and 41.6% of total revenue from ISPs and telecommunications sector projects for the year ended 31 December 2014, 2015 and 2016, respectively. There is no assurance that end users of these sectors will continue to use the Group's solutions. Changes in these sectors could result in delays, changes or cancellations of projects for these sectors. For example, changes in government budget and policy considerations may have an impact on the demand for the Group's solutions. If the Group's solutions do not continue to be well-received by the public sector or ISPs and telecommunications end users, or any of the Group's existing public or ISPs and telecommunications sector end users should cease to use the Group's solutions, the Group's business, financial condition and results and operations 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 operates in a competitive market where it is difficult to predict when or if it will be awarded contracts. The Group's ability to generate revenue is to a large extent dependent on its ability to secure new contracts as the Group derives its revenue mainly from the provision of project-based cyber infrastructure solutions and the provision of project-based cyber security solutions, which would entail the securing of new contracts. The Group generated most of its revenue from Major Projects during the Track Record Period. The revenue from Major Projects represented approximately 86.8%, 89.6% and 86.7% of the Group's total revenue for the years ended 31 December 2014, 2015 and 2016, respectively. The remaining portion of the revenue were generated from a number of small projects and miscellaneous sales transactions, representing approximately 13.2%, 10.4% and 13.3% of the Group's total revenue for the years ended 31 December 2014, 2015 and 2016, respectively.

However, there is no assurance that the Group will be able to secure new contracts of a similar value or profit margins in similar sectors to existing projects. If the Group is unable to secure such new contracts, its results of operations, profitability and financial condition may be adversely affected.

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

The Group may extend credit terms to its customers depending on the creditworthiness of its customers. The Group faces uncertainties over the timeliness of its customers' payments and their ability to pay, which may be affected by events or circumstances that are difficult to foresee or anticipate, such as a decline in their business or an economic downturn. In the case of channel partners, their ability to repay the Group may depend on their collection of payment for the relevant projects. If there is any delay in the collection of payment for the projects by the channel partners, it will in turn cause delay in payment by the channel partner to the Group. As at 31 December 2014, 31 December 2015 and 31 December 2016, respectively, the Group recorded trade receivables of approximately US\$323,000, US\$376,000 and US\$108,000, respectively which have been past due but not impaired. The trade receivables due from the Group's largest debtor accounted for approximately 33.2%, 22.9% and 42.3% of the Group's

RISK FACTORS

total trade receivables as at 31 December 2014, 31 December 2015 and 31 December 2016, respectively. Approximately 94.4%, 77.4% and 86.4% of the Group's total trade receivables as at 31 December 2014, 31 December 2015 and 31 December 2016, respectively, were due from the Group's five largest debtors. Accordingly, the Group had concentration of credit risk. For the years ended 31 December 2014, 2015 and 2016, the Group's average trade receivables turnover days were approximately 93 days, 120 days and 105 days. Although no provision for bad debt was incurred by the Group during the Track Record Period, there is no assurance that the Group will be able to collect its outstanding trade receivables fully or within a reasonable period of time. In such circumstances, the Group may be required to make provisions for doubtful debts or incur write-offs, which may have a material adverse effect on its financial condition and results of operations. During the Track Record Period, the Group did not incur any bad debts.

Defects, errors or vulnerabilities in the Group's solutions could harm the Group's reputation and adversely impact the Group's results of operations

The Group's solutions may contain design defects or errors that are not detected until after their deployment. Defects may cause the Group's solutions to be vulnerable to security attacks or cause them to fail in securing networks. Since the techniques used by computer hackers to access or sabotage networks change frequently and generally are not recognised until launched against a target, the Group may be unable to anticipate these techniques and provide a solution in time to protect its customers' networks. The Group's solutions could also be targeted by attacks specifically designed to disrupt the Group's business and harm its reputation. In addition, defects or errors in the Group's solutions could leave the systems and networks of the Group's customers vulnerable to attacks. Any defects, errors or vulnerabilities in the Group's solutions could result in expenditure of significant resources to analyse, correct, eliminate, or work-around errors or defects or to address and eliminate vulnerabilities. This may also result in the loss of existing or potential customers, delayed or lost of revenue, delay or failure to attain market acceptance, an increase in costs incurred for the servicing of warranty claims and/or legal action, any of which would adversely affect the Group's business, reputation, financial condition and results of operations.

Damage to the Group's brand name or reputation will adversely affect the attractiveness of the Group's business

The Group's business is sensitive to the perception of its existing and potential customers. Any incident which may be perceived as a lapse on the Group's part could lead to damages to the Group's brand name and reputation. If the Group's services do not meet the expectations of the Group's customers, even for factors outside of the Group's control, the Group's reputation could be damaged and its business, reputation, financial condition and results of operations may be materially and adversely affected. Security breaches of the Group's customers' systems and networks could cause disruption or damage to their systems and networks or create other negative consequences that could result in negative publicity to the Group, damage to the Group's reputation, declining sales, increased expenses and customer relations issues.

Furthermore, the Group's products, services and solutions may fail to detect or prevent cyber attacks, intrusions or similar threats for any reason. To the extent potential customers or industry analysts believe that the occurrence of such a failure is a flaw or indicates that the Group's solutions are not effective, the Group's reputation and business could be harmed and the Group's business will be adversely affected.

RISK FACTORS

The Group may face possible infringement by third parties of its trademarks or other intellectual property rights and possible counterfeiting or imitation of its solutions

The development and production process of the Group's solutions may involve know-how, technology or data and the Group may not be successful in securing protection for its know-how, trademarks and other intellectual property rights.

There is no assurance that counterfeiting and imitation of the Group's solutions will not occur in the future. If it does occur, the Group may not be able to detect it and deal with it effectively. Any occurrence of counterfeiting or imitation may tarnish the Group's reputation and brands. In addition, counterfeit and imitation products may result in a reduction of the Group's market share, a decline in the Group's revenue and an increase in the Group's administrative expenses on infringement detection. The Group may need to resort to litigation in the future to enforce its intellectual property rights. Any such litigation may result in substantial costs and a diversion of the Group's resources. The Group's failure to protect and enforce its intellectual property rights may have a material adverse effect on its business, financial conditions and results of operation.

The Group faces intense competition

The Group faces intense competition from multinational corporations and local operators which are able to offer a comprehensive range of cyber infrastructure solutions or provide such solutions that the Group does not currently provide. The markets for cyber infrastructure solutions are also competitive and characterised by rapid changes in technology, customer requirements, industry standards and frequent new product introductions and improvements. As a consequence, the solutions that the Group provides to its customers may become obsolete, the Group may not have sufficient resources or be responsive enough to react to new technologies and product developments. Furthermore, the market may not be receptive to new solutions that the Group is promoting, and/or the Group may not be able to continue to adequately upgrade its capabilities.

Some of the Group's competitors may also have greater technical, financial and marketing resources, longer operating histories, broader geographical network of suppliers and customers, be more entrenched in the markets in which the Group operates or intends to venture into, have longer customer relationships, possess niche expertise, offer a wider or more superior range of products, services and solutions, or may demand lower returns on investment and be able to present better technical or economic bids compared to the Group. Some of the Group's competitors may also engage in product bundling and/or employ closed technology platforms in their offerings that discourage users from purchasing other products, services and solutions. The Group may face price-cutting pressures from its competitors in their attempt to maintain or expand their market share. Potential customers may also prefer to purchase from their existing suppliers rather than a new supplier regardless of product performance or features. As a result, even if the features of the Group's solutions are superior, such customers may not purchase its solutions. The Group's current and potential competitors may also establish cooperative relationships among themselves or with third parties that may further enhance their resources.

There is no assurance that the Group will be able to compete successfully in the future against its existing or potential competitors or that its business, financial condition and results of operations will not be adversely affected by increased competition.

RISK FACTORS

The Group’s dependence on channel partners, over whom the Group has limited control, for its cyber security solutions business

The Group relies on channel partners to sell its cyber security solutions. While the total number of channel partners of the Group increased during the Track Record Period, there is no assurance that the Group will be able to attract new channel partner or retain its existing channel partners. There is also no assurance that the existing channel partners will continue to secure cyber security solutions projects or the new channel partners will be able to secure cyber security solutions projects for the Group.

If the Group loses its existing channel partners or its existing channel partners are not able to secure more projects and the Group is not able to secure new channel partners, the Group’s revenue from cyber security solutions, financial condition and results of operations may be adversely affected.

Due to expansion of the network of channel partners, it is more difficult for the Group to closely monitor all aspects of the channel partners’ practices. The Group has no ownership or managerial control over any of its channel partners. The Group cannot assure you that its channel partners will at all times strictly adhere to the terms and conditions under the channel partner agreements or that they will not compete with each other for market share in respect of the Group’s cyber security solutions projects.

In addition, the Group grants credit terms to its channel partners. For details of the Group’s credit policies, please refer to the section headed “Business — Sales — Credit control” of this document. Any significant delay in payment or default by the channel partners could affect the Group’s liquidity and cash flow, which may materially adversely affect the financial condition and results of operations of the Group.

The Group’s performance may be affected by the grant or lapse of tax exemptions

During the Track Record Period, the Group’s effective tax rates for the years ended 31 December 2014, 2015 and 2016 were significantly lower than the standard rate of Singapore and Malaysia corporate income tax due to tax incentives under the Productivity and Innovation Credit Scheme launched by the Singapore government and income tax exemption under the “Pioneer Status” in Malaysia. The Productivity and Innovation Credit Scheme will lapse after year of assessment 2018. 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. There is no assurance that the Group will continue to be eligible for the current tax exemptions or be granted any tax exemptions at all or with similar benefits. If the Group is not granted any tax exemptions or tax exemptions with similar benefits, there may be a material adverse effect on the Group’s business, financial conditions and results of operations. Please refer to the section headed “Regulatory Overview — Singapore Laws and Regulations” for details of the Productivity and Innovation Credit Scheme and the section headed “Regulatory Overview — Malaysian Laws and Regulations” for more information relating to the tax incentives for companies with pioneer status in Malaysia.

RISK FACTORS

The Group may not be able to effectively expand and train its sales force

The Group is dependent on its sales force to obtain new customers and increase sales with existing customers. There is significant competition for sales personnel with the skills and technical knowledge that the Group requires. The Group's ability to achieve significant revenue growth will depend on its ability to recruit, train and retain sufficient numbers of sales personnel to support its growth. New hires require training and may take significant time before they achieve full productivity. They may not become productive as quickly as expected, and the Group may be unable to hire or retain sufficient numbers of qualified individuals in the markets where it carries out business or plan to do business. If the Group is unable to hire and train a sufficient number of effective sales personnel, or the sales personnel it hires are not successful in obtaining new customers or increasing sales to its existing customer base, the Group's business will be adversely affected.

The Group's expansion plans may not be successful. The Group may not be able to effectively manage its growth and domestic and international expansion

The Group plans to adopt certain business strategies to expand its business. For details of its business strategies and expansion plans, please refer to the section headed "Business — Business strategies" in this document. There is no assurance that the Group's business strategies or expansion plan will be successful. If the Group's business strategies or expansion plans fail to achieve the planned results, its results of operations and financial condition may be adversely affected.

In order to grow its business, the Group may, depending on available opportunities, feasibility and market conditions, explore joint ventures, strategic alliances, acquisitions or investment opportunities that are complementary to its business. Expansion involves numerous risks, including without limitation, the financial costs of investing in or setting up such operations and working capital requirements and entering into markets which the Group is not familiar with or has limited business experience. There is no assurance that such operations will be profitable and if the Group fails to manage such costs, the Group's results of operations and financial condition may be adversely affected.

Strategic alliances, acquisitions or investments also involves other risks, including, but not limited to, difficulties in the assimilation of the management, operations, products, services, solutions, technologies, systems and personnel, the possible diversion of attention of the Group's management from existing business operations, unforeseen liabilities and loss of capital or other investments deployed in such joint ventures, strategic alliances, acquisitions or opportunities.

The Group may not be able to coordinate and consolidate its corporate and administrative functions, including the integration of internal controls. In the event that the Group is unable to effectively or successfully manage and integrate its business operations, the Group may not be able to realise its expected synergies, cost savings and growth. As a result, the Group's business, financial condition and results of operations may be adversely affected.

The successful implementation of the Group's growth strategies depends on, among others, its ability to identify suitable partners, the successful integration of operations and obtaining the necessary financing. The Group is unable to provide an assurance that it will be able to execute such growth strategies successfully and as such, the failure of any strategic alliances, acquisitions or investments may result in a material adverse effect on its business, financial conditions and results of operation.

RISK FACTORS

The proposed acquisition of property and equipment for the Group’s headquarters and R&D centre will result in an increase in depreciation, and may be subject to impairment on the carrying value

It is among the Group’s business strategies to acquire a property in Singapore as the Group’s headquarters and R&D centre, renovate such property, and install it with necessary equipment for the proposed business expansion of the Group. For further details of the proposed expansion plans, please refer to the paragraphs under the section headed “Business — Business Strategies” of this document.

With the intended acquisition of property, renovation, as well as acquisition and installation of equipment, it is expected that additional depreciation will be incurred. Please refer to the section headed “Business — Business Strategies” for details concerning the estimated depreciation rate and amount. Such increase in depreciation and the possible impairment on the carrying value of the property and equipment may adversely affect the Group’s financial performance and operating results, which may adversely affect the Group’s return on equity ratio, the valuation of the Company and the investment return of the Shareholders.

The Group is exposed to the risk of unauthorised use or disclosure of proprietary information

As part of its business, the Group may handle, store and manage private and confidential information relating to its customers or end users and therefore, security breaches could expose the Group to a risk of unauthorised use or disclosure of such information.

If the Group fails to keep the proprietary information of its customers or end users confidential, it may expose its customers or end users to significant liability and loss of revenue arising from the unauthorised use of confidential information. If there is any breach in the Group’s security systems, or in the event a party is able to circumvent its security measures, proprietary information that could be valuable to the Group’s customers or end users could be misappropriated, which would in turn result in the perpetration of fraudulent transactions for which the Group may be found liable. The Group may also be subject to civil claims by its customers or other third parties. This could adversely affect the Group’s business and result in costly litigation and potential liability for the Group. A compromise of the Group’s security or a perceived compromise of the Group’s security could also result in negative publicity, which would adversely affect the Group’s reputation, causing the Group to lose customers and business.

Misconduct of the Group’s personnel could harm the Group’s reputation and business and is difficult to detect and deter

While the Group has put in place internal control policies, there may still be instances of misconduct by its personnel, which could result in violation of laws by it, regulatory sanctions against it and material reputational or financial harm. Misconduct of the Group’s personnel could include improperly using or disclosing confidential information, and engaging in fraudulent acts or otherwise not complying with the laws or the Group’s control procedures. There is no assurance that there will not be any misconduct by the Group’s personnel, or that future incidents of misconduct of the Group’s personnel will not subject the Group to serious penalties or limitations on its business activities. The Group could also suffer from adverse publicity, reputational damage or litigation losses that may arise from the misconduct of its personnel, which may have a material adverse effect on its business, financial conditions and results of operations.

RISK FACTORS

The Group may encounter cost overruns or delays in its projects, which may materially and adversely affect its business, financial position and results of operation

The Group provides cyber infrastructure and cyber security solutions to its customers on a project-by-project basis and the terms of such projects normally require the Group to complete a project at a fixed fee. In this connection, the Group estimates the time and cost expected to be incurred in a project in order to determine its quotations to customers. The actual time taken and cost incurred by the Group in completing its projects may be affected by various factors, including, among others, integration with third party suppliers' products, technical difficulties, documentation readiness and other unforeseeable problems and circumstances. Any one of these factors could cause delay in project completion or cost overruns. There is no assurance that the actual time taken and cost incurred would not exceed the Group's estimation. Failure to meet the schedules of the projects may result in claims, other liabilities and disputes with the Group's customers or even termination of relevant projects. There is no guarantee that the Group would not encounter cost overruns or delays in its current and future projects. Should such problems occur, the Group's business, financial position and results of operations would be materially and adversely affected.

Any increase in staff costs and related expenses may adversely affect the Group's financial results

For the years ended 31 December 2014, 2015 and 2016, the Group's staff costs and related expenses amounted to approximately US\$273,000, US\$452,000 and US\$928,000, which accounted for approximately 11.1%, 12.2% and 16.5%, respectively, of the Group's revenue. The Group is susceptible to the increasing labour cost in the industry the Group operates in. Given that the Group's projects are typically charged at a fixed price, if there is any substantial increase in the Group's staff costs and related expenses, the Group may not be able to pass such rising staff costs and related expenses onto its customers. In such event, it may have an adverse impact on the Group's business operations and financial results.

The Group's applications for the grant of patents are still pending and may not be approved. If the Group fails to obtain the grant of the patents, the Group may not be able to continue using them and as a result, its operations and financial results may be affected

As at the Latest Practicable Date, the Group has filed several patent applications relating to its 3i-Web System, 3i-Anti Drone Solutions and RTPR technology. For further details relating to the Group's patent applications, please refer to the section headed "Statutory and General Information — B. Further Information about the Group's business — 2. Intellectual property rights of the Group" in Appendix IV and the section headed "Business — Intellectual property rights" in this document.

The Directors confirm that, as at the Latest Practicable Date, no objections have been received from the relevant registry of patents or from any third parties with respect to the Group's patents applications or its use of the patents, and that none of them is aware of any threatened or pending claims by any third parties against the Group for its use of such patents. There is no certainty that the Group will successfully register these patents and accordingly, the Group's continued use of such patents might infringe the intellectual property rights of third parties.

Should the Group fail to register any of the patents under application, or the Group is held by any court or tribunal to be infringing or have infringed any patents or intellectual property rights of others, the Group's reputation and brand image could be affected, which could in turn affect its business, financial condition, results of operations and prospects.

RISK FACTORS

The Group may be affected by unfavourable exchange rate fluctuations

The Group has transactional currency exposure arising mainly from purchases that are denominated in a currency other than the functional currencies of the entities within the Group. To the extent that the Group's revenue, purchases and operating costs are not sufficiently matched in the same currency and to the extent that there are timing differences between receipt and payment, the Group will be exposed to any adverse fluctuation in exchange rates. Any restrictions over the conversion or timing of conversion of foreign currencies may also expose the Group to adverse fluctuations in exchange rates. As a result, the Group's earnings may be adversely affected.

The Group's dependence on certain IT equipment manufacturers may result in supply disruptions and prevent the Group from delivering its solutions in a timely manner

The Group purchases IT equipment including hardware and software from its suppliers which are the distributors of certain IT equipment manufacturers. While the Group has not had any disruption to the supply to date, there is no assurance that the Group will be able to continue to procure the supply of IT equipment necessary for its operations in a timely manner or at all.

If the manufacturers fail to supply the IT equipment to its distributors who are the Group's suppliers who in turn fail to supply the IT equipment purchased by the Group in time, the Group may not be able to meet the delivery schedules or may encounter delays in its projects. Should there be any disruption in the supply of IT equipment to the Group and if the Group is unable to identify an alternative source of supply from other manufacturers with competitive pricing and terms, the Group's business and results of operations will be adversely affected as there is lead time for the Group to use new hardware and/or software from another manufacturer.

Regulatory breach by customers or end users of the Group caused by their misuse of the Group's solutions

The Group does not have full control over its customers or end users on the use of the solutions supplied by the Group. There is no assurance that the Group's customers and end users will not misuse the solutions supplied by the Group for unlawful purposes or in an illegal manner infringing the relevant laws and regulations of the jurisdictions that they are subject to.

If there is any regulatory breach by the Group's customers or end users arising from or in connection with such misuse of the solutions supplied by the Group, the Group's reputation and brands may be tarnished.

The Group is exposed to programme source code storage risk

The Group's source codes and master copies of software are currently stored at its premises and offsite locations. While the Group seeks to safeguard these hardware and software, and backs up the source codes of its software from time to time, there is no assurance that such measures are adequate for the protection of the Group's computer hardware, source codes and master copies of software. They are still vulnerable to damage and loss due to acts of nature, power failures, telecommunication failures and other unexpected events. There can be no assurance that the Group can respond to such contingencies in a timely manner. Any damage or interruptions in the Group's operations could have an adverse effect on its business, financial condition and results of operations.

RISK FACTORS

The Group could be adversely affected as a result of its sales to customers located in a country that is subject to evolving economic sanctions of the US and other relevant sanctions authorities

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.

As advised by DLA Piper UK LLP, the Group's legal advisers as to International Sanctions laws, 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 [REDACTED] scope and the expected use of [REDACTED] from the [REDACTED], the involvement by parties in the [REDACTED] will not, directly or indirectly, implicate the applicability of International Sanctions on such parties, including any member of the Group, its directors and employees, investors and shareholders as well as the Stock Exchange, the HKSCC, the HKSCC Nominees and SFC. For details on the Group's business activities in a Sanctioned Country and impact of International Sanctions laws, please refer to the section headed "Business — Business in a Sanctioned Country" in this document.

The Company has undertaken to the Stock Exchange that it will not use the [REDACTED] from the [REDACTED], or any other funds raised through the Stock Exchange, to finance or facilitate, directly or indirectly, activities or business with any Sanctioned Country which are prohibited under International Sanctions, or with any Sanctioned Person; that it has no present intention to undertake any future business that would cause the Company, the Stock Exchange, HKSCC, HKSCC Nominees, the Shareholders or potential investors to violate or become a target of International Sanctions; to disclose on the respective websites of the Stock Exchange and the Company if it believes that the transactions the Group entered into in relation to a Sanctioned Country or with a Sanctioned Person would put the Company or its Shareholders and investors at risk of being sanctioned; and to disclose in its annual reports or interim reports its efforts in monitoring its business exposure to sanctions risk, the status of future business, if any, in a Sanctioned Country and its business intentions, if any, relating to a Sanctioned Country. If the Company breaches the above undertaking to the Stock Exchange after the [REDACTED], it is possible that the Stock Exchange may delist its Shares. In order to ensure the Company's compliance with these undertakings to the Stock Exchange, the Group will continuously monitor and evaluate its business and take measures to protect its and its Shareholders' interests. For details of the Group's internal control procedures, please refer to the section headed "Business — Internal Control Measures" in this document.

The Group cannot predict the interpretation or implementation of government policy at the US federal, state or local levels or any policy by other applicable jurisdictions with respect to any of its or its affiliates' current or future activities in the Sanctioned Country, or with Sanctioned Persons. Furthermore, the Group cannot assure that its future business will be free of risk under sanctions implemented in these jurisdictions or that it will conform its business to the expectations and requirements of the US authorities or the authorities of any other government that do not have jurisdiction over its business, but nevertheless assert the right to impose sanctions on an extraterritorial basis.

RISK FACTORS

The Group's business and reputation could be materially and adversely affected if the government of the US, or any other governmental entity, were to determine that any of the Group's activities constitutes a violation of the sanctions they impose or provide a basis for a sanctions designation of the Group. In addition, as many sanctions programmes are evolving, new requirements or restrictions could come into effect which might increase scrutiny on the Group's business or result in one or more of on the Group's business activities being deemed to have violated sanctions, or being sanctionable. Therefore, before investing in the Shares, you should consider if such investment would expose you to any US, or other sanctions law risk arising from your nationality or residency. Any of these events could have an adverse effect on the value of your investment in the Group.

The Group may be subject to US export and re-export controls

The Group has confirmed that during the Track Record Period:

- (a) the Group has not incorporated US-origin items into any wider products manufactured by the Company. The products are re-transferred, in their original state, to customers in Myanmar, Laos, Malaysia, Thailand and Philippines;
- (b) the Group has not produced any other products incorporating US-origin parts, components, materials, software or technology; and
- (c) the US-origin products have only been supplied to Myanmar, Laos, Malaysia, Thailand and Philippines and have not been supplied to any other destinations, including Cuba, Syria, North Korea and Sudan.

Based on the foregoing, it is the assessment of DLA Piper UK LLP, the Group's legal advisors as to International Sanctions, that separate, written US re-export authorisation was probably not required for the re-transfer or re-export of the US-origin items to the end users, provided that there were no restrictions attached to the original deliveries of the US-origin items to the Group. However, the Group has not been able to provide a definitive list of US Export Control Classification Numbers ("**ECCNs**") for the US-origin items supplied to both commercial and state-owned telecommunications companies and ISPs in Myanmar and its wider customers in Laos, Malaysia, Thailand and Philippines. Nonetheless, without a definitive list of the correct ECCNs for the US-origin items, and the US authority for the original deliveries to the Group, it is not possible to make a definitive determination regarding the Group's compliance with US export and re-export controls.

Nonetheless, DLA Piper UK LLP has confirmed that, on the basis of (a) the information provided by the Company with respect to the US-origin items and (b) a list of the Group's customers during the Track Record Period, it considers the potential risk of any enforcement action being taken by the US authorities with respect to potential violations of US export and re-export controls to be remote, especially as DLA Piper UK LLP has not identified that any violations have actually occurred. Furthermore, DLA Piper UK LLP does not see any potential risk or liability to current or future investors and shareholders or the Stock Exchange, HKSCC, HKSCC Nominees and the SFC for any potential violations of the United States Export Administration Regulation, 15 C.F.R. Parts 730–774 ("**EAR**") by the Group.

In order to minimise any potential future US export or re-export control risk the Group has confirmed that for future orders it will:

- (a) stipulate that manufacturers and suppliers of US-origin item shall be responsible for shipping such items direct to the client's customers. This places the responsibility for export control compliance to the exporter of record (i.e. consignee); or

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- (b) ensure that it obtains any appropriate ECCNs and seeks legal advice regarding any necessary US export or re-export authorisations prior to transferring such items to its customers. A clear request for supplies to provide any relevant ECCNs should be written into the standard language in the Group's purchase orders and supply contracts and recorded when the goods are received.

In addition, the Group intends to develop and implement a practical export control compliance programme, focused on awareness raising, monitoring, tracking and screening re-export, re-transfer, re-supply and re-sale of US-origin items. The principal objectives of the export control compliance programme will be to: (a) identify US-origin items; (b) obtain any relevant ECCNs; (c) ensure that any applicable re-export authorisations are obtained; and (d) ensure that items subject to the EAR are not re-transferred to prohibited parties.

The Group's insurance coverage may be insufficient to protect the Group against potential liabilities arising during the course of operations

The Group maintains certain insurance policies. Please refer to the section headed "Business — Insurance" in this document for further information on the insurance policies maintained by the Group. The Group faces various operational risks in connection with its business which may not be insured adequately, for example, risks associated with its services as it is not common industry practice to do so. The Group does not maintain product liability insurance. Any losses and liabilities for which the Group is not insured to cover the entire liability may have a material adverse effect on its business, financial conditions and results of operations. Further, there is no assurance that the Group will be able to renew the existing insurance policies on commercially reasonable terms.

The Group currently does not own the properties on which it carries out its business, and the Group's profitability may be adversely affected by material fluctuations of the commercial property rental market, or other factors such as possession of the leased premises by the mortgage

The Group operates its business at premises which it leased from Independent Third Parties in Singapore, Malaysia and Hong Kong, respectively. As such, the Group is exposed to the risk of rental fluctuations of commercial buildings in these jurisdictions. Should there be any significant increase in the rental expenses of the Group's leased properties, the Group may experience substantial increases in its operating costs and its business, results of operations, financial positions may be materially and adversely affected.

In addition, there is no assurance that the Group will be able to renew the current tenancies of the premises it occupies upon their expiry. As at the Latest Practicable Date, the Group had leased one property in Singapore and another property in Malaysia both for use as office, R&D function and warehouse and one property in Hong Kong for use as office, the terms of which will expire on 31 December 2017, 31 May 2018 and 30 June 2018, respectively. There is no assurance that the tenancy agreements in respect of these leased premises will not be terminated before their expiration. In the event that the Group is not able to renew the current tenancies of premises upon their expiry or the tenancy agreements are terminated for any reason, the Group's business operations may be materially disrupted and its results of operations and financial performance may be adversely affected.

Under the terms of the tenancy agreement in respect of the leased premise in Singapore, the Group is required to maintain an insurance to cover certain prescribed risks with the landlord as the joint insurer. While the Group has maintained an insurance to cover some of the prescribed risks, the Group did not list the landlord as a joint insurer due to inadvertent oversight. Accordingly, the Group may be in breach for failure to take up the necessary

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insurance in compliance with the terms of the tenancy agreement, and the landlord may have the right to terminate the tenancy agreement by giving three (3) days notice and to require at its option and without prejudice to any of its other rights and remedies, appropriate and apply all or any part of the deposit payable to the landlord to compensate itself for its loss or damage or provide for any contingent liability incurred by it arising from the breach of any obligations and agreements on the part of the Group. In the event that the landlord makes such appropriation or application, the Group shall immediately pay to the landlord a sufficient amount to restore the deposit to the amount equivalent to three (3) months' rent and three (3) months' service charge in the total amount of S\$12,735 (equivalent to approximately US\$9,297).

In the event that the Group is not able to renew the current tenancies of premises upon their expiry of the tenancy agreements are so terminated, or the landlord of the leased property appropriates and applies all or any of the deposit, or takes possession of the leased property, the Group's business operations may be materially disrupted and its results of operations and financial performance may be adversely affected.

RISKS RELATED TO THE INDUSTRY IN WHICH THE GROUP OPERATES

The Group may become subject to export or import controls

The Group exports its products, services and solutions to various countries globally. Countries keep under regular review the regulation of the import and export of certain technology, products, services and solutions from/to their jurisdictions which could limit the Group's ability to export or import its products, services and solutions or its end users' ability to implement the Group's products, services and solutions in those countries. In the event that any of these countries imposes a trading ban or impose higher import restriction or laws and regulations in relation to the Group's products, services and solutions which the Group exports to these countries, the Group's business, financial conditions and results of operation may be materially and adversely affected.

In addition, changes in the Group's products, services and solutions or import and export regulations may delay the introduction of the Group's products in other countries, prevent the Group's end users with international operations from deploying the Group's products, services and solutions or, in some cases, prevent the transition of the Group's products, services and solutions to certain countries. Any change in export or import regulations or related legislation, shift in the enforcement approach, or change in the countries, persons or technologies targeted by such regulations could negatively impact the Group's ability to sell its solutions.

The Group's operations, investments and expansion plans may be affected by changes in the economic, political, legal and regulatory conditions

The Group's operations, investments and expansion plans may be materially and adversely affected by a variety of conditions and developments in countries which it operates or plans to operate in, including:

- (a) inflation, interest rates and general economic conditions;
- (b) civil unrest, military conflict, terrorism, change in political climate and general security concerns;
- (c) changes in duties payable and taxation rates;
- (d) natural disasters;

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- (e) imposition of restrictions on foreign currency conversion or the transfer of funds;
- (f) expropriation or nationalisation of private enterprise or confiscation of private property or assets; and
- (g) changes in laws or increase in regulatory control affecting the customers or the end users of the Group.

Should any of these risks materialise and the Group is unable to adapt its business strategies or operations accordingly, the Group's business, financial condition and results of operations may be adversely affected.

A downturn in global economic conditions or in any of the markets in which the Group operates may adversely affect its business, financial condition, results of operations and cash flows

Changes in global economic conditions and a downturn in any of the markets in which the Group operates may have a material adverse effect on the demand for its solutions and in turn, its financial condition, results of operations and prospects. In times of economic uncertainty and recession, the Group's customers may face extensive budgetary pressures, which may affect the volume of purchases, the extent and type of services they outsource and the amount they are willing to pay for such solutions. In such an event, the Group's business, financial condition and results of operations may be adversely affected.

In addition, the Group may not be in a position to implement its business strategies in adverse financial market conditions, and the Group's growth and profitability may in turn be adversely impacted.

RISKS RELATED TO THE [REDACTED]

As there has been no prior public market for the Shares before the [REDACTED], the liquidity and market price of the Shares following the [REDACTED] may be volatile

Prior to the [REDACTED], there has not been a public market for the Shares, and the Group cannot assure you that there will be an active and liquid market for the Shares after the [REDACTED]. If an active and liquid market for the Shares does not develop after the [REDACTED], the market price and liquidity of the Shares may be adversely affected.

The [REDACTED] may not necessarily be indicative of the market price of the Shares after the [REDACTED] is completed and investors may be unable to sell their Shares at or above the [REDACTED]. The prices at which the Shares will trade after the [REDACTED] will be determined by market forces and may be influenced by various factors, including, but not limited to:

- (a) variation in the Group's results of operations;
- (b) discrepancies between the Group's actual operating results and those expected by investors and securities analysts;
- (c) changes in securities analysts' estimates of the Group's results of operations and recommendations;
- (d) success or failure of the Group's management team in implementing business and growth strategies;

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- (e) announcements made by the Group about significant contracts, acquisitions, strategic alliances or joint ventures or capital commitments;
- (f) gain or loss of an important business relationship(s) with the Group's customers, channel partners and/or suppliers;
- (g) additions or departures of key management personnel and/or qualified personnel of the Group;
- (h) fluctuations in market prices for the Group's solutions;
- (i) any volatility in the securities markets, including prices and volume;
- (j) the Group's prospects, as well as those of the industry in which the Group competes;
- (k) the valuation of companies that are engaged in business activities similar to that of the Group;
- (l) involvement in litigation; and
- (m) changes in conditions affecting the industry, the general economic conditions or securities markets sentiments or other events and factors.

The Group can give no assurance that these developments will not occur in the future.

Future issuance of Shares by the Group and sale of Shares by the Group's existing Shareholders may adversely affect the price of the Shares

In the event the Group issues, or its Shareholders sell, substantial amounts of the Shares in the public market following the [REDACTED], the price of the Shares will experience downward pressure. In addition, the Share price may also come under downward pressure if certain of the Group's Shareholders sell their Shares upon the expiry of their [REDACTED] periods. Sale of substantial amounts of the Shares in the public market, or the perception that such sale may occur, could adversely affect the prevailing market price of the Shares.

The Group may require additional funding in the form of equity or debt for its future growth, which may cause dilution in Shareholders' equity interest

Following the [REDACTED], the Group may pursue opportunities to grow its business through joint ventures, strategic alliances, acquisitions or investment opportunities. However, there is no assurance that the Group will be able to obtain additional funding on terms that are acceptable to it or at all. If the Group is unable to do so, the Group's future plans and growth may be adversely affected.

To the extent that funds generated from operations have been exhausted, the Group may have to raise additional funds to meet new financial requirements which may be by way of a further rights offering (which would be subject to Shareholders' approval if necessary) or through the issuance and placement of [REDACTED].

An issue of Shares or other securities to raise funds, even where the issue is at a premium to the market price, will dilute Shareholders' equity interests and may, in the case of a rights issue, require additional investments by Shareholders. Furthermore, an issue of Shares below the prevailing market price will also affect the value of Shares then held by investors.

RISK FACTORS

In addition, any additional debt funding may restrict the Group's freedom to operate its business as it may have conditions that:

- (a) limit the Group's ability to pay dividends, limit the amount of dividends the Group may pay or require the Group to seek consent for the payment of dividends;
- (b) increase the Group's vulnerability to general adverse economic and industry conditions;
- (c) require the Group to dedicate a portion of its cash flow from operations to repayments of its debt, thereby reducing the availability of its cash flow for capital expenditures, working capital and other general corporate purposes; and
- (d) limit the Group's flexibility in planning for, or reacting to, changes in the Group's business and industry.

The current disruptions, volatility or uncertainty of the credit markets could limit the Group's ability to borrow funds or cause the Group's borrowings to be more expensive. As such, the Group may be forced to pay unattractive interest rates, thereby increasing its interest expense, decreasing its profitability and reducing its financial flexibility if it takes on additional debt financing.

Investors may not be able to participate in future rights issues or certain other equity issues of the Shares

In the event that the Group issues [REDACTED], the Group may elect not to offer those Shares to its existing Shareholders at the time of issue, except where the Group elects to conduct a rights issue. However, in electing to conduct a rights issue or certain other equity issues, the Group may be subject to certain regulations as to the procedures to be followed in making such rights available to Shareholders or in disposing of such rights for the benefit of such Shareholders and making the [REDACTED] available to them.

Accordingly, certain Shareholders may be unable to participate in future equity offerings by the Group and may experience dilution in their shareholdings as a result.

Control by the Shareholders of the Group's share capital after the [REDACTED] may limit investors' ability to influence the outcome of decisions requiring the approval of Shareholders

After the completion of the [REDACTED], the Group's Controlling Shareholders will be able to significantly influence the Group's corporate actions such as mergers or take-over attempts in a manner which may not be in line with the interests of the Group's public Shareholders. They may also have veto powers in relation to any Shareholder's action or approval which requires a special resolution except in situations where they are required by the GEM Listing Rules or any other applicable law or undertakings given by them and their associates to abstain from voting. Such concentration of ownership may also have the effect of delaying, preventing or deterring a change in control of the Group which may not benefit its Shareholders.

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There can be no assurance that the Company will declare or distribute dividends in the future

The Group currently does not have a fixed 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.

In addition, the Company's ability to declare dividends to its Shareholders in the future will be contingent on the future financial performance of the Group and its distributable reserves. This is in turn dependent on the Group's ability to implement its future plans, and on regulatory, competitive, technical factors such as general economic conditions, demand for and selling prices of the Group's products and services and other factors exclusive to the industry in which the Group operates. Any of these factors could have a material adverse effect on the Group's business, financial condition and results of operations, and hence the Company cannot assure you that it will be able to pay dividends to its Shareholders after the completion of the [REDACTED].

The ability of the Company's subsidiaries to pay dividends will depend on their earnings and cash flows and will be subject to laws and regulations of the relevant jurisdictions where they operate. The receipt of dividends from the Company's subsidiaries or associated companies may also be affected by the passage of new laws, adoption of new regulations and other events outside the Group's control, and the Company's subsidiaries or associated companies may not continue to meet the applicable legal and regulatory requirements for the payment of dividends in the future. Source withholding tax may also apply to dividends and distributions from the Company's subsidiaries or associated companies to the Company.

Furthermore, in the event that the Group is required to enter into any loan arrangements with any financial institutions, certain covenants in the loan agreements may limit when and how much dividends the Company can declare and pay out, or may also restrict the ability of the Company's subsidiaries to make contributions to the Company and the Company's ability to receive distributions.

If the Company's subsidiaries stop paying dividends or reduce the amount of the dividends they pay to the Company, or dividends become subject to increased tax because of changes in ownership of the Company's subsidiaries or changes in tax laws or treaties, it would have an adverse effect on the Company's ability to pay dividends on its Shares.

Investors of the Shares in the [REDACTED] will experience immediate dilution because the [REDACTED] is higher than the net tangible assets per Share

Based on the [REDACTED] range of HK\$[REDACTED] and HK\$[REDACTED] per [REDACTED], the unaudited pro forma adjusted combined net tangible assets per Share of HK\$[REDACTED] and HK\$[REDACTED]. As the [REDACTED] is expected to be higher than the pro forma net tangible assets per Share immediately prior to the [REDACTED], the holders of the [REDACTED] will experience an immediate dilution in pro forma net tangible asset value per Share.

RISK FACTORS

Negative publicity which includes those relating to any of the Directors, members of senior management team or Controlling Shareholders may adversely affect the market price of the Shares

Negative publicity or announcements relating to any of the Directors, members of senior management team or Controlling Shareholders may adversely affect the market perception of the Group or the performance of the market price of the Shares, whether or not it is justified. For instance, such negative publicity may arise from unsuccessful attempts in joint ventures, acquisitions or take-overs, or involvement in litigation or insolvency proceedings.

Investors may face difficulties in protecting their interests because the Company is incorporated under Cayman Islands laws, and the laws of the Cayman Islands for minority shareholders protection may be different from those under the laws of Hong Kong or other jurisdictions

The Company's corporate affairs are governed by the Memorandum, the Articles, and by the Cayman Company Law and common law of the Cayman Islands. The laws of the Cayman Islands relating to the protection of the interests of minority shareholders differ in some respects from those established under statutes and judicial precedent in existence in Hong Kong and other jurisdictions. These differences may mean that the remedies available to the minority Shareholders may be different from those they would have under the laws of Hong Kong or other jurisdictions.

RISKS RELATED TO STATEMENTS IN THIS DOCUMENT

Investors should read the entire document and should not rely on any information contained in press articles, websites or other media coverage regarding the Group and the [REDACTED]

The Group strongly cautions its investors not to rely on any information contained in press articles, websites or other media regarding it and the [REDACTED]. Prior to the publication of this document, there may be press, website and media coverage regarding the [REDACTED] and the Group. Such press, website and media coverage may include references to certain information that does not appear in this document, including certain operating and financial information and projections, valuations and other information. The Group has not authorised the disclosure of any such information in the press, website or media and does not accept any responsibility for any such press, website or media coverage or the accuracy or completeness of any such information or publication. The Group wishes to emphasise to prospective investors that it does not accept any responsibility for the accuracy or completeness of the information contained in any press articles or other media coverage, and such information that was not sourced from or authorised by it. The Group makes no representation as to the appropriateness, accuracy, completeness or reliability of any such information or publication. To the extent that any such information is inconsistent or conflicts with the information contained in this document, the Group disclaims responsibility for such inconsistency and conflicts and its investors should not rely on such information. Accordingly, in all cases, prospective investors should give consideration as to how much weight or importance they should attach to, or place on, such press articles or other media coverage.

RISK FACTORS

The Group cannot guarantee the accuracy of facts, forecasts and other statistics with respect to certain information obtained from official government and other sources contained in this document

This document includes certain data, information, financial analysis, forecast, figures and statements, assumptions and projections from various external sources. The Group believes that the sources of this information are appropriate sources for such information and have taken reasonable care in extracting and reproducing such information. The Group has no reason to believe that such information is false or misleading or that any fact has been omitted that would render such information false or misleading in any material respect. Although the Group has taken reasonable care in the reproduction of the information, such information has not been prepared or independently verified by the Group, the Sole Sponsor, the [REDACTED], the [REDACTED], the [REDACTED] or any of the Group's or their respective directors, officers, agents, employees, affiliates or advisers or any other party involved in this document. Therefore, the Group cannot assure its investors as to the accuracy and reliability of such facts, forecasts and statistics. Due to the possibility of flawed or ineffective collection methods or discrepancies between published information and market practice and other problems, the statistics in this document may be inaccurate or may not be comparable to statistics produced for other economies, and the investors should not place undue reliance on them. Furthermore, the Group cannot assure its investors that they are stated or compiled on the same basis, or with the same degree of accuracy, as similar statistics presented elsewhere. In all cases, the investors should consider carefully how much weight or importance they should attach to or place on such facts, forecasts or statistics.

No person is authorised to give any information in connection with this document or to make any representation not contained in this document, and any information or representation not contained herein must not be relied upon as having been authorised by the Group, the Sole Sponsor, the [REDACTED], the [REDACTED], the [REDACTED], any of the Group's or their respective directors, officers, agents, employees, affiliates or advisers or any other party involved in this document.

Forward-looking statements contained in this document are subject to risks and uncertainties

This document contains forward-looking statements with respect to the Group's business strategies, operating efficiencies, competitive positions, growth opportunities for existing operations, plans and objectives of management, certain pro forma information and other matters. The words "anticipate", "believe", "expect", "may", "plan", "consider", "ought to", "should", "would", "shall", "will" and the negative of these terms and other similar expressions identify a number of these forward-looking statements. These forward looking statements, including those relating to the Group's future business prospects, capital expenditure, cash flows, working capital, liquidity and capital resources are necessarily estimates reflecting the best judgment of the Directors and management of the Group and involve a number of risks and uncertainties that could cause actual results to differ materially from those suggested by the forward-looking statements. As a consequence, these forward-looking statements should be considered in light of various important factors, including those set out in the section headed "Risk Factors" in this document. Accordingly, such statements are not a guarantee of future performance and investors should not place undue reliance on any forward-looking information. All forward-looking statements in this document are qualified by reference to this cautionary statement.

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[REDACTED]

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INFORMATION ABOUT THIS DOCUMENT AND THE [REDACTED]

[REDACTED]

DIRECTORS AND PARTIES INVOLVED IN THE [REDACTED]

DIRECTORS

<u>Name</u>	<u>Residential Address</u>	<u>Nationality</u>
<i>Executive Directors</i>		
Mr. Foo Moo Teng (符懋胜)	21 Jalan Kesoma Singapore 538132	Singaporean
Mr. Edgardo Osillada Gonzales II . .	Block 122A Sengkang East Way #02-39 Rivervale Bank Singapore 541122	Filipino
<i>Independent non-executive Directors</i>		
Mr. Park Jee Ho	201-1211 307 Yeoksam-ro, Gangnam-gu Seoul, South Korea	Korean
Ms. Lim Joo Seng (林友欣)	8 Jalan BK 6B/11 Bandar Kinrara 47100 Puchong Malaysia	Malaysian
Mr. Chan Ming Kit (陳銘傑)	Flat E, 30 Floor, Tower 1 The Apex, 33 Wo Yi Hop Road Kwai Chung, New Territories Hong Kong	Chinese

For further information on the profile and background of the Directors, please refer to the section headed "Directors and Senior Management" in this document.

DIRECTORS AND PARTIES INVOLVED IN THE [REDACTED]

PARTIES INVOLVED IN THE [REDACTED]

Sole Sponsor **Southwest Securities (HK) Capital Limited**
40/F., Lee Garden One
33 Hysan Avenue
Causeway Bay
Hong Kong

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DIRECTORS AND PARTIES INVOLVED IN THE [REDACTED]

	<i>As to the Singapore Private Security Industry Act</i> Harry Elias Partnership LLP 4 Shenton Way #17-01 SGX Centre 2 Singapore 068807
Legal advisers to the Sole Sponsor and the [REDACTED]	<i>As to Hong Kong laws</i> [REDACTED]
Auditors and reporting accountants	Mazars CPA Limited 42/F, Central Plaza 18 Harbour Road Central Hong Kong Mazars LLP 135 Cecil Street #10-01 MYP Plaza Singapore 069536
Industry Expert	China Insights Consultancy Limited Room 1203, Shanghai International Group Building 511 Weihai Road Jing'an District Shanghai, PRC 200041
Receiving Bank	[●]

CORPORATE INFORMATION

Registered office	P.O. Box 309 Ugland House Grand Cayman KY1-1104 Cayman Islands
Principal place of business in Hong Kong registered under Part 16 of the Companies Ordinance	Unit 09, 16/F Wellborne Commercial Centre 8 Java Road, North Point Hong Kong
Headquarters and principal place of business in Singapore	12 Tannery Road 08-03, HB Centre 1 Singapore 347722
Company's website	www.nexion.com.hk <i>(Note: the information contained in this website does not form part of this document)</i>
Company secretary	Mr. Yeung Kwong Wai <i>HKICPA (practising), AICPA and CFA</i> Flat F, 52 Floor, Tower 6 Ocean Shores 88 O King Road Tseung Kwan O New Territories Hong Kong
Authorised representatives <i>(for the purpose of the GEM Listing Rules)</i>	Mr. Yeung Kwong Wai Flat F, 52 Floor, Tower 6 Ocean Shores 88 O King Road Tseung Kwan O New Territories Hong Kong
	Mr. Foo Moo Teng 21 Jalan Kesoma Singapore 538132
Compliance officer	Mr. Foo Moo Teng
Audit committee	Ms. Lim Joo Seng (<i>Chairman</i>) Mr. Park Jee Ho Mr. Chan Ming Kit
Remuneration committee	Mr. Chan Ming Kit (<i>Chairman</i>) Mr. Edgardo Osillada Gonzales II Mr. Park Jee Ho
Nomination committee	Mr. Chan Ming Kit (<i>Chairman</i>) Mr. Foo Moo Teng Ms. Lim Joo Seng

CORPORATE INFORMATION

Principal share registrar and transfer office [REDACTED]

Hong Kong branch share registrar and transfer office [REDACTED]

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OCBC Centre
Singapore 049513

CIMB Bank Berhad
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Jalan Stesen Sentral 2
Kuala Lumpur Sentral
50470 Kuala Lumpur
Malaysia

OCBC Wing Hang Bank Limited
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Central
Hong Kong

Compliance adviser Southwest Securities (HK) Capital Limited
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33 Hysan Avenue
Causeway Bay
Hong Kong

INDUSTRY OVERVIEW

Certain information and statistics relating to the Group's industry provided in this section have been derived from official government sources and other publications and from the market research report prepared by the Industry Expert, China Insights Consultancy Limited, which was commissioned by the Company. The Directors believe that the sources of the information in this "Industry Overview" section are appropriate sources for such information, and has taken reasonable care in extracting and reproducing such information. The Directors have no reason to believe that such information is materially false or misleading, and no fact has been omitted that would render such information materially false or misleading. However, the information has not been independently verified by the Company, the Sole Sponsor, the [REDACTED], the [REDACTED] and the [REDACTED] or any other party involved in the [REDACTED].

INDUSTRY REPORT

The Group commissioned the Industry Expert, China Insights Consultancy Limited, an independent market researcher and consultant, to conduct a research and analysis of, and to produce a report on the cyber infrastructure and cyber security solutions industry in Southeast Asian countries. The Industry Expert is a professional industry consulting firm based in the PRC which has served customers who seek to raise funds through public stock offerings. The Group paid a fee of US\$57,500 (equivalent to approximately HK\$448,500) to the Industry Expert for the preparation and use of the Industry Report.

The Industry Expert conducted both primary and secondary research through various resources. Primary research involved interviewing key industry experts and leading industry participants. Secondary research involved analysing data from various publicly available data sources.

The market projections in the Industry Report are based on the following key assumptions:

- Southeast Asian countries' economy and industry development are likely to maintain a steady growth in the next decade;
- Related industry key drivers are likely to drive the growth of global and Southeast Asian countries' markets in the forecast period, such drivers include expenditure on IT investment, penetration of internet users, mobile broadband subscriptions, and mobile cellular telephone subscriptions, major players' R&D expenditure to develop new products, business model evolution, policies and regulation, etc.; and
- There is no extreme force majeure or industry regulation in which the market may be affected dramatically or fundamentally.

The Directors confirm that, after reasonable and due inquiry, there has been no adverse change in the market information which may limit, contradict or affect the information in this section of the document since the finalisation of the Industry Report.

INDUSTRY OVERVIEW

INTRODUCTION TO CYBER INFRASTRUCTURE AND CYBER SECURITY SOLUTIONS MARKET

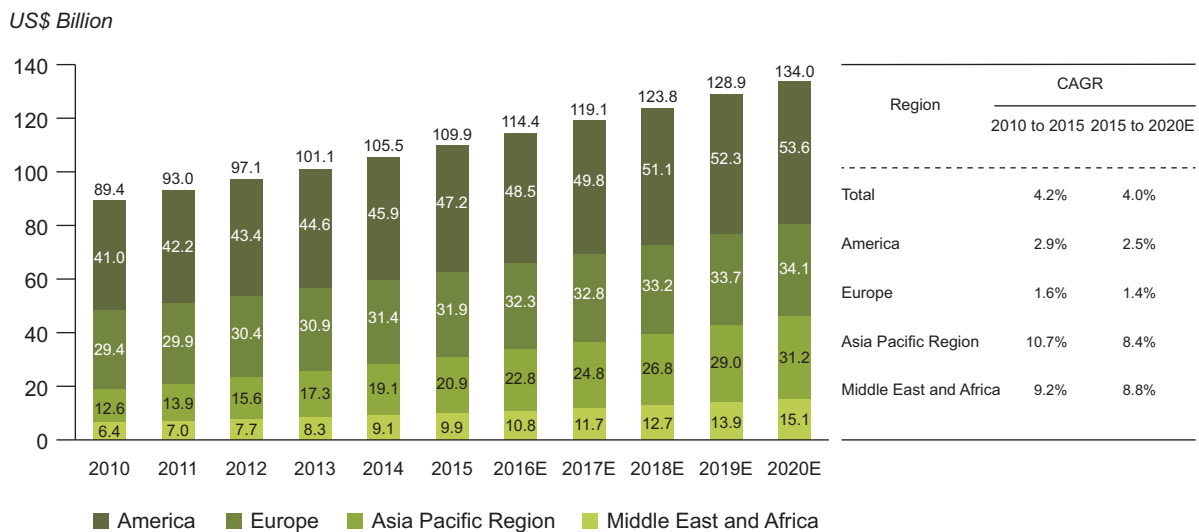
Market Overview

Overview of cyber infrastructure solutions market

Cyber infrastructure consists of computing systems, data storage systems, advanced instruments and data repositories, visualisation environments, and people, linked together by software and high performance networks. Requirements of different organisations are rather diversified. Large organisations such as government institutions, telecommunications companies, financial organisations and large enterprises often employ a professional company to customise a solution for the establishment of their cyber infrastructure, which can fulfil their requirements for cyber infrastructure and cyber security.

The global cyber infrastructure solutions market has grown from approximately US\$89.4 billion in 2010 to approximately US\$109.9 billion in 2015, representing a CAGR of approximately 4.2% and is estimated to expand from approximately US\$109.9 billion in 2015 to approximately US\$134.0 billion in 2020, representing a CAGR of approximately 4.0%.

Market Size and Forecasts of Cyber Infrastructure Market, Global, from 2010 to 2020E



Source: Industry Report

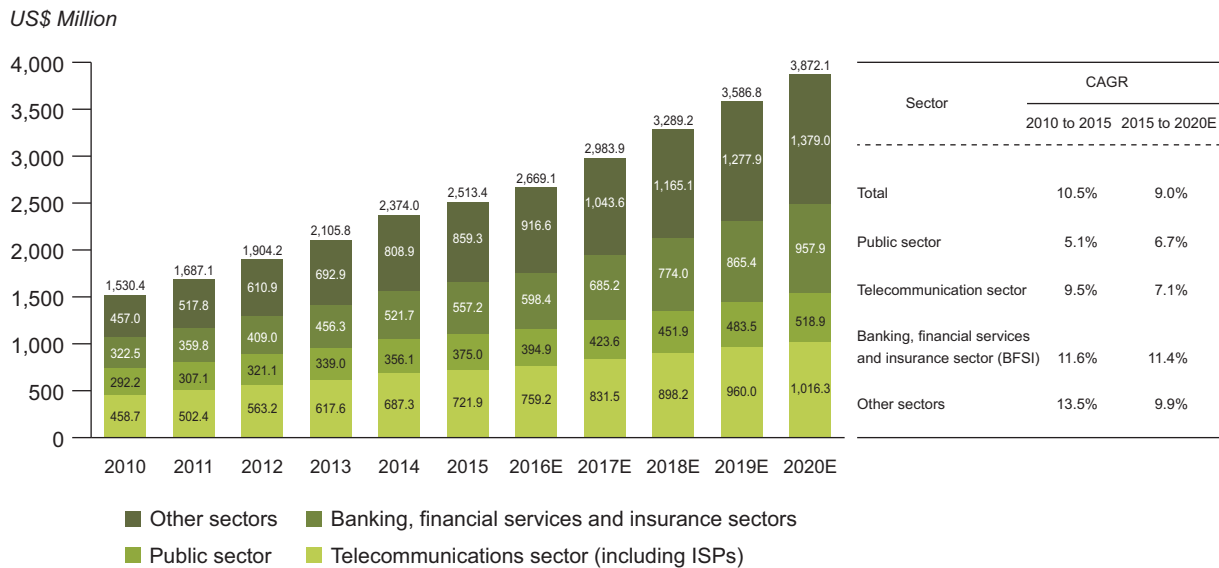
During recent years, developing countries, especially those countries in the Asia Pacific region, have become the engine of the development of the global cyber infrastructure solutions market, growing at a CAGR of approximately 10.7% from 2010 to 2015 and is estimated to grow at a CAGR of approximately 8.4% from 2015 to 2020. This is due to economy of the developing countries in the Asia Pacific region growing steadily, which attracts considerable multinational enterprises and foreign investment. Furthermore, since the world has entered a digitalised era, organisations have to be equipped with proper cyber infrastructure for international communication and information interaction. The cost of basic cyber infrastructure equipment and services has reduced considerably, which makes the establishment of cyber infrastructure facilities much more affordable.

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The cyber infrastructure solutions market of Southeast Asia had grown from approximately US\$1,530 million in 2010 to approximately US\$2,514 million in 2015, representing a CAGR of approximately 10.5%, and it is expected to continue to grow from approximately US\$2,514 million in 2015 to approximately US\$3,872 million in 2020, representing a CAGR of approximately 9.0%.

The demand for cyber infrastructure solutions from the financial sector as well as other sectors has been enhanced significantly between 2010 and 2015. As the labour cost in China has increased, many multinational enterprises have started to migrate their primary manufacturing plants from China to Southeast Asian countries. It is expected that this trend will continue in the forthcoming years and as a result, the strong demand for cyber infrastructure solutions will not weaken.

Market Size and Forecasts of Cyber Infrastructure Market by Sector, Southeast Asia, 2010 to 2020E



Source: Industry Report

The Group's customers in its cyber infrastructure solutions business are mainly in the telecommunication sector. The telecommunication sector in the cyber infrastructure solutions market of Southeast Asia had grown from approximately US\$459 million in 2010 to approximately US\$722 million in 2015, representing a CAGR of approximately 9.5%, and it is expected to continue to grow from approximately US\$722 million in 2015 to approximately US\$1,016 million in 2020, representing a CAGR of approximately 7.1%. Telecommunication sector has inherent strong demand on cyber infrastructure solutions, especially due to the wide application of mobile network.

According to the Industry Report, cyber infrastructure solutions market in Malaysia, Myanmar, and the Philippines are expected to grow with CAGR of over 11.5% between 2015 and 2020.

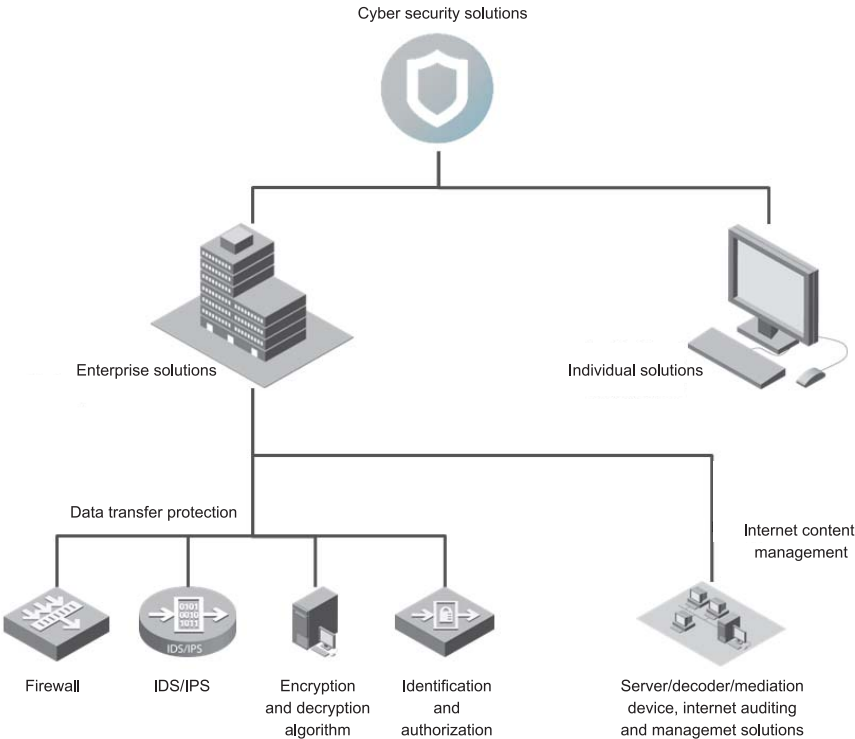
Overview of cyber security solutions market

Cyber security refers to the products, technologies, processes and practices designed to protect networks, computers, programs and data by preventing and detecting attack, damage, unauthorised access or data leakage, as well as manage internet content. Generally, cyber security solutions can be grouped into two broad categories: enterprise cyber security solutions

INDUSTRY OVERVIEW

and individual cyber security solutions. Enterprise cyber security solutions can be further divided into two categories: data transfer protection solutions and content management solutions. Data transfer protection solutions safeguard enterprises from cyber attack and data tampering, while content management solutions enable authorised parties to collect, filter, decode, reconstruct and respond to the information transferred over the internet. Internet content management solutions are designed to collect and manage the information transmitted over the internet. The Group's cyber security solutions business mainly focuses on internet content management solutions.

The diagram below illustrates what cyber security solutions entail:

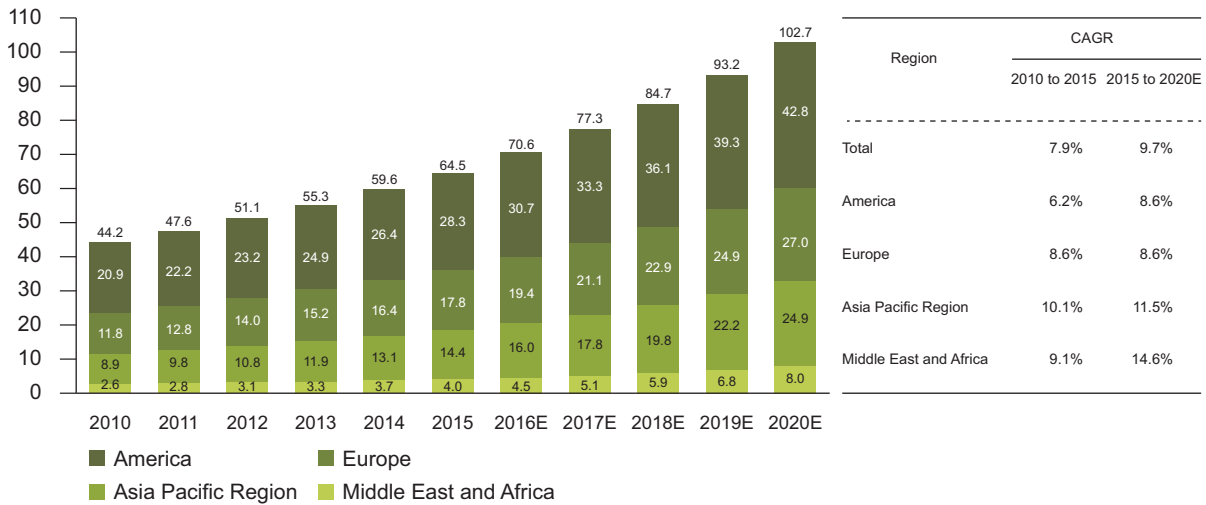


The global cyber security solutions market is estimated to expand at a CAGR of approximately 9.7% from 2015 to 2020. Although the cyber security solutions market in the Asia Pacific region is less matured as compared to developed American and European countries, it is catching up at a relatively fast speed. The cyber security solutions market in Middle East and Africa is also expanding. During the forthcoming years, the developing speed of the global cyber security solutions market is expected to be further accelerated, as more and more enterprises are aware of the consequences of inadequate cyber security protection, and therefore pay greater attention to this issue.

INDUSTRY OVERVIEW

Market Size and Forecasts of Cyber Security Market by Region, Global, 2010 to 2020E

US\$ Billion

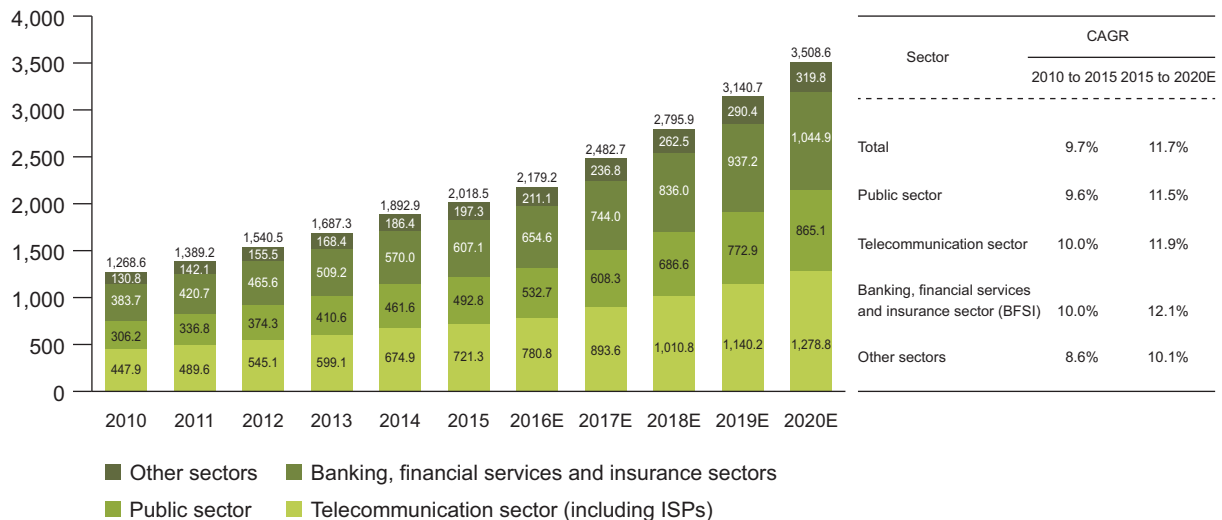


Source: Industry Report

The Southeast Asian enterprise cyber security solutions market had grown from approximately US\$1,269 million in 2010 to approximately US\$2,019 million in 2015, representing a CAGR of approximately 9.7% and it is estimated to grow from approximately US\$2,019 million in 2015 to approximately US\$3,509 million in 2020, representing a CAGR of approximately 11.7%. The compulsory compliance and increasing focus on information security of financial industry has propelled this growth.

Market Size and Forecasts of Enterprise Cyber Security Market by Sector, Southeast Asia, 2010 to 2020E

US\$ Million

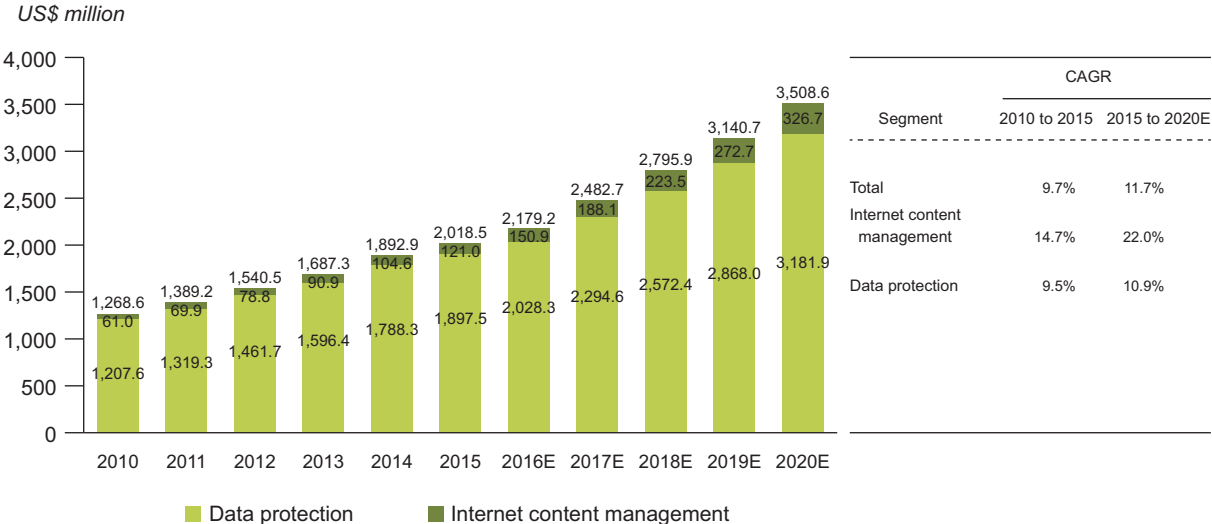


Source: Industry Report

INDUSTRY OVERVIEW

The internet content management sub-segment (which the Group’s cyber security solutions are in) in Southeast Asia had grown from approximately US\$61 million in 2010 to approximately US\$121 million in 2015, representing a CAGR of approximately 14.7% and is expected to grow from approximately US\$121 million in 2015 to approximately US\$327 million in 2020, representing a CAGR of approximately 22.0%. The primary driving force for this growth is the rapid digitalisation in countries such as Malaysia, Indonesia, Philippines, and Vietnam. This has increased the demand for many organisations including the governments to integrate content analytics to gain users insights.

Market Size and Forecasts of Enterprise Cyber Security Market by Segment, Southeast Asia, 2010 to 2020E



Source: Industry Report

Competitive Landscape

Cyber infrastructure solutions market

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 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 are mainly cyber infrastructure equipment suppliers and their channel partners suppliers.

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The following table sets out the cyber infrastructure solutions market structure in Southeast Asia countries in terms of revenue value in 2015:

Rank	Key players	Headquarters location	Estimated revenue in 2015 (US\$ Million)	Estimated market share	Business scope
1	NCS (Singtel)	Singapore	508.9	20.2%	Cyber infrastructure solutions
2	NEC	Japan	318.7	12.7%	Cyber infrastructure solutions and software development solutions
3	Dimension Data/NTT	Japan	191.9	7.6%	Cyber infrastructure solutions and software development solutions
4	IBM Global Technology Services	US	171.8	6.8%	Cyber infrastructure solutions and software development solutions
5	VADS TM Subsidiary	Malaysia	153.8	6.1%	Cyber infrastructure solutions
	Top 5		1,345.1	53.4%	
	Others		1,168.3	46.6%	
	Total		2,513.4	100%	

Source: Industry Report

Based on the Group's revenue from its cyber infrastructure solutions business in 2015 of approximately US\$2.0 million, the market share of the Group in the cyber infrastructure solutions market in Southeast Asian countries was approximately 0.08% in 2015.

INDUSTRY OVERVIEW

Cyber security solutions market

According to the Industry Report, 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 are mainly developers of cyber security software or equipment and their channel partners. The following table sets out the key players in the internet content management market in Southeast Asian countries in 2015:

Rank	Key players	Headquarters location	Estimated revenue in 2015 (US\$ million)	Estimated market share	Business scope
1	Verint	US	17.6	14.5%	Customer analytics, workforce performance optimisation solutions, banking security and fraud investigation solutions, enterprise compliance solutions
2	Blue coat (Acquired by Symantec)	US	14.5	12.0%	Advanced web security solutions and network, web, cloud threats management solutions
3	NICE	Israel	9.3	7.7%	Financial crime detection and prevention, regulatory compliance management solutions
4	Omniture (Acquired by Adobe)	US	7.6	6.3%	Advanced marketing cloud solutions, media optimisation solutions, web data analytics and content management solutions
5	Websense (Acquired by Forcepoint)	US	6.4	5.3%	Advanced web analytics, content security
	Top 5		55.4	45.8%	
	Others		65.6	54.2%	
	Total		121.0	100%	

Source: Industry Report

Based on the Group's revenue from its cyber security solutions business in 2015 of approximately US\$1.6 million, the market share of the Group in the internet content management market in Southeast Asian countries is approximately 1.3% in 2015.

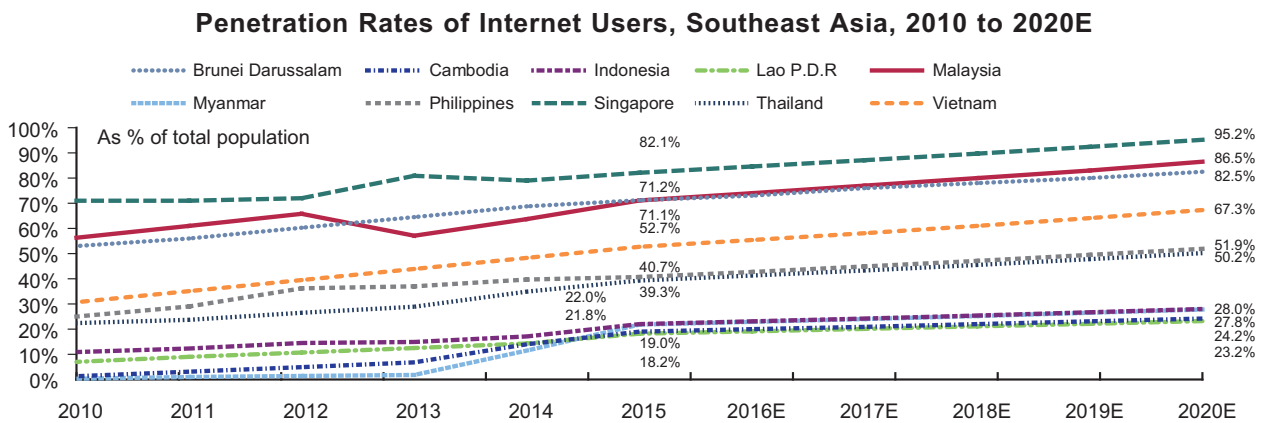
INDUSTRY OVERVIEW

KEY DRIVERS AND OPPORTUNITIES FOR THE CYBER INFRASTRUCTURE AND CYBER SECURITY SOLUTIONS MARKET IN SOUTHEAST ASIAN COUNTRIES

According to the Industry Report, the key drivers for the cyber infrastructure and cyber security solutions market in Southeast Asian countries include increased internet penetration, country level supportive regulations and increasing IT investment.

Southeast Asian countries' penetration rates of number of internet users

Southeast Asian countries' penetration rates of number of internet users are expected to grow between 2015 and 2020, providing strong basis for cyber infrastructure and cyber security solutions market growth as demonstrated by the chart below:



Source: Industry Report

Major Southeast Asian countries have released favourable policies and programs

Below are some of the policies and national programs of some of the Southeast Asian countries which will help develop the cyber infrastructure and cyber security solutions market:

Country	Policies and programs
Singapore	<ul style="list-style-type: none"> ● Policy motivated by government: The government supports the development of ICT enabled landscapes, via investment in cloud, big data, mobility, social business, Smart Nation programs, connected smart machines and intelligent sensors. ● Cyber Security Masterplan 2018/Smart Nation: These plans reinforce Singapore's cyber security by intensifying efforts in the government and critical infocomm infrastructure (CII) as well as the wider infocomm ecosystem which includes businesses and individuals.
Malaysia	<ul style="list-style-type: none"> ● Increasing adoption of mobile, cloud, social and information technology: The increase in internet connected devices drives demand for new security technology and services. The government's focus on cyber security will be imperative for the development of cloud computing and other technology sectors.

INDUSTRY OVERVIEW

Country	Policies and programs
	<ul style="list-style-type: none"> ● Government & critical sectors conducting exercise on how to respond to cyber crisis: The government is developing high-level of national preparedness in preparation for cyber crisis, and participation by critical sectors is increasing every year.
Philippines	<ul style="list-style-type: none"> ● Increasing demands from service industry: The Philippines is also a global services provider, providing data processing and other back-end services to the world. All of these services are based on sufficient cyber infrastructure to communicate with clients timely and accurately. ● Government’s support of upgrading cyber infrastructure: The government plans to upgrade cyber infrastructure that would allow faster internet speeds and free Wifi access in public areas, as well as the computerisation of all government services. The need for a more effective cyber security in Philippines would help market growth.
Myanmar	<ul style="list-style-type: none"> ● Engagement in some regional multilateral and bilateral cyber-related discussions: Myanmar has engaged with other countries to develop its cyber policy and cyber capability. ● Boosted education sector: The government has announced an increase in its spending on education to train ICT technicians, which is likely to help the market expansion.

The IT investment in Southeast Asian countries is expected to grow

The total investment on IT industry in Southeast Asian countries increased from US\$46.3 billion in 2010 to approximately US\$62.4 billion in 2015, registering a CAGR of approximately 6.1%. In the next five years, this market is expected to expand to approximately US\$82.3 billion in 2020 with the CAGR of approximately 5.7%. The investment in the telecommunications sector is expected to reach US\$8.2 billion in 2020.

PRICE TRENDS OF COMPUTER EQUIPMENT AND LABOUR

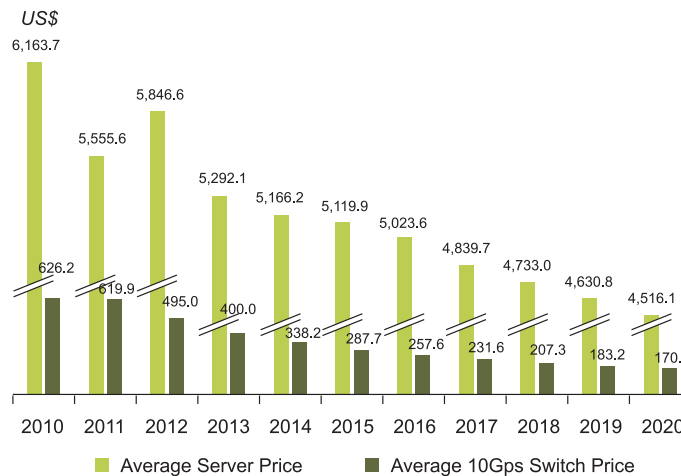
Computer equipment and labour are the major cost of the Group which may have an impact on the profitability of the Group.

INDUSTRY OVERVIEW

Price trend of computer equipment

The prices of memory, servers and switches products was generally in downward trend from 2010 to 2015 and is estimated to be in a downward trend from 2015 to 2020. It helps the cyber infrastructure and cyber security solutions providers offer products and services with better customer value. The chart below illustrates the price history of x86 servers and 10Gps switches between 2010 and 2015:

Price History of x86 Servers and 10Gps Switches, World, 2010–2020E

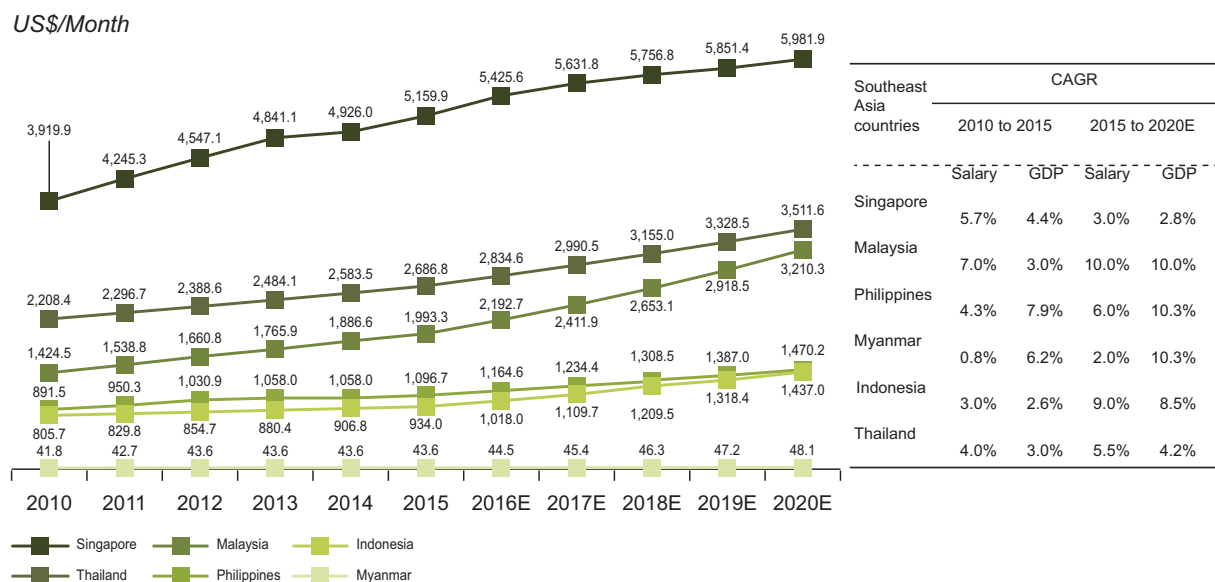


Source: Industry Report

Trend of labour cost

The labour cost is one of the main cost components in cyber infrastructure and cyber security solutions market, and its growing trend between 2015 and 2020 may lead to a negative impact on gross margin of solution providers. The chart below shows the trend of average salary level of labour forces in IT industry in Southeast Asia:

Average Salary Level of Labour Forces in IT Industry, Southeast Asia, 2010 to 2020E



Source: Industry Report

INDUSTRY OVERVIEW

MAJOR CHALLENGE

The major challenge for cyber infrastructure and cyber security solutions market in major Southeast Asian countries is shortage of experienced and skilled ICT professionals.

Other challenges include unpredictable political status in some developing Southeast Asian countries which will lead to economy and demands fluctuation and major ICT market players with established brands entering the same market the Group is operating in.

BARRIERS TO THE MARKET

There are common entry barriers such as experienced ICT professionals, relationship with suppliers and clients, and proven track records.

Cyber infrastructure solutions and cyber security solutions in telecommunications and government sectors are much more sophisticated than in manufacturing or other sectors. Sophisticated solutions raise the requirements for experienced technical engineers, proven track records and the entry barrier. In particular, the telecommunications and government sectors are more willing to pay for solutions offered by solution providers experienced in the sector. An industry participant will take years of operation to establish convincing record.

By establishing stable business relationships with hardware managements and/or software developers, service providers can obtain favourable credit terms, delivery and exchange conditions and customer support from the manufacturers and/or developers. These relationships develop over time which potentially forms an entry barrier for new entrants.

REGULATORY OVERVIEW

A summary of certain major laws and regulations in relation to the Group's business is set forth below. Information contained in this section should not be construed as a comprehensive summary of laws or regulations applicable to the Group.

OVERVIEW

During the Track Record Period, the business activities of the Group were principally based in Singapore and Malaysia. The Group incorporated Nexion (Hong Kong) in May 2016 to carry out sales and marketing activities in Hong Kong. As at the Latest Practicable Date, Nexion (Hong Kong) has not commenced any such sales and marketing activities.

SINGAPORE LAWS AND REGULATIONS

(I) Laws and regulations relating to Business

Netsis (Singapore) is engaged in the provision of cyber infrastructure solutions and Expert Team is engaged in the provision of cyber security solutions. Below is a summary of salient Singapore legal and regulatory provisions and licensing requirements applicable to the Group's business operations in Singapore:

(a) *Telecommunications Act, Chapter 323 of Singapore ("TA")*

The TA and the regulations promulgated thereunder regulate the operation and provision of telecommunication systems and services in Singapore, and for the matters therewith. Under the TA, any person who intend to manufacture, import, hire, sell, offer or possess for sale any telecommunication equipment requires either a Telecommunication Dealer's (Individual) Licence or a Telecommunication Dealer's (Class) Licence. Telecommunication Dealer's (Class) Licence is required for a dealer who manufactures, imports, lets for hire, sells, or offers or possesses for sale any registered telecommunication equipment. Telecommunication Dealer's (Individual) Licence is required for a dealer who manufactures, imports, lets for hire, sells, or offers or possesses for sale any registered equipment and unregistered telecommunication equipment for re-export and not for use in Singapore.

Generally, any person guilty of an offence under the TA or any regulations made thereunder for which no penalty is expressly provided shall, in addition to the forfeiture of any article seized, be liable on conviction to a fine not exceeding S\$10,000 or to imprisonment for a term not exceeding 3 years or to both and, in the case of a continuing offence, to a further fine not exceeding S\$1,000 for every day or part thereof during which the offence continues after conviction.

(b) *Private Security Industry Act, Chapter 250A of Singapore*

The PSIA provides for the regulation of private investigators, private investigation agencies, security officers, security agencies and security service providers, and for matters connected therewith. A person shall not engage in the business of providing, for reward, any security service to other persons; or advertise, or in any way hold out, that the person (who is in the business of providing any security service) provides for reward, or is willing to provide for reward, the security service, without a Security Service Provider Licence granted under the PSIA.

REGULATORY OVERVIEW

Under the PSIA, a person is said to provide a security service if he, among others, designs, sells, imports or exports any security equipment (other than basic household or automotive security items at approved classes of retail outlets or intruder alarm systems); and provides advice in relation to security equipment (other than basic household or automotive security items at approved classes of retail outlets or intruder alarm systems), including providing product advice in relation to security equipment and identifying and analysing security risks and providing solutions or management strategies to minimise security risks. Security equipment is any equipment specified in the Schedule of the PSIA and includes data surveillance device or program capable of being used to record or monitor the input of information into, or output of information from, a computer, but does not include an optical surveillance device.

Persons guilty of an offence is, on conviction, liable to a financial penalty of up to S\$10,000 or to imprisonment for a term not exceeding 2 years or to both.

A licence under the PSIA shall be granted by the licensing officer subject to such conditions as he thinks fit to impose. The licensing officer may at any time add to, vary or revoke any conditions of a licence by giving notice to the licensee concerned. A licensee who fails to comply with any licence condition shall be guilty of an offence, which, on conviction carries either a financial penalty of up to S\$10,000 or a prison term not exceeding 2 years or both.

(c) *Strategic Goods (Control) Act, Chapter 300 of Singapore ("SGCA")*

The SGCA controls the transfer and brokering of strategic goods, strategic goods technology, etc. Under the SGCA, a permit is required to be obtained for the export, transshipment or bringing in transit of any strategic goods, export of any document in which any strategic goods technology is recorded, stored or embodied and transmitting of any strategic goods technology. Such permit may be granted by the Director-General of Singapore Customs ("**Director-General**") with conditions imposed as the Director-General thinks fit.

Any person who is in contravention of the above-mentioned, namely to conduct the act without a permit is, on a first conviction, liable to a fine not exceeding S\$100,000 or 3 times the value of the goods or technology in respect of which the offence was committed, whichever is the greater, or to imprisonment for a term not exceeding 2 years or to both, or on a second or subsequent conviction, liable to a fine not exceeding S\$200,000 or 4 times the value of the goods or technology in respect of which the offence was committed, whichever is greater, or to imprisonment for a term not exceeding 3 years or both.

(d) *Regulation of Imports and Export Act, Chapter 272A of Singapore ("RIEA")*

The RIEA provides for the regulation, registration and control of imports and exports and to make provisions for matters connected therewith. The Regulation of Imports and Exports Regulations ("**RIER**"), promulgated under the RIEA, provides that generally, no goods shall be imported into Singapore, exported out of Singapore, or transhipped in Singapore, except in accordance with a permit granted by the Director-General of Customs appointed under the Customs Act, Chapter 70 of Singapore.

Except where otherwise provided, any person guilty of an offence under the RIER shall be liable, on the first conviction to a fine not exceeding S\$100,000 or 3 times the value of the goods in respect of which the offence was committed, whichever is the greater, or to imprisonment for a term not exceeding 2 years or to both; and on the second or

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subsequent conviction to a fine not exceeding S\$200,000 or 4 times the value of the goods in respect of which the offence was committed, whichever is the greater, or to imprisonment for a term not exceeding 3 years or to both.

(e) *Patents Act, Chapter 221 of Singapore ("Patents Act")*

Generally, a patentable invention is one that satisfies the following conditions: (a) the invention is new; (b) it involves an inventive step; and (c) it is capable of industrial application. The Patents Act provides that any person may make an application for a patent either alone or jointly with another.

The duration of the patent under the Patents Act shall generally be 20 years from the filing date of the application or such other date as may be prescribed.

Expert Team (Singapore) has filed a patent application in Singapore.

(II) Laws and Regulations relating to Employment

The Group's business is subject to the employment laws in Singapore.

(a) *The Employment Act, Chapter 91 of Singapore ("EA")*

The EA relates to employment and regulates, *inter alia*, contracts of services, payment of salary, rest days, hours of work and other conditions of service. For the purposes of the EA, an employee is generally a person who has entered into or works under a contract of service with an employer and includes a workman, and any officer or employee of the Government of Singapore included in a category, class or description of such officers or employees declared by the President of Singapore to be employees for the purposes of the EA or any provision thereof, but does not include, *inter alia*, (a) any seaman; (b) any domestic worker; and (c) subject to the EA, any person employed in a managerial or executive position.

(b) *The Central Provident Fund Act, Chapter 36 of Singapore ("CPF Act")*

The Central Provident Fund ("CPF") is a social security savings scheme funded by contributions from employers and employees formed pursuant to the Central Provident Fund Act ("CPF Act"). It enables working Singapore citizens and permanent residents to set aside funds for retirement. It also addresses healthcare, home ownership, family protection and asset enhancement.

Under the CPF Act, both employers and employees make monthly CPF contributions on the amount of wages at the rates set out in the CPF Act. Such contributions go into three accounts, namely the (i) ordinary account, which is primarily for housing, insurance, investment and education, (ii) special account, which is for old age and investment in retirement-related financial products, and (iii) medisave account, which is for hospitalisation expenses and approved medical insurance.

(III) Laws and Regulations relating to Taxation

(a) *The Goods and Services Tax, Chapter 117A of Singapore ("GST Act")*

Goods and Services Tax ("GST") is a broad-based consumption tax levied pursuant to the Goods and Services Tax, Chapter 117A of Singapore ("GST Act") on the import of goods, as well as nearly all supplies of goods and services in Singapore.

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GST exemptions apply to the provision of most financial services, the sale and lease of residential properties, and the importation and local supply of investment precious metals. Goods that are exported and international services are zero-rated.

(b) *The Income Tax Act, Chapter 134 of Singapore ("Income Tax Act")*

The corporate tax rate in Singapore is currently 17%. In addition, 75% of up to the first S\$10,000, and 50% of up to the next S\$290,000, of a company's chargeable income otherwise subject to normal taxation is exempt from corporate tax. The remaining chargeable income (after the tax exemption) will be fully taxable at the prevailing corporate tax rate. Furthermore, companies will be granted a corporate income tax rebate of 50% of the tax payable for the Years of Assessment 2016 to 2017, subject to a cap of S\$20,000 for Year of Assessment 2016 and S\$25,000 for Year of Assessment 2017. For Year of Assessment 2018, companies will be granted a corporate income tax rebate of 20% of the tax payable subject to a cap of S\$10,000.

(c) *Productivity and Innovation Credit Scheme ("PIC Scheme")*

Under the PIC Scheme launched by the Singapore government, businesses can enjoy 400% tax deductions/allowances on up to S\$600,000 of their expenditure per year in each of the qualifying activities like training of employees, acquisition and licensing of intellectual property rights, registration of patents, trademarks designs and plant varieties, and research and development activities, instead of the 100% deductions/allowances under the existing tax rules.

MALAYSIA LAWS AND REGULATIONS

(I) *Laws and Regulations relating to Business*

GET (Malaysia) is engaged in the research and development and the provision of cyber security solutions to customers and thus is regulated by certain specific legislations. Below is a summary of salient Malaysian legal and regulatory provisions and licensing requirements applicable to the business of the Group in Malaysia:

(a) *The Local Government Act 1976*

The Local Government Act 1976 ("**LGA**") confers the powers for the Commissioner for the City of Kuala Lumpur to enact by-laws. In tandem with the powers conferred under the LGA, the Licensing of Trades, Businesses and Industries (Federal Territory of Kuala Lumpur) By-Laws ("**By Laws**") was enacted. The By Laws govern localised regulations within the Federal Territory of Kuala Lumpur such as licenses for certain type of businesses, assessment taxes and further miscellaneous matters such as cleanliness, water supply, storage, security which is operational in the running of a business.

(b) *The Sale of Goods Act 1957*

The Sale of Goods Act 1957 ("**SOGA**") governs the law on the sale of goods in Malaysia.

The applicable requirements of the SOGA are as follows:

- (i) the formation of a contract for sale which takes place when there is a transfer in the property of the goods for a price.

REGULATORY OVERVIEW

- (ii) the conditions and warranties that govern the contract of sale such as stipulations as to time, conditions and warranties, implied undertakings as to title and as to quality or fitness are met with, in the carrying out of GET (Malaysia)'s business. In particular, quality of the product shall not be compromised, neither shall the fitness for the purpose of the trade.
- (iii) the performance of the contract is complied with wherein the sale is carried out with the seller complying with its duties and that delivery of the product is in line with the SOGA.

(c) *The Financial Services Act 2013*

The business of the Group in Malaysia is subject to foreign exchange laws and regulations in Malaysia.

There are foreign exchange policies in Malaysia which support the monitoring of capital flows into and out of the country in order to preserve its financial and economic stability. The Financial Services Act 2013 ("**FSA**") provides regulation and supervision of financial institutions, payment systems and other relevant entities and the oversight of the money market and foreign exchange market to promote financial stability and for related, consequential or incidental matters.

Pursuant to Notice 4 issued by Central Bank of Malaysia, a non-resident is allowed to repatriate funds from Malaysia, including any income earned or proceeds from divestment of ringgit asset, provided that the repatriation is made in foreign currency. Foreign exchange administration rules allows non-residents to remit out divestment proceeds, profits, dividends or any income arising from investments in Malaysia. Repatriation, however, must be made in foreign currency.

Based on the aforementioned, GET (Malaysia) is free to remit out divestment proceeds, profits, dividends or any income arising from the investments in Malaysia to its overseas holding company. However, there is no assurance that the relevant rules and regulations on foreign exchange control in Malaysia will not change. Any future restriction on repatriation of funds may limit GET (Malaysia)'s ability to repatriate dividends or distribution to the Company and could adversely affect the Group's financial condition.

(II) Laws and Regulations relating to Employment

The business of the Group is subject to the employment laws in Malaysia. Malaysia's employment and labour laws are governed by statutes and case law. The relevant legislations are the Employment Act 1955 and the Industrial Relations Act 1967 as well as the National Wages Consultative Council Act 2011 which was enacted after the passing of the Minimum Retirement Age Bill 2012 on 28 June 2012.

(a) *The Employment Act 1955*

The Employment Act 1955 ("**EA**") is the principal legislation that governs the employment practice and employer-employee relationship in Malaysia. EA regulates all labour relations including contracts of service, payment of wages, employment of women, maternity protection, rest days, hours of work, holidays, termination, lay-off and retirement benefits, employment of foreign employees and keeping of registers of employees.

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For the purpose of clarifying the EA, Employment (Amendment) Act 2012 ("**EAA**") states that 'employee' means any person, irrespective of his occupation, who has entered into a contract of service with an employer and whose wages does not exceed RM2,000 a month.

Every employer is required to prepare and keep the registers of employees in the prescribed form. Unless otherwise permitted by the Director General of Labour in Malaysia ("**Director General of Labour**"), the register of employees required to be kept under Employment Regulations 1957 ("**ER**") in the office within the place of employment where employees are employed and shall make such register of employees available for inspection by the Director General of Labour as and when required to do so.

(b) The Employment (Restriction) Act 1968

The Employment (Restriction) Act 1968 ("**ERA**") provides for the restriction of employment in certain business activities in Malaysia of persons not being citizens unless these non-citizens have been issued with a valid employment permit.

No person shall employ a non-Malaysian citizen in Malaysia unless there has been a valid employment permit issued. The application process entails an approval first, from the Ministry of Home Affairs of Malaysia, followed by the application itself for a Visit Pass (Temporary Employment) to Foreign Workers Division, Immigration Department of Malaysia.

Whilst there are foreign employees under the employment of GET (Malaysia), these employees do not carry out their services for which they have been contracted at the Group's place of business in Malaysia and none of them is physically present in Malaysia to perform their duties under employment with the Group. Accordingly, as advised by the legal adviser to the Company as to Malaysian laws no approval is required from the Ministry of Home Affairs of Malaysia in connection with the Group's employment of these foreign employees based outside Malaysia.

(c) The Employees Provident Fund Act 1991

The Employees Provident Fund ("**EPF**") is a social security institution formed in accordance to the Employees Provident Fund Act 1991 ("**EPFA**") providing for the retirement benefits for employees through management of their savings in an efficient and reliable manner.

Under EPFA, both the employer and employee are required to make contributions into the employee's individual account in the EPF. The amount is calculated based on the monthly wage of the employee and the contribution rate is based on the wage or salary received by the employee.

Save for those employees whom there exist an approved fund as provided pursuant to the EPFA and thus no contributions to EPF shall be made, both employers and employees shall pay monthly contributions on the amount of wages at the rate respectively set out in the EPFA. An approved fund means a provident fund or other scheme for benefit of employees established by an employer or by a group of employers and declared by the EPE board under Section 52 of EPFA or any scheme expressly by any written law immediately before 6 August 1970, for the benefit of the employees in any trade, business, industry or occupation.

REGULATORY OVERVIEW

Every employer shall before the end of the first week in the first month in which he is paying wages in respect of which he is required to pay contributions under EPFA, register with the EPF Board unless he is already registered with the EPF Board.

(d) *The Employee Social Security Act 1969*

Social Security Organisation ("**SOCSO**") was mandated to administer and enforce the Employee Social Security Act 1969 ("**ESSA**") and Employee Social Security General Rules 1971 ("**ESSGR**"). Through the ESSA and ESSGR, SOCSO is able to provide free medical treatment, facility for physical or vocational rehabilitation, and financial assistance to employees if they have lost their abilities due to accidents or disease that have reduced their abilities to work or rendered them incapacitated.

GET (Malaysia) shall make contributions under ESSA and such contributions shall be paid to SOCSO according to the rate of contributions specified in the Third Schedule of ESSA.

In respect of its operation in Malaysia, the Group complies with the requirements of EA, ER, ERA, EPF and EPFA, and makes the statutory contributions at the required rates for all its eligible employees in Malaysia. Further, the Group has also been timely in its contributions to SOCSO pursuant to the ESSA for its employees' social protection scheme.

(III) Laws and regulations relating to Taxation

(a) *The Promotion of Investments Act 1986*

There are incentives available in Malaysia for investments in promoted products and activities in specific business activities as promoted by the Malaysian Government.

Under the Promotion of Investments Act 1986 ("**PIA**"), one of the main incentives available is to be approved as a pioneer status company. Pioneer status is a form of tax incentive which provides for full or partial exemption from payment of income tax. In order to be granted with the tax incentives from the Government of Malaysia under PIA, the applicant must be involved in the promoted products and activities in specific business activities as promoted by the Government of Malaysia. The Minister in charge of the Ministry of International Trade and Industry ("**MITI**") is entrusted to determine the promoted activities under PIA 1986 and Malaysia Industrial Development Authority ("**MIDA**") is the agency set up under MITI to oversee these activities. A pioneer status company is generally eligible for exemption from income tax for five years and may make an application for extension of the tax relief period for another five years subject to the discretion of MITI with the concurrence in writing of the Minister of Finance.

REGULATORY OVERVIEW

Companies granted Multimedia Super Corridor ("**MSC**") status for qualifying MSC activities by the Government of Malaysia through the Multimedia Development Corporation ("**MDEC**") are entitled to a set of incentives, rights and privileges from the Government of Malaysia, known as the MSC Malaysia Bill of Guarantees ("**BoGs**"). MSC status is recognition by the Government of Malaysia through the Malaysian Digital Economy Corporation ("**MDEC**") for information and communication technology (ICT) and ICT-facilitated businesses that develop or use multimedia technologies to produce and enhance their products and services. The eligibility criteria for MSC status will vary depending on the type of business entity. A private limited company may qualify for MSC status if it meets the following criteria:

- (i) undertake technology and/or knowledge transfer and/or contribute towards the development of MSC Malaysia or support Malaysia's e-economy initiatives;
- (ii) establish a separate legal entity for MSC Malaysia qualifying activities; and
- (iii) where applicable, locate in a designated premise within MSC Malaysia Cybercity/ Cybercentre.

A company is required to apply for pioneer certificate from MIDA within 24 months from the date of approval for grant of MSC status.

The Government of Malaysia has through MDEC granted MSC status to GET (Malaysia) in 2015. GET (Malaysia) is entitled to incentives, rights and privileges provided under the BoGs set out in the MSC Malaysia Status certificate ("**Certificate**") issued to GET (Malaysia), subject to GET (Malaysia)'s adherence to criteria in meeting the objectives of the MSC Malaysia and applicable conditions. One of the BoGs set out in the Certificate is to provide competitive financial incentives namely Pioneer Status (100 percent tax exemption) for up to 10 years or an Investment Tax Allowance for up to 5 years and no duties on the importation of multimedia equipment.

The objectives of MSC Malaysia as provided under MSC Malaysia BoGs is to realise the vision for Malaysia to be a major global ICT hub and the Government of Malaysia recognises the importance of the physical and information infrastructure, to provide a conducive and enabling environment for companies to conduct their business operations, undertake research and develop new technologies, applications and products including competitive financial incentives.

MITI has through MIDA awarded Pioneer Status pursuant to the PIA to GET (Malaysia) in relation to its MSC status. GET (Malaysia) is exempted from paying tax 100% of its statutory income derived from the MSC Malaysia Qualifying Activities (as described below) for a period of five years from 18 November 2015 to 17 November 2020 and is eligible for an extension of the Pioneer Status for another five years after the expiry of the first five years, subject to compliance with applicable conditions at the discretion of MIDA and MITI. The MSC Malaysia Qualifying Activities include (i) research, development and commercialization of the following web security platform: 3iWeb 2U; and (ii) provision of implementation, maintenance and technical services related to the above mentioned platform.

REGULATORY OVERVIEW

The grant of MSC status and the award of Pioneer Status to GET (Malaysia) are subject to continued compliance by GET (Malaysia) of the following conditions:

- (i) GET (Malaysia) shall commence operation of and undertake the MSC Malaysia Qualifying Activities in accordance to the business plan submitted to MDEC. Any change to the MSC Malaysia Qualifying Activities shall be subject to the prior written consent of the Government of Malaysia. The office shall also be located in the designated premise within MSC Malaysia Cybercity/Cybercentre with the minimum office space of 800 square feet;
- (ii) GET (Malaysia) shall ensure that at all the material times, at least 15% of its total number of employees (excluding support staff) are "knowledge workers" (as defined by MDEC) who shall be recruited and employed solely for the purpose of undertaking the MSC Malaysia Qualifying Activities;
- (iii) GET (Malaysia) shall ensure that any products produced pursuant to and/or in relation to the MSC Malaysia Qualifying Activities are original, and that no part or portion of such product is an infringement or violation of any intellectual property or proprietary rights of any third party, or constitutes a misappropriation of the know-how belonging to any third party;
- (iv) GET (Malaysia) shall submit to MDEC a copy of the Company's Annual Report or a copy of its Audited Statement in parallel with its submission to the Companies Commission of Malaysia; and
- (v) GET (Malaysia) shall notify the MDEC of any change in its name, its equity/ shareholding structure, or such other changes that may be affect its direction or operation.

(b) *The Goods and Services Tax Act 2014*

The Goods and Services Tax Act 2014 ("**GSTA**"), replacing the Sales Tax Act 1972, provides for imposition of the collection of goods and services tax ("**GST**") and for the matter related therewith.

GST is charged and levied on any supply of goods or services made in Malaysia, including anything treated as "supply" under GSTA and any importation of goods into Malaysia.

Pursuant to Section 21(1) of GSTA, GET (Malaysia) shall notify the Director General of the liability by applying to be registered in the prescribed form within 28 days from the end of every month.

The GSTA is applicable to GET (Malaysia) and GET (Malaysia) has complied with all relevant requirements of GSTA during the Track Record Period.

(c) *The Income Tax Act 1967*

The Income Tax Act 1967 ("**ITA**") generally imposes a tax, known as income tax, for each year of assessment.

REGULATORY OVERVIEW

A corporation is resident in Malaysia if its management and control is exercised in Malaysia. Corporations are taxed based on income derived from Malaysia. Taxable income comprises of all earnings derived from Malaysia, including gains or profits from a trade of business, dividends, interest, rents, royalties, premiums or other earnings.

Withholding Tax is applicable to corporations making payments for certain types of income to non-residents as prescribed under the ITA. However, Malaysia does not levy withholding tax for dividends paid by a company incorporated in Malaysia to non-resident shareholders.

US LAWS AND REGULATIONS

US Export and Re-Export Controls

The U.S. export controls follow the product involved. Any item that is sent from the US to a foreign destination is an export. "Items" include commodities, software or technology, circuit boards, automotive parts, blueprints, design plans, retail software packages and technical information. How an item is transported outside of the US does not matter in determining export licence requirements. For example, an item can be sent via regular mail, handcarried on an airplane, sent via facsimile, software can be uploaded to or downloaded from an internet site, or technology can be transmitted via e-mail or during a telephone conversation. Regardless of the method used for the transfer, the transaction is considered an export.

The US Department of Commerce, Bureau of Industry and Security (the "BIS") controls exports of commercial and dual-use products, software and technology. These controls are authorised by the Export Administration Act of 1979, as amended and extended, and implemented by the US Export Administration Regulations, 15 C.F.R. Parts 730-774 (the "EAR").

The application of controls implemented pursuant to the EAR is not limited to exports and re-exports to Sanctioned Countries. The EAR apply generally to exports of commodities, software and technical data from the US to foreign countries and to re-exports from one foreign country to another. In addition, they apply to shipments from one foreign country to another of foreign-made products or technology that incorporate, are bundled or commingled, or drawn from more than 10% US origin parts, components, materials, technology or software, by value.

Re-exports in violation of the EAR, conducted willingly, are subject to potential criminal penalties by U.S. enforcement authorities. Where a company wilfully violates the EAR, it may be fined up to US\$1 million or twice the gain or loss from the relevant transaction, whichever is greater. Where an individual wilfully violates the EAR, the individual may be fined as described above and/or imprisoned for up to 20 years. Civil violations of the EAR may result in fines of up to US\$250,000 or twice the value of the transaction per violation.

HISTORY, REORGANISATION AND CORPORATE STRUCTURE

HISTORY

The Group is an ICT solution provider headquartered in Singapore which specialises in cyber infrastructure and cyber security solutions.

The history of the Group’s business can be traced back to March 2002 when its major operating subsidiary, Netsis (Singapore) was incorporated in Singapore for the purposes of providing system integration services to telecommunications service providers as the Company’s Chairman, CEO, and executive Director, Mr. Foo perceived that there was a growing demand for such services. Netsis (Singapore) was founded by Mr. Foo and an Independent Third Party holding a minority stake, who has left the Group. Netsis (Singapore) has since then developed into a regional provider of cyber infrastructure solutions in Southeast Asia.

In August 2012, Expert Team (Singapore) was incorporated in Singapore for the purposes of the research and development and the provision of cyber security technology and solutions.

In February 2015, GET (Malaysia) was incorporated in Malaysia. GET (Malaysia) was founded to carry out R&D activities and serve as an additional sales centre in respect of the Group’s cyber security solutions business situated outside Singapore. For further details of the Group’s operating subsidiaries, please refer to the paragraph headed “Corporate Development” in this section.

Today, ICT solutions and services offered by the Group include: (a) cyber infrastructure solutions including (i) system integration; (ii) threat management; (iii) cloud infrastructure, and (b) cyber security solutions developed by the Group.

KEY BUSINESS MILESTONES

The Group has expanded its business both locally and internationally. Its major business milestones and achievements are set out below.

Year	Events
March 2002	Netsis (Singapore) was incorporated for providing system integration services to telecommunications service providers
July 2008	Netsis (Singapore) commenced provision of consultancy services to small and medium-sized enterprises, multi-national corporations, and ISPs
August 2012	Expert Team (Singapore) was incorporated for the research and development and provision of cyber security technology and solutions
June 2013	Expert Team (Singapore) successfully developed and tested the IRGO core engine
July 2013	Netsis (Singapore), together with Pacific Tech Engineering Pte Ltd, launched cloud-based unified threat management solution for a local telecommunications company
January 2014	Expert Team (Singapore) secured the first order of its 3i-Tactical System which the Group launched in late 2013

HISTORY, REORGANISATION AND CORPORATE STRUCTURE

Year	Events
September 2014	Expert Team (Singapore) secured the first order of its 3i System which the Group launched in 2014
February 2015	GET (Malaysia) was incorporated in Malaysia to carry out R&D activities and serve as an additional sales centre in respect of the Group's cyber security solutions business situated outside Singapore
November 2015	Expert Team (Singapore) was awarded the Top 5 Finalist Startup Challenger by Milipol Paris
January 2016	Expert Team (Singapore) was ranked one of the top 1 per cent of Singapore's leading corporations and SMEs in the 29th "Singapore 1000 & SM 1000 incorporating Singapore International 100" Rankings
June 2016	The Company was incorporated in the Cayman Islands

CORPORATE DEVELOPMENT

Set out below is the corporate history and shareholding changes of the Company's major subsidiaries.

Netsis (Singapore)

Netsis (Singapore) was incorporated in Singapore with limited liability on 11 March 2002. As at the date of its incorporation, the initial share capital of Netsis (Singapore) was S\$2 divided into two ordinary shares, of which one share was allotted and issued to Mr. Foo and another one share was allotted and issued to an ex-shareholder of Netsis (Singapore), who is now an Independent Third Party.

As at 1 January 2014, Netsis (Singapore) was owned as to 50% by Mr. Foo and 50% by his wife, Mdm. Boh Chit Leng ("**Mdm. Boh**"), with 500,000 shares in issue owned by Mr. Foo and Mdm. Boh in equal proportions.

On 1 October 2014, for a nominal consideration, Mdm. Boh transferred her 5,000 shares and 245,000 shares in Netsis (Singapore) to Mr. Foo and the Former Shareholder who was then holding the 245,000 shares in Netsis (Singapore) as a nominee for Mr. Foo, respectively.

On 15 September 2015, the Former Shareholder transferred 245,000 shares in Netsis (Singapore) back to Mr. Foo for a nominal consideration.

As part of the Reorganisation, on 30 June 2016, Mr. Foo transferred 500,000 shares of Netsis (Singapore) to Netsis (BVI), in consideration of Nexion Global (BVI) allotting and issuing 3,516 shares of Nexion Global (BVI) to Mr. Foo, all credited as fully paid. As a result, Netsis (Singapore) has become a direct wholly-owned subsidiary of Netsis (BVI) and an indirect wholly-owned subsidiary of Nexion Global (BVI).

Netsis (Singapore) is principally engaged in the provision of cyber infrastructure solutions.

HISTORY, REORGANISATION AND CORPORATE STRUCTURE

Expert Team (Singapore)

Expert Team (Singapore) was incorporated in Singapore with limited liability on 15 August 2012. As at the date of its incorporation, the initial share capital of Expert Team (Singapore) was S\$100 divided into 100 shares which were allotted and issued to Mr. Foo. On 3 September 2012, the share capital of Expert Team (Singapore) increased from 100 shares to 100,000 shares. On 28 June 2013, the share capital of Expert Team (Singapore) was further increased from 100,000 shares to 200,000 shares. On 30 September 2013, the share capital of Expert Team (Singapore) was further increased from 200,000 shares to 300,000 shares.

As at 1 January 2014, Mr. Foo and the Former Shareholder held 153,000 shares and 147,000 shares of Expert Team (Singapore) respectively. Out of the 147,000 shares of Expert Team (Singapore) held by the Former Shareholder, Mr. Chan and Mr. Hoo had beneficial interest in 51,000 shares and 45,000 shares, respectively.

On 4 August 2015, the Former Shareholder transferred 51,000 shares of Expert Team (Singapore) to Mr. Chan for a consideration of S\$51,000, being S\$1 per share. On the same date, the Former Shareholder and Director transferred 45,000 shares of Expert Team (Singapore) to Mr. Hoo for a consideration of S\$45,000, being S\$1 per share.

On 18 May 2016, the Former Shareholder decided to leave Expert Team (Singapore) and transferred 51,000 shares in Expert Team (Singapore) to Mr. Foo for a cash consideration of S\$100,000 which was determined based on an arm's length negotiation between Mr. Foo and the Former Shareholder. The settlement date of the consideration was 18 May 2016.

As part of the Reorganisation, on 30 June 2016, Mr. Foo transferred 204,000 shares of Expert Team (Singapore) to Expert Team (BVI), in consideration of Nexion Global (BVI) allotting and issuing 1,224 shares of Nexion Global (BVI) to Mr. Foo, all credited as fully paid. Mr. Chan transferred 51,000 shares of Expert Team (Singapore) to Expert Team (BVI), in consideration of Nexion Global (BVI) allotting and issuing 306 shares of Nexion Global (BVI) to Mr. Chan all credited as fully paid. Mr. Hoo transferred 45,000 shares of Expert Team (Singapore) to Expert Team (BVI), in consideration of Nexion Global (BVI) allotting and issuing 270 shares of Nexion Global (BVI) to Mr. Hoo, all credited as fully paid. As a result, Expert Team (Singapore) has become a wholly-owned subsidiary of Expert Team (BVI) and an indirect wholly-owned subsidiary of Nexion Global (BVI).

Expert Team (Singapore) is principally engaged in the research and development and the provision of cyber security solutions.

GET (MALAYSIA)

GET (Malaysia) was incorporated in Malaysia with limited liability on 18 February 2015. As at the date of its incorporation, GET (Malaysia)'s authorised share capital was RM400,000 divided into 400,000 ordinary shares of RM1.00 each and initially 51 shares were allotted to Mr. Foo and 49 shares were allotted to the Former Shareholder of which 15 shares were held on trust for Mr. Hoo and 17 shares were held on trust for Mr. Chan.

On 16 September 2015, the Former Shareholder transferred his 15 shares in GET (Malaysia) back to Mr. Hoo and 17 shares in GET (Malaysia) back to Mr. Chan at par value.

HISTORY, REORGANISATION AND CORPORATE STRUCTURE

On 25 February 2016, GET (Malaysia) issued an aggregate of 99,900 new ordinary shares of RM1.00 each in the share capital of GET (Malaysia) pursuant to a rights issue of up to 99,900 new ordinary shares ("**Rights Shares**") in the share capital of GET (Malaysia) at an issue price of RM1.00 per Rights Share on the basis of 999 Rights Shares for every one existing ordinary share of RM1.00 each then held by its shareholders ("**Rights Issue**"). Pursuant to the Rights Issue, Mr. Foo and Mr. Chan had accepted their respective entitlements to subscribe for Rights Shares in full by making the necessary payment for their respective subscription of Rights Shares while Mr. Hoo had accepted his entitlements to subscribe for Rights Shares in full and applied for Rights Shares in excess of his entitlements under the Rights Issue which were not taken up by the other shareholders by making the necessary payment for his subscription of Rights Shares and excess Rights Shares following which 50,949 Rights Shares, 31,968 Rights Shares, 16,983 Rights Shares were issued and allotted to Mr. Foo, Mr. Hoo and Mr. Chan, respectively. Following the completion of the Rights Issue, the total issued share capital of GET(Malaysia) was RM100,000 comprising 100,000 shares of RM1.00 each.

On 18 May 2016, the Former Shareholder transferred his 17 shares in GET (Malaysia) to Mr. Foo for a cash consideration of RM147,000 which was determined based on an arm's length negotiation between Mr. Foo and the Former Shareholder. The settlement date of the consideration was 18 May 2016.

As part of the Reorganisation, on 30 June 2016, Mr. Foo transferred his 51,017 shares in GET (Malaysia) to GET (BVI), in consideration of US\$1,290,852 which was settled by way of allotment and issuance of 2,388 new shares of Nexion Global (BVI), all credited as fully paid. Mr. Hoo transferred his 31,983 shares in GET (Malaysia) to GET (BVI), in the consideration of US\$809,946 which was settled by way of allotment and issuance of 1,499 shares in Nexion Global (BVI), all credited as fully paid. Mr. Chan transferred his 17,000 shares in GET (Malaysia) to GET (BVI), in consideration of US\$430,284 which was settled by way of allotment and issuance of 796 new shares in Nexion Global (BVI), all credited as fully paid. As a result, GET (Malaysia) has become a wholly-owned subsidiary of GET (BVI) and indirect wholly owned subsidiary of Nexion Global (BVI).

GET (Malaysia) is principally engaged in the research and development and the provision of cyber security solutions.

REORGANISATION

The Group underwent the Reorganisation in preparation for the [REDACTED]. The principal steps involved in the Reorganisation are summarised below.

(1) Incorporation of Nexion Global (BVI)

On 20 May 2016, Nexion Global (BVI) was incorporated in the BVI with limited liability. Upon incorporation, the authorised share capital was US\$50,000 divided into 50,000 shares of US\$1 each and initially one share was allotted and issued to Mr. Foo, credited as fully paid at par, who then owned the entire issued share capital of Nexion Global (BVI).

(2) Incorporation of Nexion (Hong Kong)

On 31 May 2016, Nexion (Hong Kong) was incorporated in Hong Kong with limited liability as a wholly-owned subsidiary of Nexion Global (BVI). Upon incorporation, initially one hundred shares were allotted and issued to Nexion Global (BVI).

HISTORY, REORGANISATION AND CORPORATE STRUCTURE

(3) Incorporation of Expert Team (BVI)

On 31 May 2016, Expert Team (BVI) was incorporated in the BVI with limited liability as a wholly-owned subsidiary of Nexion Global (BVI). Upon incorporation, the authorised share capital was US\$50,000, divided into 50,000 shares of US\$1 each and initially one share was allotted and issued to Nexion Global (BVI) credited as fully paid at par.

(4) Incorporation of Netsis (BVI)

On 31 May 2016, Netsis (BVI) was incorporated in the BVI with limited liability as a wholly-owned subsidiary of Nexion Global (BVI). Upon incorporation, the authorised share capital was US\$50,000, divided into 50,000 shares of US\$1 each and initially one share was allotted and issued to Nexion Global (BVI) credited as fully paid at par.

(5) Incorporation of GET (BVI)

On 31 May 2016, GET (BVI) was incorporated in the BVI with limited liability as a wholly-owned subsidiary of Nexion Global (BVI). Upon incorporation, the authorised share capital was US\$50,000, divided into 50,000 shares of US\$1 each and initially one share was allotted and issued to Nexion Global (BVI) credited as fully paid at par.

(6) Acquisition of the entire issued share capital in Expert Team (Singapore) by Expert Team (BVI)

On 30 June 2016, a sale and purchase agreement was entered into by Mr. Foo, Mr. Chan, Mr. Hoo, Expert Team (BVI) and Nexion Global (BVI), pursuant to which: (i) Mr. Foo transferred 204,000 shares of Expert Team (Singapore) to Expert Team (BVI), in consideration of US\$662,055 which was settled by way of allotment and issue of 1,224 shares in Nexion Global (BVI) to Mr. Foo, all credited as fully paid; (ii) Mr. Chan transferred 51,000 shares of Expert Team (Singapore) to Expert Team (BVI), in consideration of US\$165,514 which was settled by way of allotment and issue of 306 shares in Nexion Global (BVI) to Mr. Chan all credited as fully paid; and (iii) Mr. Hoo transferred 45,000 shares of Expert Team (Singapore) to Expert Team (BVI), in consideration of US\$146,042 which was settled by way of allotment and issue of 270 shares in Nexion Global (BVI) to Mr. Hoo, all credited as fully paid.

The consideration for the above share transfers was determined by reference to the net asset value of Expert Team (Singapore) based on the unaudited management account of Expert Team (Singapore) for the year ended 31 December 2015.

Upon completion of the above share transfers, Expert Team (Singapore) became a direct wholly-owned subsidiary of Expert Team (BVI).

(7) Acquisition of the entire issued share capital in Netsis (Singapore) by Netsis (BVI)

On 30 June 2016, a sale and purchase agreement was entered into by Mr. Foo, Nexion Global (BVI) and Netsis (BVI), pursuant to which Mr. Foo transferred 500,000 shares of Netsis (Singapore) to Netsis (BVI), in consideration of US\$1,900,506 which was settled by way of allotment and issue of 3,516 shares in Nexion Global (BVI) to Mr. Foo, all credited as fully paid. The consideration represented 3 times the unaudited net profit after tax of Netsis (Singapore) based on the unaudited management account of Netsis (Singapore) for the year ended 31 December 2015.

Upon completion of such transfer, Netsis (Singapore) became a direct wholly-owned subsidiary of Netsis (BVI).

HISTORY, REORGANISATION AND CORPORATE STRUCTURE

(8) Acquisition of the entire issued share capital in GET (Malaysia) by GET (BVI)

On 30 June 2016, a sale and purchase agreement was entered into by Mr. Foo, Mr. Chan, Mr. Hoo, GET (BVI) and Nexion Global (BVI), pursuant to which: (i) Mr. Foo transferred 51,017 shares of GET (Malaysia) to GET (BVI), in consideration of US\$1,290,852 which was settled by way of allotment and issue of 2,388 shares in Nexion Global (BVI) to Mr. Foo, all credited as fully paid; (ii) Mr. Chan transferred 17,000 shares of GET (Malaysia) to GET (BVI), in consideration of US\$430,284 which was settled by way of allotment and issue of 796 shares in Nexion Global (BVI) to Mr. Chan, all credited as fully paid; and (iii) Mr. Hoo transferred 31,983 shares of GET (Malaysia) to GET (BVI), in consideration of US\$809,946 which was settled by way of allotment and issue of 1,499 shares in Nexion Global (BVI) to Mr. Hoo, all credited as fully paid.

The consideration for the above share transfers represented unaudited net profit after tax of GET (Malaysia) based on the unaudited management account of GET (Malaysia) for the year ended 31 December 2015.

Upon completion of such transfers, GET (Malaysia) became a direct wholly-owned subsidiary of GET (BVI).

(9) Incorporation of Alpha Sense (BVI)

On 18 May 2016, Alpha Sense (BVI) was incorporated in the BVI with limited liability as an investment holding company. Upon incorporation, the authorised share capital was US\$50,000, divided into 50,000 ordinary shares of US\$1 each and initially one share was allotted and issued to Mr. Foo credited as fully paid at par.

(10) Incorporation of Cyber Pioneer (BVI)

On 18 May 2016, Cyber Pioneer (BVI) was incorporated in the BVI with limited liability as an investment holding company. Upon incorporation, the authorised share capital was US\$50,000, divided into 50,000 ordinary shares of US\$1 each and initially one share was allotted and issued to Mr. Chan credited as fully paid at par.

(11) Incorporation of Future Way (BVI)

On 18 May 2016, Future Way (BVI) was incorporated in the BVI with limited liability as an investment holding company. Upon incorporation, the authorised share capital was US\$50,000, divided into 50,000 ordinary shares of US\$1 each and initially one share was allotted and issued to Mr. Hoo credited as fully paid at par.

(12) Incorporation of the Company

The Company was incorporated in the Cayman Islands with limited liability on 22 June 2016. Upon incorporation, the authorised share capital was HK\$380,000, divided into 38,000,000 Shares of HK\$0.01 each and initially one Share was allotted and issued to Mapcal Limited as the initial subscriber credited as fully paid at par and on the same date, transferred to Alpha Sense (BVI). On 28 June 2016, the Company issued a further 4,999 Shares, of which:

- (a) 3,564 Shares were allotted and issued to Alpha Sense (BVI) credited as fully paid at par;
- (b) 551 Shares were allotted and issued to Cyber Pioneer (BVI) credited as fully paid at par; and

HISTORY, REORGANISATION AND CORPORATE STRUCTURE

(c) 884 Shares were allotted and issued to Future Way (BVI) credited as fully paid at par.

(13) Acquisition of the entire issued share capital in Nexion Global (BVI) by the Company

On 30 June 2016, a share swap agreement was entered into by Mr. Foo, Mr. Hoo, Mr. Chan, Nexion Global (BVI) and the Company, pursuant to which: (i) Mr. Foo transferred 7,129 shares of Nexion Global (BVI) to the Company, in consideration of US\$3,853,413 which was settled by way of allotment and issue of 57,032 Shares to Alpha Sense (BVI), all credited as fully paid; (ii) Mr. Chan transferred 1,102 shares of Nexion Global (BVI) to the Company, in consideration of US\$595,798 which was settled by way of allotment and issue of 8,816 Shares to Cyber Pioneer (BVI), all credited as fully paid; and (iii) Mr. Hoo transferred 1,769 shares of Nexion Global (BVI) to the Company, in consideration of US\$955,988 which was settled by way of allotment and issue of 14,152 Shares to Future Way (BVI), all credited as fully paid.

Upon completion of the above share transfers, Nexion Global (BVI) became a direct wholly-owned subsidiary of the Company.

(14) Subscription of 15,000 Shares by the Strategic Investor

On 30 June 2016, Vantage Network (BVI) subscribed for 15,000 Shares, in consideration of US\$1,200,000 (or its equivalent in Hong Kong dollars of HK\$9,360,000). Upon completion of such subscription, the Company was owned as to 60.59% by Alpha Sense (BVI), as to 9.37% by Cyber Pioneer (BVI), as to 15.04% by Future Way (BVI) and 15.00% by Vantage Network (BVI). For further details of the subscription of Shares by Vantage Network (BVI), please refer to the paragraph headed "[REDACTED] Investment" in this section.

[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 15,000 Shares, representing 15% 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. The key terms and particulars of the share subscription agreement dated 30 June 2016 entered into between the Company and Vantage Network (BVI) are set out below.

Background of the Strategic Investor

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. Save for its investment in the Group, China Smartpay Group Holdings Limited is not involved in other investment or any business that competes or may compete with the Group's business as at the Latest Practicable Date pursuant to Rule 11.04 of the GEM Listing Rules.

HISTORY, REORGANISATION AND CORPORATE STRUCTURE

China Smartpay Group Holdings Limited decided to invest in the Group as a strategic investor through Vantage Network (BVI) because it believes that it will be able to promote the growth and development of the Group in terms of alliance, technology and infrastructure.

Save as disclosed in this document, China Smartpay Group Holdings Limited, Vast Mega Limited and Vantage Network (BVI) do not have any other relationship, whether present or past, with the Group, the Directors, the senior management of the Group, any connected persons of the Company and any of their respective associates. The subscription of the Shares by Vantage Network (BVI) as stated above was not financed directly or indirectly by connected persons of the Company nor the Group.

Details of the [REDACTED] Investment

Full Name of the Strategic Investor	:	Vantage Network Global Limited
Date of subscription agreement	:	30 June 2016
Amount of consideration paid	:	US\$1,200,000 (or its equivalent in Hong Kong dollars of HK\$9,360,000)
Settlement date of the consideration	:	30 June 2016
Date of completion of share allotment under the subscription agreement	:	30 June 2016
Cost per Share paid by the Strategic Investor (taking into account the [REDACTED] and the [REDACTED])	:	HK\$0.14 per Share (representing a discount of approximately [REDACTED] to the mid-point of the indicative range of the [REDACTED])
Use of [REDACTED] from the [REDACTED] Investment	:	The Group plans to use [REDACTED] from the [REDACTED] Investment for the potential development of cyber infrastructure solutions business in the PRC and working capital purposes
Special rights	:	One (1) Director nominated by Vantage Network (BVI). These special rights will terminate upon the [REDACTED]
Number of Shares and percentage of shareholding in the Company upon the [REDACTED] (Note)	:	[REDACTED] of the total issued Shares of the Company upon [REDACTED]

HISTORY, REORGANISATION AND CORPORATE STRUCTURE

- Benefit from [REDACTED] Investment : China Smartpay Group Holdings Limited (Stock Code: 8325) is well established in the Chinese market and the Directors believes that it will bring strategic benefits to the Group by bringing in more business opportunities for the Group through its business network and connections and providing advice to the Group based on its management experience. The Directors also believe that the Group could benefit from its PRC network and experience for the development of cyber infrastructure solutions in the PRC. The [REDACTED] from the [REDACTED] Investment also provided additional working capital to the Group
- Basis of consideration : The consideration of the [REDACTED] Investment was arrived at after arms' length negotiation between the Strategic Investor and the Company with reference to average price-to-earnings ratio of approximately 4.6 times based on the management account of the Group for the year ended 31 December 2015 and the equity risks assumed in investing in an unlisted company
- [REDACTED] restrictions : One hundred eighty (180) days from the date of the [REDACTED] or such other period to be agreed by the Company, the Sole Sponsor, and Vantage Network (BVI), whichever is the longest

Note: This is derived based on 15,000 Shares to be held by Vantage Network (BVI) upon 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).

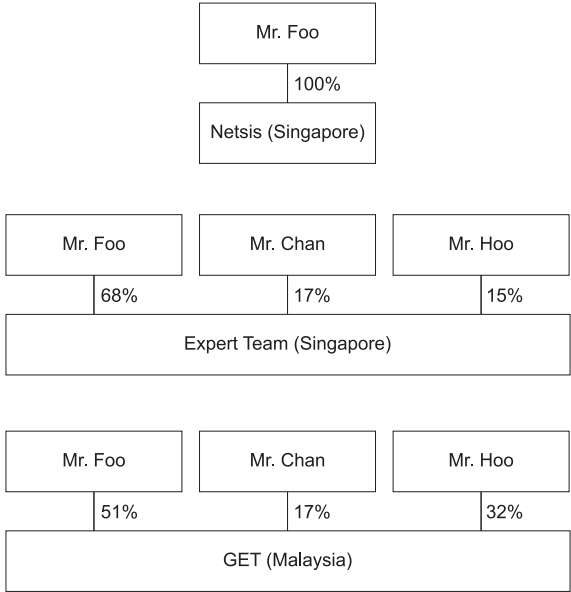
On the above basis, the Sole Sponsor confirmed that the [REDACTED] Investment is in compliance with the Guidance Letter HKEx-GL-43-12 (updated in July 2013) issued by the Stock Exchange since the consideration under the [REDACTED] Investment was settled on 30 June 2016, which was more than 28 clear days before the date of the first submission of the [REDACTED] application to the Stock Exchange in relation to the [REDACTED].

Vantage Network (BVI) will hold [REDACTED] of the enlarged issued share capital of the Company after completion of the [REDACTED] and the [REDACTED]. As Vantage Network (BVI) is a substantial Shareholder under the GEM Listing Rules, the Shares held by Vantage Network (BVI) will not be considered as part of the [REDACTED] for the purposes of Rule 11.23 of the GEM Listing Rules.

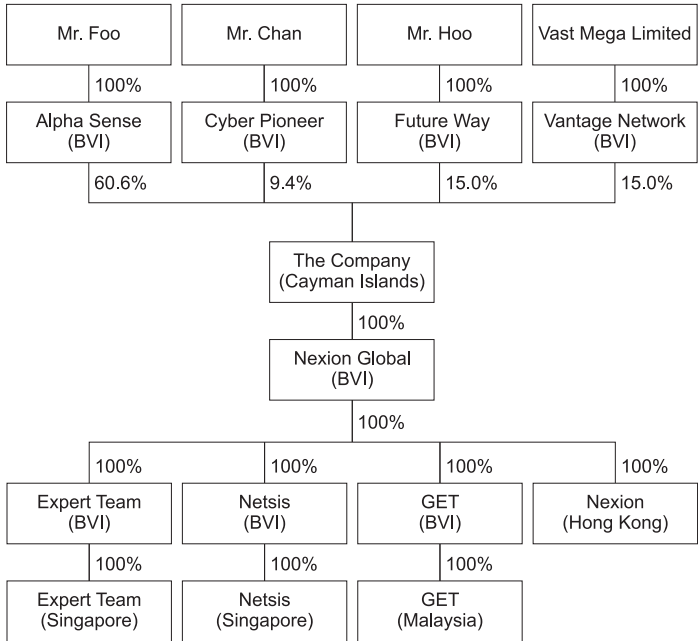
HISTORY, REORGANISATION AND CORPORATE STRUCTURE

SHAREHOLDING AND CORPORATE STRUCTURE

The diagram below sets out the corporate and shareholding structure of the Group immediately prior to the Reorganisation:

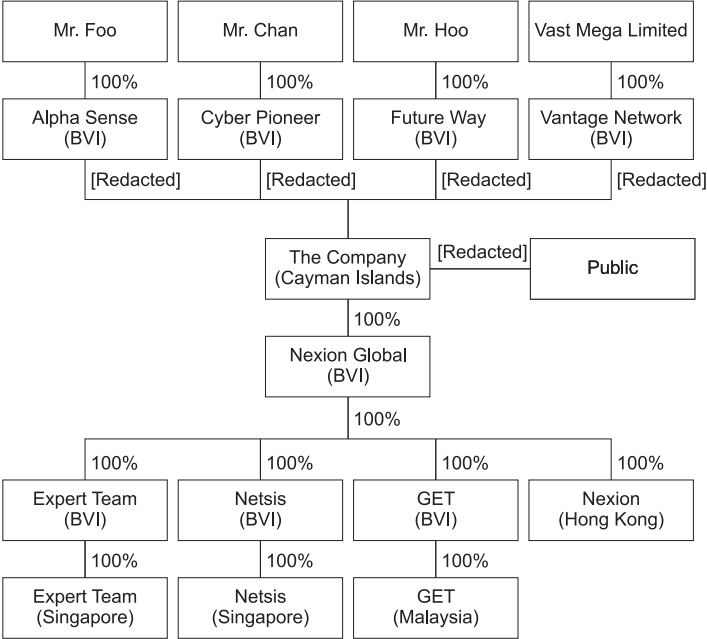


The diagram below sets out the corporate and shareholding structure of the Group immediately following completion of the Reorganisation but prior to completion of the [REDACTED] and the [REDACTED]:



HISTORY, REORGANISATION AND CORPORATE STRUCTURE

The diagram below sets out the corporate and shareholding structure of the Group 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 [REDACTED]):



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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 telecommunication 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. The Group provides cyber infrastructure solutions to customers which mainly include telecommunication service providers, ISPs, IT companies and manufacturing companies. The cyber infrastructure solutions provided by the Group 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. The hardware and software used in implementation of the cyber infrastructure solutions 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 from Linux and its technology, namely RTPR, for decoding and processing the data packets collected from the internet and thereafter, reconstruct 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 facilitates users to formulate necessary measures and controls to manage internet content to address cyber challenges and threats. The Group will update or upgrade its solutions upon customers' request.

The Group's cyber security solutions are sold through channel partners who target end users in the Asia Pacific region. During the Track Record Period, the end users of the Group's cyber security solutions were from the public sector. The Group markets and sells its cyber security solutions to channel partners under its own "3i" and "3iWeb2U" brands. During the Track Record Period, the Group also provided its cyber security solutions software to a channel partner whereby the Group authorised the channel partner to localise the software, as well as re-package and re-brand the software under the channel partner's own brand.

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The Group derives the majority of its revenue from the provision of project-based cyber infrastructure solutions and cyber security solutions. A further revenue stream lies in the provision of maintenance and support services which is recurring in nature. The following table sets out a breakdown of the Group's revenue 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

For the years ended 31 December 2014, 2015 and 2016, the Group's total revenue was approximately US\$2.4 million, US\$3.7 million and US\$5.6 million, respectively. For the same periods, the Group's net profit was approximately US\$1.4 million, US\$1.4 million and US\$1.3 million, respectively.

The Directors believe that R&D capability represents the core competency of an ICT company. Therefore, the Group places great emphasis on its R&D capabilities. 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 successfully developed its 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. The Group has continued to leverage on the IRGO core engine and RTPR technology to develop its 3i-Web System and 3i-Anti Drone Solutions.

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 for the purposes of the Group's RTPR technology,

the Group has not yet been granted any patent on the above patent applications.

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For more information, please refer to the paragraph headed "Research and Development" in this section. The Group intends to further strengthen its R&D capabilities through establishing its R&D centre, upgrading its R&D facilities and expanding its R&D team in the future.

COMPETITIVE STRENGTHS

The Directors believe that the following competitive strengths distinguish the Group from its competitors and contribute 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

The Directors believe there is a rising market demand for internet content management which involve real-time and high speed data packet processing. According to the Industry Report, demands for real-time internet content management from government bodies, telecommunications service providers and ISPs will create more business opportunities for companies operating in the internet content management market. Thus, the Group has developed from Linux, its operating system known as IRGO (Intelligence Reconstruction Gear OS) which comes with real-time and high speed data packet processing capability. The IRGO core engine may be deployed as a base operating system for many solutions which involve real-time and high speed data packet processing. Apart from the IRGO core engine, the Group has also developed its RTPR technology that processes data packets collected over the internet in real time. More fundamentally, the Group was able to reap the benefits of synergy between the RTPR technology and IRGO core engine to develop the 3i System and its supporting suite of systems, which are the Group's key cyber security solutions.

The Group continues to enhance its IRGO core engine, and utilise the IRGO core engine and RTPR technology as a base to develop a wider range of cyber security products including 3i-Web system and 3i-Anti Drone Solutions to meet evolving market needs which in turn will help the Group increase its revenue.

Strong R&D capabilities

The Group is a technology-focused enterprise committed to developing innovative technology. It aims to be a major player in the global cyber security solutions market by providing unique and effective solutions.

The Group's R&D team is led by Mr. Gonzales, who is the Group's Chief Technology Officer. For further details on the profile and background of Mr. Gonzales, please refer to the section headed "Directors and Senior Management" in this document. The Group's R&D team comprises a group of professionals who have varied backgrounds. As at the Latest Practicable Date, the Group had 12 R&D staff, all of which had attained tertiary education and approximately 25% held a master's degree. The Group's 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.

The Group's R&D team has a track record of successful cooperation with a US public company specialising in the manufacturing of application delivery controllers and successfully developed a solution targeting advanced threat in April 2016. Through the cooperation, the Group and the abovementioned company will seek to provide more comprehensive solutions by integrating the use of the Group's 3i System and the above mentioned company's products to solve challenges faced by customers in preventing cyber threats. With the increasing use of more advanced technologies such as SSL (Secure Sockets Layer) by website owners to secure

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their web and email traffic, customers will need a more powerful and high performance platform that can inspect the web and email traffic for malicious content such as malware, viruses or targeted phishing attacks to prevent cyber threats.

The Group has made several patent applications relating to its 3i-Web System, 3i-Anti Drone Solutions and RTPR technology. Details of such patent applications are set out in the section headed “Statutory and General Information — B. Further information about the Group’s business — 2. Intellectual property rights of the Group” in Appendix IV to this document. The Directors believe that the Group’s R&D capabilities and technological innovation is essential in maintaining its competitive edge.

Well established regional footprint in Southeast Asia and established customer base

The Directors believe that the Group’s early entry into emerging markets in Southeast Asia such as Myanmar, Indonesia, Thailand and Laos has assisted the Group in establishing its foothold and reputation in these markets. Considering that the network infrastructure of these emerging markets in Southeast Asia is limited and transforming drastically, the Directors believe that the future development of the telecommunications and networking industry in these emerging markets will provide the Group with vast potential business opportunities in respect of its cyber infrastructure solutions business. According to the Industry Report, the Group is deeply rooted in the Southeast Asia cyber infrastructure sector with its strength lying in the provision of cyber infrastructure solutions to internet service providers. Furthermore, the Group is an experienced cyber infrastructure solution provider with a proven track record, having a dedicated sales team which has helped build a strong customer base and strengthen the Group’s relationships with its customers. Accordingly, the Directors believe that growth in the cyber infrastructure industry in Southeast Asia and the subsequent increased demand for cyber infrastructure solutions will fuel the Group’s growth.

Being a provider of cyber infrastructure and cyber security solutions to diversified customers in different countries has strengthened the Group’s understanding of the needs of customers. Furthermore, the Group’s customers are across different industries, and it is not dependent on any single customer for business. This also lowered the geographical risk associated with providing cyber infrastructure and cyber security solutions to a single/or limited types of customers in a single/or limited number of countries.

The Group recognises that market reputation and customers’ confidence in its services are the keys to success which enable it to maintain on-going relationship with its existing customers, obtain client referrals from its existing customers and attract new customers from the market. In this regard, the Group places great emphasis on winning customer loyalty by providing them reliable, integrated and professional services. With its continuous efforts in providing outstanding service and providing solutions within the requested timeframe, the Group has successfully retained existing customers and, at the same time, attracted new customers. During the Track Record Period, the Group maintained relationships of up to eight years with its five largest customers.

Experienced and dedicated senior management staff and R&D and sales and marketing staff

The Group’s experienced and dedicated senior management staff has developed effective strategies for maintaining the growth of its business. The management team of the Group is led by (i) Mr. Foo, the Group’s CEO and Chairman, who has over 25 years of experience in the IT industry, (ii) Mr. Gonzales, the Company’s executive Director and Chief Technology Officer who has over 15 years of experience in the IT industry, (iii) Ms. Tang, the Group’s Head of Sales and Marketing Department, who has over 10 years of experience in the IT Industry, and (iv) Mr.

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Chan, the Group’s Chief Development Officer, who has 9 years of experience in the IT industry. Please refer to the section headed “Directors and Senior Management” in this document for further details on the experiences of Mr. Foo, Mr. Gonzales, Ms. Tang and Mr. Chan.

The senior management staff of the Group possess extensive IT knowledge, substantial working experience and industry insight, which have helped the Group not only provide customised cyber infrastructure and cyber security solutions to the Group’s customers, but also maintain the Group’s competitive advantage in the cyber infrastructure and cyber security solutions industry.

By leveraging on its track record in the provision of cyber infrastructure and cyber security solutions, the Group strives to attract and retain the necessary talent to remain competitive in the changing market and continue its success and business growth. Most of the Group’s staff in its R&D department and sales and marketing department have working experience in IT industry. Accordingly, the Group is equipped with in-depth knowledge and technical capabilities of network and systems, cyber infrastructure and cyber security trends and IT requirements of different industries so as to meet the ever-changing needs of its customers.

BUSINESS STRATEGIES

The Group has goals to achieve sustainable growth in its current business and further strengthen its overall competitiveness in the cyber infrastructure and cyber security solutions industry. In order to achieve its goals, the Group has formulated the following implementation plans for each of the six-month periods from the Latest Practicable Date until 30 June 2019. It should be noted that the implementation plans are formulated on the bases and assumptions set out in the section headed “Statement of Business Objectives and Use of [REDACTED] — Bases and Assumptions” in this document and are subject to many uncertainties and unpredictable factors, in particular the risk factors set out in the section headed “Risk Factors” in this document.

Expanding the Group’s headquarters, establishing a R&D centre in Singapore and upgrading the R&D facilities

As an ICT solution provider, the Group’s ability to maintain its competitiveness depends on the strength of its R&D capabilities which would fuel the development of innovative solutions.

The existing headquarters of the Group situated at the leased property in Singapore has an approximate gross floor area of 1,500 square feet which has been fully utilised by the Group, with a conference room, a store room, a workshop and an office area. The Directors consider that the existing leased property in Singapore does not have enough floor space to accommodate additional functions and facilities as well as additional staff members. However, the Directors do not foresee any material difficulty in renewing the tenancy of its existing headquarters or renting a property, the Group plans to acquire a property in Singapore with an approximate gross floor area of 3,000 square feet to serve as its new headquarters and R&D centre by establishing a (i) testing centre for developing more innovative solutions and meeting the standards required for telecommunications testing; (ii) demonstration laboratory to facilitate proof of concepts of the Group’s solutions and products conducted at the Group’s headquarters and R&D centre or where customers and prospective customers may not be present at the same, to facilitate proof of concepts of its solutions and products through remote access to the demonstration laboratory via internet connection; and (iii) training centre to showcase the Group’s technologies and inventions to prospective customers, and train channel partners and end users.

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The Directors considered that obtaining industries certifications (such as ISO, MTBF and other industries certifications) for the Group's solutions involving telecommunication equipment can enhance the confidence of the prospective customers in ISP and public sectors. The Group plans to set up a dedicated testing centre, which will be fitted with industry standard facilities, such as servers, network equipment, testers, probes, security features and electromagnetic shield, to achieve higher standard of industry requirements. The testing facilities will help ensure the Group's solutions involving telecommunication equipment to satisfy the industries certification requirements which highly focus on performance, stability, usability, environmental and health impact, life cycle and security of a product. In addition, the testing center fitted with electromagnetic shield can provide the Group with a conducive environment for development of further series of 3i-Anti Drone (UAV) Solutions and radio based network security products where a controlled environment is required to block external interference that may affect the quality and products under development. Setting up of a testing centre will involve large-scale fittings, electromagnetic shield and security measures. The Group will incur a substantial cost in relation to installation of electromagnetic shield and large-scale fittings for a testing centre. The estimated cost for setting up a testing centre with gross floor areas of 500 square feet is approximately US\$100,000. If the testing center is not set up in a permanent location, any relocation will incur substantial costs for the Group. The estimated total costs for a relocation is US\$150,000 which includes the costs for dismantling the electromagnetic shield testing centre, re-installation of electromagnetic shield testing centre in new leased property, and renovation of new leased property for headquarters and R&D centre use, etc. Such relocation may also disrupt the Group's operation for at least one month.

During the Track Record Period, the Group incurred rental expenses of approximately US\$22,000, US\$21,000 and US\$31,000 respectively for its existing headquarters in Singapore. With a view to catering the abovementioned expansion plan, the Group needs additional gross floor area of 1,500 square feet. With reference to the rental of the Group's existing headquarters, the estimated rental expenses for the new headquarters with gross floor areas of 3,000 square feet will be approximately US\$61,000 per year. Acquisition of a self-owned property would save the Group rental expenses of US\$61,000 per year and allow it to renovate the new office at a permanent location. It is expected that there will be depreciation charges of approximately US\$63,000 per year for the self-owned property (including the land and building portion), calculated by the expected capital expenditure divided by estimated useful life of 40 years. However, the expected costs for renting a property with gross floor areas of 3,000 square feet (without considering the abovementioned costs for relocation) and the expected depreciation for a self-owned property with same gross floor areas are at a similar level, the Directors are of view that acquisition of a self-owned property would not only satisfy the Group's expansion, but also would (i) mitigate the risk associated with the leased property in the long run, such as early termination or non-renewal of the Group's tenancy by the landlord and possible increase in rental expenses; (ii) eliminate the costs, time and efforts associated with the possible relocation and renovation of headquarters and/or R&D centre; (iii) enhance the Group's ability to secure bank borrowings which generally require immovable assets, such as property, as collateral; and (iv) ensure the continuity of the operation of its business. Having considered the above, the Directors are of view that acquisition of a self-owned property is in the interest of the Company and the Shareholders.

The Group plans to finance the expansion of the Group's headquarters and establishment of a R&D centre through the proposed acquisition of a property in Singapore and the upgrade of its R&D facilities from the [REDACTED] from the [REDACTED] of approximately HK\$[REDACTED] (equivalent to approximately US\$[REDACTED]), whereby it is estimated that approximately HK\$[REDACTED] (equivalent to approximately US\$[REDACTED]) will be used for the acquisition of property.

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The Group's plan for use of [REDACTED] from the [REDACTED] for expanding its headquarters and establishing a R&D centre in Singapore and upgrading its R&D facilities is set out as follows:

Period	Approximate amount of [REDACTED] used	Description of Activities
From the Latest Practicable Date to 31 December 2017	HK\$[REDACTED] (equivalent to approximately US\$[REDACTED])	<ul style="list-style-type: none"> • To acquire and renovate (including acquiring and installing new furniture, fixtures, and fittings, electrical & electronic equipment such as security system, air-conditioning system, office equipment, etc.) a new property with an approximate gross floor area of 3,000 square feet that will serve as the Group's headquarters and R&D centre in Singapore by establishing a testing centre, demonstration laboratory and training centre
For the six months ending 30 June 2018	HK\$[REDACTED] (equivalent to approximately US\$[REDACTED])	<ul style="list-style-type: none"> • To acquire and equip the testing centre with testing equipment for testing the reliability, performance, and features of the Group's cyber security solutions • To acquire and equip the demonstration laboratory with equipment for demonstrative purposes for real-time simulation and to upgrade the Group's R&D software and hardware for its R&D team in Singapore for design, database and project management purposes
For the six months ending 31 December 2018	HK\$[REDACTED] (equivalent to approximately US\$[REDACTED])	<ul style="list-style-type: none"> • To acquire and install new computers, laptops, design software and hardware, and servers for the purpose of products development and testing
For the six months ending 30 June 2019	Nil	<ul style="list-style-type: none"> • Nil

The Group expects that the new headquarters and R&D centre will commence operation by first half of 2018. As at the Latest Practicable Date, the Group has not identified any specific property to be acquired.

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Expanding product lines by developing new products, upgrading the Group’s existing products and strengthening the Group’s R&D team

The Group needs to introduce new cyber security products and enhance the features of its products to remain competitive. The Group intends to apply approximately HK\$[REDACTED] (equivalent to approximately US\$[REDACTED]) to develop the following new products and product upgrade:

- (a) Developing new cyber security solutions:
- (i) 3i-Web System — The 3i-Web System is designed with the objectives to monitor content of websites in real time. The grant of patent for the Group’s invention relating to the 3i-Web System is pending. The prototype 3i-Web System is available, while the enhanced version will be available in 2017.
 - (ii) 3i-Anti Drone Solutions — These solutions will be capable of detecting, identifying and controlling intruding rogue drones (UAV). The grant of patent for the Group’s invention relating to the 3i-Anti Drone Solutions is pending. The standard version will be available by end of 2017.
 - (iii) Analytics and Correlation Solutions — These solutions are designed to analyse large volume of data collected from internet, examine the multiple relationships which exist among analysed data and present the analysis in a systematic manner which enables users to visualise the relationships and reactions through the use of interactive diagrams.
- (b) Upgrade of existing 3i-Filter System — The Group’s existing 3i-Filter System has a data filtering capability that supports 10 gigabits per second of data bandwidth. In order to meet the demands of the future for bigger data bandwidth, the Group plans to upgrade its 3i-Filter System using the ATCA technology to significantly boost the performance of the 3i-Filter System to 160 gigabits per second of data bandwidth.

The Group plans to use approximately HK\$[REDACTED] (equivalent to approximately US\$[REDACTED]) of [REDACTED] from the [REDACTED] to recruit additional skilled and experienced software engineers to carry out the above R&D projects.

Period	Approximate amount of [REDACTED] used	Description of activities
From the Latest Practicable Date to 31 December 2017	HK\$[REDACTED] (equivalent to approximately US\$[REDACTED])	<ul style="list-style-type: none"> • To recruit four senior software engineers or software programmers comprising two java/java script/J2EE engineers and two C/C++ engineers with relevant IT qualifications and relevant experience of at least 5 to 8 years to be based in Singapore to assist in developing new products and upgrading the Group’s existing products
For the six months ending 30 June 2018	HK\$[REDACTED] ⁽¹⁾ (equivalent to approximately US\$[REDACTED])	<ul style="list-style-type: none"> • To recruit two professional service engineers with relevant qualifications and with approximately 5 years of relevant experience to be based in Singapore to assist in the Group’s pre-sales and after-sales technical support

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Period	Approximate amount of [REDACTED] used	Description of activities
For the six months ending 31 December 2018	HK\$[REDACTED] ⁽¹⁾ (equivalent to approximately US\$[REDACTED])	<ul style="list-style-type: none"> • To recruit two experienced senior engineers comprising two java/java script/J2EE engineers for software programming and two C/C++ engineers with relevant qualifications and with approximately 3 to 5 years of relevant experience to be based in Malaysia to assist in developing new products and upgrading the Group's existing products
For the six months ending 30 June 2019	HK\$[REDACTED] ⁽¹⁾ (equivalent to approximately US\$[REDACTED])	<ul style="list-style-type: none"> • To maintain the new hiring as mentioned above

Note:

(1) The amount includes the salaries of the employees employed in the previous period(s).

Expanding the Group's sales and marketing team and establishing regional offices

The Group's customers are mainly located in Southeast Asia. During the Track Record Period, the Group has received enquiries about its cyber security solutions from potential customers around the world. Given its current level of financial and human resources, it is difficult for the Group to allocate sufficient resources to develop its business in new geographical areas. After the [REDACTED], the Group plans to use approximately HK\$[REDACTED] (equivalent to approximately US\$[REDACTED]) of [REDACTED] from the [REDACTED] for expansion of its cyber security solutions business into Europe and Middle East & Africa region through establishment of regional offices in Frankfurt, Germany to cater for the European market and in Dubai, UAE to cater for the Middle East & African market. The Directors consider that Europe is one of the most developed cyber security solutions markets in the world. In 2014, the Group secured its first order for a project from an end user based in Germany.

The Directors believe that there will be increasing demand for the Group's cyber security solutions in European market. According to the Industry Report, Europe is projected to have the second highest market share for the cyber security solutions market in respect of the years 2015 to 2020. The Group plans to establish its regional office in Frankfurt for its coverage in European market, as the Directors are of the view that Frankfurt is one of the logistic hubs in Europe which will accord the Group opportunities for expanding its market reach.

The cyber security solutions market in Middle East & Africa region is less developed, however, it is expected that there will be vast potential business opportunity in this region. In light of this, the Group intends to expand its cyber security solutions business into Middle East & Africa region. According to the Industry Report, there is projected to be growth at a CAGR of approximately 14.6% for the years 2015 to 2020 for the Middle East & Africa region in respect of the cyber security solutions market. In view of the above, the Group plans to establish a regional office to cater for the cyber security solutions market in Middle East & African region.

Having a presence in the above mentioned jurisdictions will allow the Group to provide coverage for customers present across time zones, as opposed to merely the Asia Pacific region and provide better support for potential customers in terms of proof of concepts, thus allowing them to better understand the features and functionalities associated with the Group's cyber security solutions and products. The Directors believe that having these regional offices will help promote the Groups' sales in European and Middle East & Africa region.

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In addition, the Group intends to develop its cyber infrastructure solution business in the PRC due to the size and unique characteristics of the PRC markets and plans to finance such development using [REDACTED] from the [REDACTED] Investment. The Group plans to establish an office in the PRC tentatively in Shanghai that can provide on-demand and tailor-made cyber infrastructure solutions for the PRC market. The Group intends to invest approximately US\$1.2 million into the PRC market over the next two years to, among others, (i) recruit Chinese IT engineering talents and expand the sales force in the PRC; (ii) set up its office in the PRC; and (iii) set up its branch offices at high demand regions in other parts of the PRC. An office in Hong Kong, which is set up for provision of administrative and sales support services to the office/sales and marketing centres in the PRC, was established in June 2016, and the Group is in the course of establishing the PRC entity for engaging in the relevant business. It is expected that the Group will commence its cyber infrastructure solutions business in the PRC in or around the fourth quarter of 2017. As at the Latest Practicable Date, approximately US\$[REDACTED], representing approximately [REDACTED]% of the [REDACTED] from the [REDACTED] Investment, has been utilised for the pre-operating expenses of the PRC entity and establishment of the office in Hong Kong. For details on the [REDACTED] Investment, please refer to the section headed “History, Reorganisation and Corporate Structure — [REDACTED] Investment” in this document.

The Group’s plan for use of approximately HK\$[REDACTED] (equivalent to approximately US\$[REDACTED]) of [REDACTED] from the [REDACTED] for expanding its sales and marketing team and establishing regional offices is set out as follows:

Period	Approximate amount of [REDACTED] used	Description of Activities
From the Latest Practicable Date to 31 December 2017	HK\$[REDACTED] (equivalent to approximately US\$[REDACTED])	<ul style="list-style-type: none"> • To recruit one senior international sales and marketing manager with the relevant qualifications and with approximately 5 years of relevant experience to be based in Singapore with a view to strengthening the sales force in Europe and Middle East & Africa region • To recruit one senior marketing manager with approximately 5 years of relevant experience to be based in Singapore to assist in the strengthening of the marketing and branding of the Group’s products
For the six months ending 30 June 2018	HK\$[REDACTED] ⁽¹⁾ (equivalent to approximately US\$[REDACTED])	<ul style="list-style-type: none"> • To establish a regional office and lease a service office in Dubai, UAE as the Group’s representative office for market coverage in Middle East & Africa region • To recruit two senior technical sales engineers with the relevant qualifications and with approximately 5 years of relevant experience to be based at the Group’s regional office in Dubai, UAE to better support the Group’s existing and prospective clients for proof of concept, onsite visits and support in the Middle East & Africa region
For the six months ending 31 December 2018	HK\$[REDACTED] ⁽¹⁾ (equivalent to approximately US\$[REDACTED])	<ul style="list-style-type: none"> • To establish a regional office and lease a service office in Frankfurt, Germany as the Group’s representative office in Europe • To recruit one senior regional sales and two senior technical sales engineers with the relevant qualifications and with approximately 5 years of relevant experience to be based at the Group’s regional office in Frankfurt, Germany to assist in the strengthening of the marketing and branding of the Group’s products
For the six months ending 30 June 2019	HK\$[REDACTED] ⁽¹⁾ (equivalent to approximately US\$[REDACTED])	<ul style="list-style-type: none"> • To maintain the new hiring as mentioned above

Note:

(1) The amount includes the salaries of the employees employed in the previous period(s).

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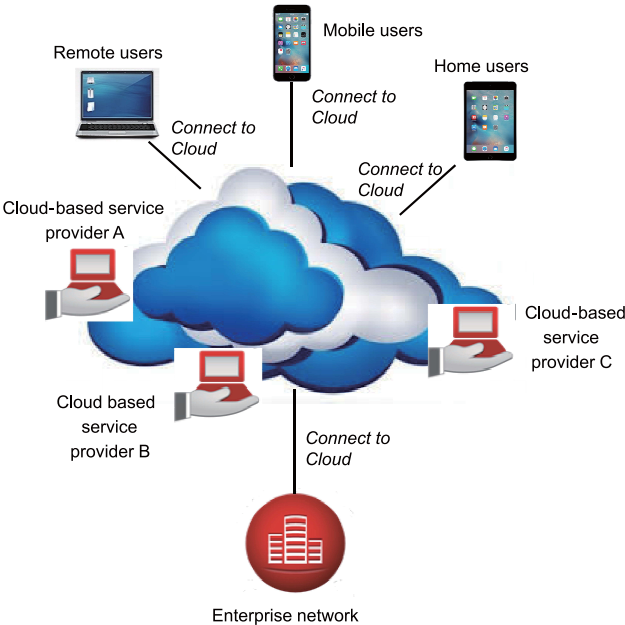
Developing Netsis Hybrid Converge Hub in Singapore to broaden the Group's source of revenue

During the Track Record Period, the Group derived the majority of its revenue mainly from the provision of project based cyber infrastructure and cyber security solutions. A further revenue stream lies in the provision of maintenance and support services which is recurring in nature. To create additional and recurring revenue stream and leverage on the Group's capability in the provision of cyber infrastructure solutions, the Group plans to set up its own cyber infrastructure, known as Netsis Hybrid Converge Hub in Singapore.

To integrate the enterprise network and cloud-based service providers, an enterprise may connect its enterprise network to cloud-based service providers either directly or through cloud.

Enterprise network connected to cloud-based service providers through cloud

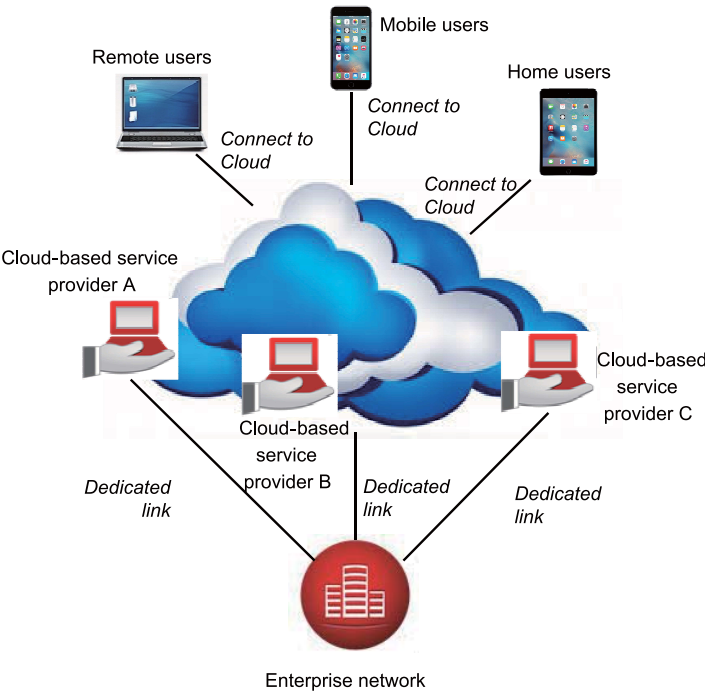
If an enterprise connects its enterprise network to cloud-based providers through public cloud, its enterprise network is open to unauthorised access, misuse, modification, theft, corruption, disruption and other threats. The enterprise is required to invest in hardware and software to protect its enterprise network. A strong IT team is also required to maintain the enterprise's cyber infrastructure. Further, the enterprise may need a bigger bandwidth to link its enterprise network with the cloud-based services providers through cloud. The initial investment on cyber infrastructure for this connection model is expected to be high.



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Enterprise network directly connected to the cloud-based service providers

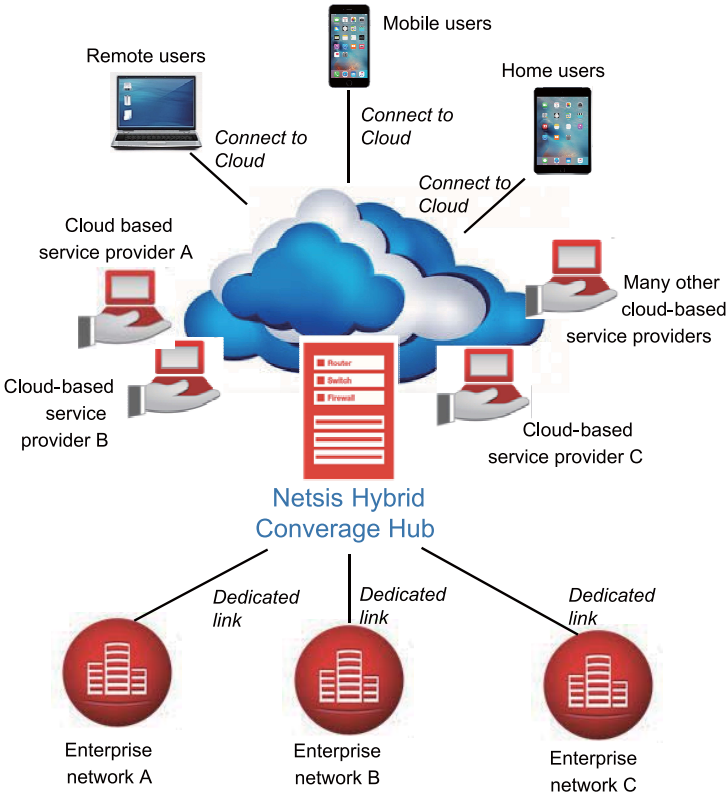
If an enterprise connects directly to the cloud-based service providers, its enterprise network is not directly connected to the cloud and hence, any unauthorised access, misuse, modification, theft, corruption, disruption or other threat may be safeguarded by the threat management measures put in place by the relevant cloud-based service providers. The initial investment on cyber infrastructure for this connection model may be lower as compared with the previous connection model but there is a recurring charge for each dedicated link to each service provider. As it will be too expensive for the enterprise to maintain many dedicated links, the number of cloud-based service providers that the enterprise network may link to will be limited.



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Netsis Hybrid Converge Hub

Netsis Hybrid Converge Hub is a hybrid of the two connection models, allowing enterprises to enjoy the upsides of both connection models. The diagram below is an illustration of the Netsis Hybrid Converge Hub:



The Netsis Hybrid Converge Hub aims to reduce the complexity in designing, implementing and managing cyber network of enterprises. Enterprises will link up their network to the Netsis Hybrid Converge Hub without heavy initial investment in cyber infrastructure. Threat management systems will be built in Netsis Hybrid Converge Hub to safeguard the different enterprise networks connected to it. The Netsis Hybrid Converge Hub will also offer scalability to its customers. The Group will also take care of infrastructure upgrades and technology updates.

The Netsis Hybrid Converge Hub provides the security level associated with a direct connection to service providers but at lower initial and recurring costs. The Directors estimate that the aforesaid reduction in initial and recurring costs will range from 25% to 50% and 25% to 40%, respectively, depending on factors such as communication costs, and the quantity of resources located in close, low-latency proximity to a cloud ecosystem.

The Netsis Hybrid Converge Hub is expected to generate non-project based revenue for the Group. The Group will charge monthly fees to its customers for linking to the Netsis Hybrid Converge Hub. The amount of fee a customer has to pay will depend on the connection bandwidth and the type of services required. The Group expects to launch the Netsis Hybrid Converge Hub in the first half of 2018. The Netsis Hybrid Converge Hub is designed to be scalable without heavy investment.

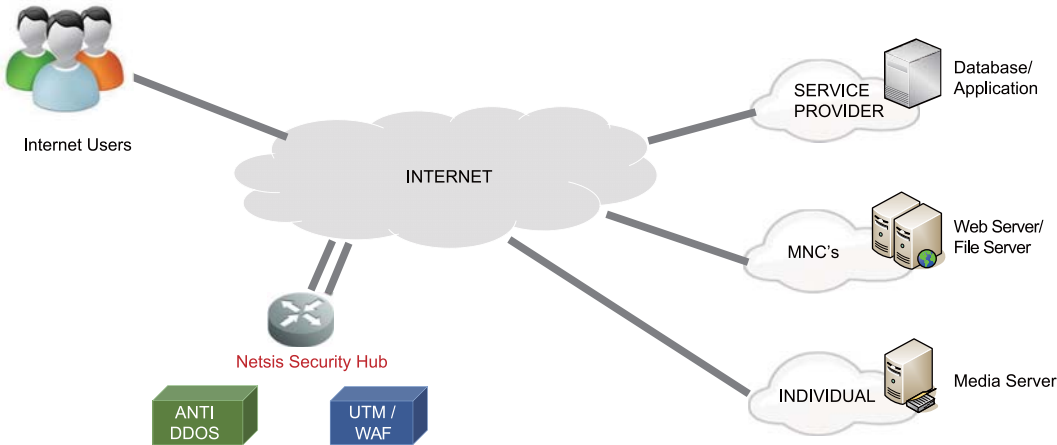
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Approximately HK\$[REDACTED] (equivalent to approximately US\$[REDACTED]) of [REDACTED] from the [REDACTED] will be used for setting up of Netsis Hybrid Converge Hub, which will be located at a leased data centre. The Group’s plan for use of [REDACTED] from the [REDACTED] for setting up of Netsis Hybrid Converge Hub is set out as follows:

Period	Approximate amount of [REDACTED] used	Description of Activities
From the Latest Practicable Date to 31 December 2017	HK\$[REDACTED] (equivalent to approximately US\$[REDACTED])	<ul style="list-style-type: none"> To acquire hardware and software, for setting up of the Netsis Hybrid Converge Hub To design and commission the Netsis Hybrid Converge Hub
For the six months ending 30 June 2018	HK\$[REDACTED] (equivalent to approximately US\$[REDACTED])	<ul style="list-style-type: none"> To maintain and support the operation of the services To promote and market the services through events and social media
For the six months ending 31 December 2018	HK\$[REDACTED] (equivalent to approximately US\$[REDACTED])	<ul style="list-style-type: none"> To maintain and support the operation of the services To promote and market the services through events and social media
For the six months ending 30 June 2019	HK\$[REDACTED] (equivalent to approximately US\$[REDACTED])	<ul style="list-style-type: none"> To maintain and support the operation of the services To promote and market the services through events and social media

Developing Netsis Security Hub in Hong Kong to broaden the Group’s source of revenue

Subsequent to setting up the Netsis Hybrid Converge Hub, the Group plans to set up 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 such as Anti-DDoS, UTM & etc. The diagram below is an illustration of the Netsis Security Hub:



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Netsis Security Hub works as a cloud service against cyber threats to customers by routing the internet traffic to the Netsis Security Hub for screening before delivering them to the respective customers. For example, if a internet user is trying to access multinational corporation (MNC)’s Web, a request will be diverted to Netsis Security Hub for analysis and mitigation if malicious activities are detected. If no malicious activities are detected, internet traffic will be automatically forwarded to the Web server of the MNC.

The target customer base is very wide. The Group intends to leverage on the existing customer base comprising big enterprises in the Greater China region. Additionally, the Group’s Hong Kong office will also market such cloud services to existing and potential customers. The Group may charge its customers either a monthly fee or a fee based on usage (“per-use fee”) or a combination of both. The per-use fee include fee which is linked to the number and types of threats blocked by the Netsis Security Hub which would otherwise go to a customer.

For individual users and small companies, the Group intends to cooperate with partners on a profit sharing or pay on demand basis to reach out to these individual users and small companies. The Group’s proposed payment terms with partners will be determined on a case-by-case basis taking into account factors such as the size of the partners’ subscription base, the partnership terms, and the relevant cyber infrastructure investment by the partners.

The Netsis Security Hub is a cloud based infrastructure and is expected to generate non-project based revenue for the Group. It can be easily scale up by increasing the internet connection bandwidth and hardware capacity. The Group expects to launch the Netsis Security Hub by end of 2018.

Approximately HK\$[REDACTED] (equivalent to approximately US\$[REDACTED]) of [REDACTED] from the [REDACTED] will be used for setting up of Netsis Security Hub. The Group’s plan for use of [REDACTED] from the [REDACTED] for setting up of Netsis Security Hub is set out as follows:

Period	Approximate amount of [REDACTED] used	Description of activities
For the six months ending 31 December 2018	HK\$[REDACTED] (equivalent to approximately US\$[REDACTED])	<ul style="list-style-type: none"> To acquire hardware and software for setting up of the Netsis Security Hub in Hong Kong To design and commission the Netsis Security Hub
For the six months ending 30 June 2019	HK\$[REDACTED] (equivalent to approximately US\$[REDACTED])	<ul style="list-style-type: none"> To maintain and support the operation of the services

SUSTAINABILITY OF THE GROUP’S BUSINESS

The Directors believe that the business of the Group is sustainable due to the following reasons:

Increase in demand for cyber infrastructure and cyber security solutions

The Group is in the fast-growing cyber infrastructure and cyber security solutions industry. According to the Industry Report, the overall outlook for the cyber infrastructure solutions market in Southeast Asia and cyber security solutions market in Asia Pacific region is positive. The cyber infrastructure solutions market in Southeast Asia witnessed growth with a CAGR of approximately 10.5% between 2010 and 2015 and it is expected to grow with a CAGR of approximately 9.0% from 2015 to 2020. In respect of the major market of the Group’s cyber infrastructure solutions business such as Malaysia, Myanmar and Philippines, the cyber

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infrastructure solutions market is expected to grow with a CAGR of over 11.5% between 2015 and 2020. Such growth between 2015 to 2020 is expected to be driven by increased internet penetration, country level supportive regulations, and increasing investment in data centres.

According to the Industry Report, the internet content management segment of the Southeast Asia cyber security solutions market is estimated to grow at a CAGR of approximately 22.0% between 2015 and 2020, and the cyber security solutions market in Malaysia, Myanmar and Philippines is expected to grow with a CAGR of over 13.3% for the same period.

In addition to prospects in the aforesaid Southeast Asia countries, the Directors further believe that the global cyber security solutions market will present the Group with more business opportunities. According to the Industry Report, the global cyber security solutions market is forecasted to grow with a CAGR of approximately 9.7% from 2015 to 2020, as both governments and enterprises are projected to become increasingly willing to invest in cyber security solutions for the purposes of preventing information leakage and economic loss.

Strong R&D capabilities

The Group has strong R&D capabilities and intends to leverage on its strengths in developing its technology and solutions to maintain its competitiveness in the cyber security solutions market. The Group’s 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. The Group has continued to leverage on its IRGO core engine and RTPR technology to develop 3i-Web System and 3i-Anti Drone Solutions. The Group has not yet been granted any patents on its patent applications for the Group’s inventions relating to 3i-Web System, 3i-Anti Drone Solutions and RTPR technology. The Directors expect that the final products of 3i-Web System and 3i-Anti Drone Solutions will launch in 2017. For further details, please refer to the paragraph headed “Research and Development and Process” in this section.

The Group plans to further strengthen its R&D team, expand its headquarters, establish a R&D centre in Singapore by establishing a testing centre, demonstration laboratory and training centre and upgrade its R&D facilities with a view to enhancing its ability to develop new solutions and shortening the product development cycle. For further details, please refer to the paragraph headed “Business Strategies” in this section.

Diversified geographical reach and established customer base

The Group has a diversified geographical reach. During the Track Record Period, the Group’s revenue was derived from Myanmar, Singapore, Hong Kong, Thailand, Indonesia, Laos, Philippines, South Korea, Vietnam, Taiwan, Romania, US and Malaysia. The Group is not dependent on a particular jurisdiction.

Whilst the Group derives the majority of its revenue from the provision of cyber infrastructure solutions and cyber security solutions, the Group also derives revenue from the provision of services including maintenance and support services. The Group has an established customer base and it is not dependent on any single customer for business. During the Track Record Period, the Group maintained relationships of up to eight years with its five largest customers.

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BUSINESS MODEL

The Group is a well-established ICT solution provider in Southeast Asia with a focus on the provision of cyber infrastructure and 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. The Group offers a range of cyber infrastructure solutions to satisfy various ICT requirements and needs of customers. The hardware and software used in implementation of the cyber infrastructure solutions are sourced from third party suppliers. The cyber infrastructure solutions projects undertaken by the Group are usually a combination of the following solutions:

System integration

The Group provides services in relation to building infrastructure for internet access and services such as CGN, DPI and caching. As a system integration service provider, the Group works closely with customers to assess, design and implement cyber infrastructure, pre-configured equipment and off-the-shelf solutions to meet customers' key business goals and objectives. The Group utilises vast expertises and techniques to ensure that all equipment and solutions communicate and function together as a system.

Threat management

The Group provides consulting, procurement and implementation services on solutions sourced from third parties, such as firewalls, Anti-DDoS, threat detection and mitigation, etc., which protect and prevent customers' systems and information from unauthorised access, misuse, modification, theft, corruption, or disruption, while allowing the systems and information to remain accessible and productive to the customers.

Cloud infrastructure solutions

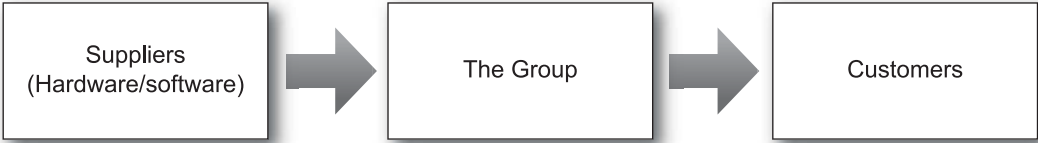
The Group provides infrastructure for ISPs to enable them to provide cloud security services to their customers on a subscription basis. The Group derives an annual fee from the provision of such infrastructure.

Business model

The Group sells cyber infrastructure solutions to customers which mainly include telecommunications service providers, ISPs, IT companies and manufacturing companies. The Group may be engaged by customers to provide cyber infrastructure solutions to them directly or act as their subcontractor to provide cyber infrastructure solutions to their customers.

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The following diagram illustrates the business model of the Group's cyber infrastructure solutions business:



The Group enters into agreements with its customers on a project-by-project basis. The customer will prepare a purchase order, which typically includes the following terms: (i) description of products and services the customer will purchase from the Group; (ii) delivery terms (including delivery timing and place of delivery); (iii) payment schedule; (iv) warranty; and (v) payment currency. Such purchase order constitutes a binding agreement when accepted by the Group.

The Group typically manages all the phases of its cyber infrastructure solutions projects. The Group's technical support team executes almost all of the implementation works of the cyber infrastructure solutions projects. In the event that the Groups' customers are located in a distant city outside Singapore and Malaysia, the Group may outsource part of its onsite implementation work to its sub-contractors. The Directors consider that such sub-contracting arrangement can increase the Group's flexibility and cost effectiveness in carrying out the implementation works outside Singapore and Malaysia. The Group does not enter into long-term agreement with the sub-contractors. The terms of sub-contracting arrangement are generally determined on a case-by-case basis by taking into account the complexity of the works. The Group generally takes into account the following factors in respect of sub-contractor when making a selection, (i) track record in respect of on-time delivery; (ii) qualifications and industry experience; and (iii) compliance track record with the Group's policies. During the Track Record Period, the Group had only incurred an insignificant amount of subcontracting costs of approximately US\$84,000 for a project in Philippines for the year ended 31 December 2016. The Group has no plan to increase its reliance on sub-contractors and volume of sub-contracting.

Cyber Security Solutions

The Group specialises in provision of cyber security solutions for 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's cyber security solutions serve as a tool to analyse and monitor information collected from the internet/networks in real time. This facilitates users to formulate the necessary measures and controls to manage internet content to address cyber challenges and threats.

The core of the Group's cyber security solution is its operating system known as IRGO core engine and RTPR technology. Details of the Group's IRGO core engine and RTPR technology are set out as follows:

Intelligence Reconstruction Gear Operating System (IRGO) core engine

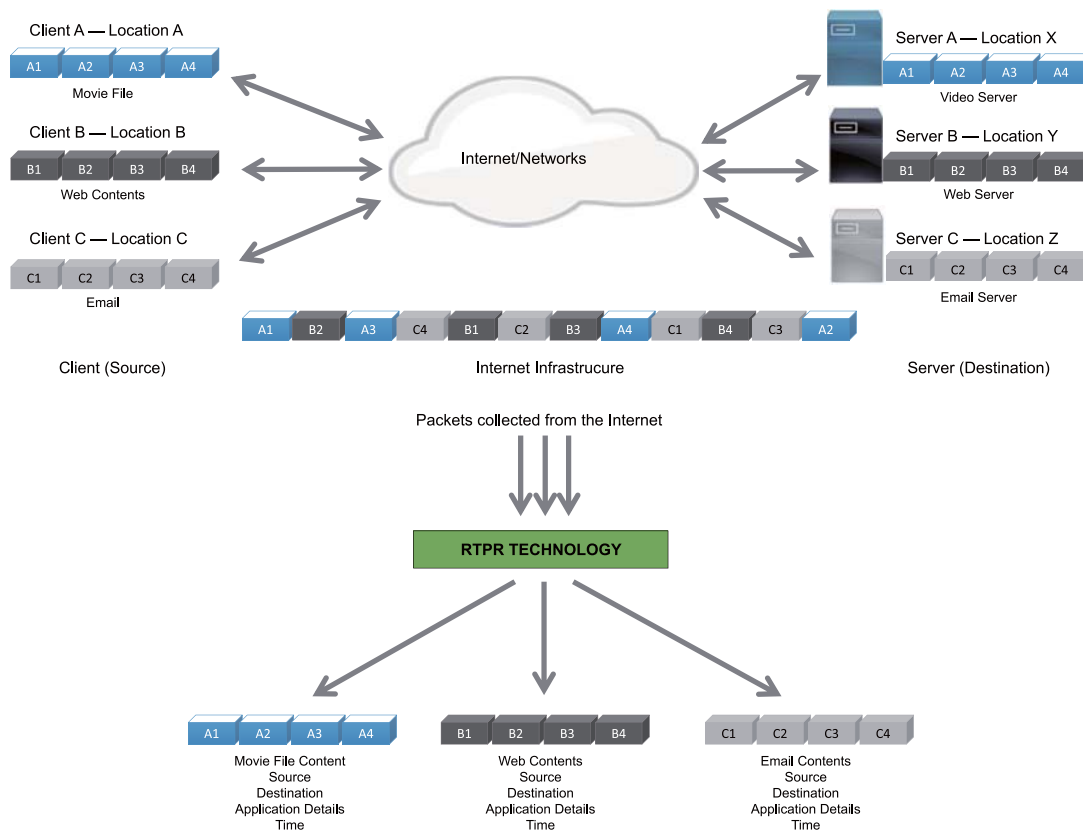
The IRGO core engine is a custom operating system developed from Linux with enhanced real-time and high-speed data packet processing capability.

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Real-Time Packet Reconstruction (RTPR) technology

Generally, information are disassembled and broken into data packets during their transmission over the internet. Key information including the source and destination IP addresses and sequencing information are embedded into each data packet. During the transmission process, data packets of all information are transmitted in high speed and random order. When multiple users transmit information over internet, massive volume of data packets will be transmitted. Given the above, advanced technology is required to collect and analyse information from the massive data packets streams over high-speed network link.

The Group's RTPR technology is designed to analyse the content of each data packet during transmission over internet, then select data packets and reconstruct them into the original state of the information in real time. The process of collection, analysis and reassembling of data packets over the internet using the RTPR technology is illustrated in the diagram below:



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Major products

Software constitutes the core of the Group’s cyber security products. Hardware used in the Group’s cyber security products is generally mass produced hardware products produced by established manufacturers. Such hardware must satisfy the technical specifications required by the Group so as to achieve the most optimal performance, Generally, the Group does not modify or custom make any hardware. Currently, the Group has the following major cyber security products which comprise (i) 3i System and its suite of systems, and (ii) 3i-Tactical System:

Product	Description
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3i System was developed from the Group’s IRGO core engine and RTPR technology, and is designed to enable monitoring of data packets over internet and processing such data packets into the original state of the information in real time. One unit of 3i System is designed with a bandwidth of 1 gigabits per second. If users require higher bandwidth, more units of 3i System may be purchased according to the users’ requirement. 3i System is equipped with security features that prohibit the product from unauthorised duplication and operation when it is removed from the existing site or country that the product is supplied to. It is available in three versions, namely, the standard version, professional version and extreme version. The differences among these three versions lie in the monitoring capacity which varies depending on the number of data sources limited by the Group at design stage. The following table sets out the monitoring capacity of each version:

Version	Designed monitoring capacity (number of data sources)
Standard	100
Professional	1,000
Extreme	Unlimited

Each of the standard and professional versions can be upgraded at an additional fee as a separate project.



3i-Filter System carries out preliminary filtering of data for the 3i System. One unit of the 3i-Filter System is designed to carry out data filtering according to input from users for multiple units of the 3i System.



3i-CS System is a system for centralised management of multiple units of 3i System at multiple locations remotely.



3i-RS System is a system for management of storage of large volume of data collected by the 3i System and for easy retrieval of data stored.

BUSINESS

Product **Description**



3i-Tactical System is a portable version of the 3i System with all or parts of the features of the 3i System and any add-on features as may be required by the users. It is available in three versions, namely, the standard version, professional version and extreme version. The differences among these three versions lie in (i) the monitoring capacity which varies depending on the number of data sources limited by the Group at design stage and (ii) the types of internet connection methods supported by the system. The following table sets out the monitoring capacity at each version and the type of internet connection methods supported by each version:

Version	Designed monitoring capacity (number of data sources)	Type of internet connection
Standard	10	Wifi only, passive and active scanning
Professional	50	Both wifi and wired, passive and active scanning
Extreme	Unlimited	Both wifi and wired, passive and active scanning, full data packets reconstruction support

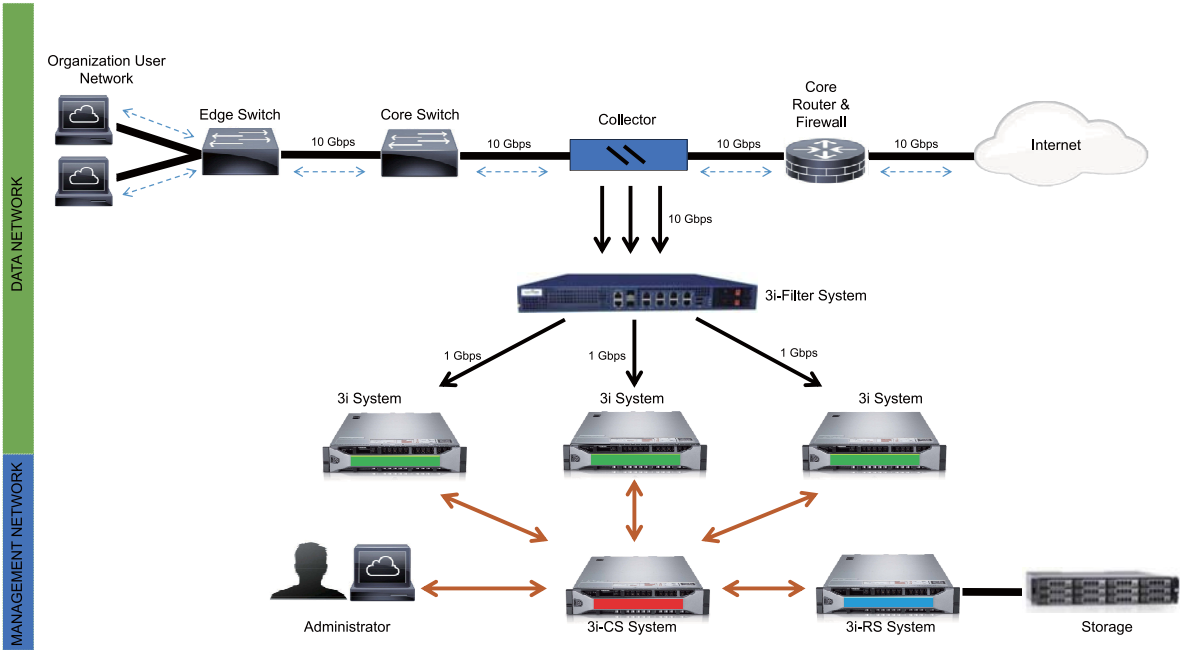
Each of the standard and professional versions can be upgraded at an additional fee as a separate project.

In the Group’s cyber security solutions business, some customers may request the Group to supply cyber security solution software only. In these instances, the Group will carry out an assessment of the suitability of the end users’ hardware. During the Track Record Period, the Group also provided its cyber security solution software to a channel partner whereby the Group authorised it to localise the software, as well as re-package and re-brand the channel partner’s own brand. The amount of revenue derived from such channel partner for the years ended 31 December 2014, 2015 and 2016 was approximately US\$250,000, nil and US\$176,000, respectively.

The Group typically manages the entire cyber security project. It will first assess the requirements, needs and the existing computer systems and network environment of an end user before implementing a cyber security solution for the end user. In formulating cyber security solution for a project, the Group may incorporate a combination of its cyber security products. In addition, the Group will update or upgrade the solutions upon customers’ request.

BUSINESS

The diagram below illustrates how the Group’s cyber security solution typically works:



Data network process

Data packets are collected from the internet through a collector deployed between the switch and the router. The 3i-Filter System will analyse and file the collected data packets according to the administrator’s input. Selected data packets are then delivered to the 3i System, which performs the content reconstruction function instantly using IRGO core engine and RTPR technology.

Management network process

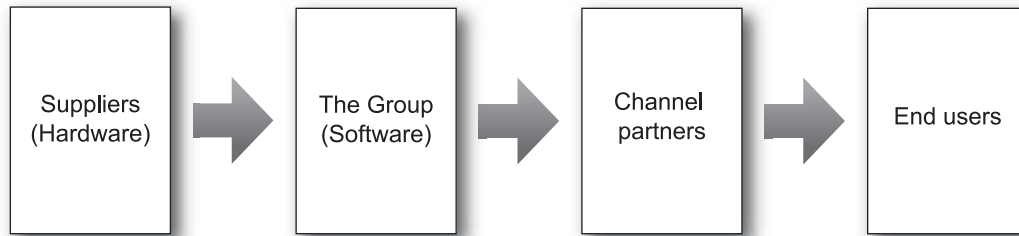
The administrator manages the 3i-Filter System, multiple units of 3i System and the 3i-RS System through the 3i-CS System within the administrator’s network. The 3i-CS System is designed to provide a single console for overall control, monitoring and viewing of the reconstructed data content in the multiple units of 3i System in real time. If it is necessary for the reconstructed data content to be retained for a longer time, the data may be stored in network storage managed by the 3i-RS System.

Business model

The Group sells its cyber security solutions through a network of channel partners in different geographical regions. There is no limit or exclusivities for the appointment of channel partners by the Group. The network of channel partners provides the Group with wider market reach. Currently, through alliances with local channel partners, the Group has accessed the Asia Pacific and European markets. The channel partners are regarded as the Group’s customers as the Group enters into agreement only with the channel partners.

BUSINESS

The following diagram illustrates the business model of the Group’s cyber security solutions business:



The Group carefully selects its channel partners based on various factors, including their (i) integrity; (ii) capability; (iii) experience; (iv) track record in the industry; and (v) background. In selecting a channel partner, the Group will review the application filed by the channel partner. Once the application for channel partner is approved, an authorised channel partner agreement will be signed.

During the Track Record Period, save for Customer E (which was a connected person of the Company by virtue of 49% of its shareholding interest being held at the time of the transaction by Mr. Chan, a director of the Company’s subsidiary, until May 2015 when Mr. Chan has decided to focus on his work with the Group), all of the Group’s channel partners were Independent Third Parties. Please refer to the paragraph headed “Customers” below in this section for details of the transactions between the Group and the abovementioned customer. The following table sets out the movements in the total number of channel partners during the Track Record Period:

	Year ended 31 December		
	2014	2015	2016
Beginning of the period	2	12	22
Additions	10	10	4
Terminations	—	—	(1)
End of the period	12	22	25

Note: The number of channel partners that purchased products from the Group during the Track Record Period were 7, 8 and 11 for the years ended 31 December 2014, 2015 and 2016, respectively.

During the Track Record Period, the additions of new channel partners generally reflected the Group’s strategic expansion of its channel partner network in Southeast Asian countries, South Korea, Mexico and Turkey. The termination of business relationship with Customer E was occasioned since Customer E had not been able to secure new projects for the Group after changes in its shareholding, as a result, the Group appointed a replacement channel partner. During the Track Record Period, revenue generated from Customer E was approximately US\$194,000, US\$5,000 and US\$5,000, respectively. Following the change in shareholding in Customer E in May 2015, Mr. Chan (a director of the Company’s subsidiary) ceased to be a shareholder of Customer E and hence the transactions between the Group and Customer E no longer constitute related party transactions of the Group for the year ended 31 December 2016.

BUSINESS

The Group does not impose minimum purchase amount on its channel partners. The channel partners do not keep any stock, and generally place a purchase order with the Group only when they received a firm order from the end user. Before any sales are made, the Group will identify the end user through a physical meeting with it, and no sales will be made to channel partners prior to ascertaining the identity of the end user. After delivery of products, the Group will provide training to the end users. The Group does not accept product return from the channel partners and end users unless the products are defective. During the Track Record Period, the Group did not experience any return of products from the channel partners or end users. Given the above, the Directors are of the view that channel stuffing on part of the Group's channel partners is unlikely to occur.

Terms of framework for authorised channel partner agreement

During the Track Record Period, the Group entered into the framework authorised channel partner agreements with channel partners. The key terms of an authorised channel partner agreement are as follows:

- Term One year subject to automatic renewal unless otherwise terminated or renewed

- Geographic or other exclusivity The Group generally does not offer geographical exclusivity to the channel partner for the sale of its products. The channel partners are prohibited from reselling any of the Group's products outside the designated territory without prior approval from the Group

- Obligations of the Group
 - Provide regular product training for channel partner and end users
 - Provide post warranty service and support service for a fee when the original product warranty period has expired

- Obligations of the channel partner
 - Use best efforts to promote and extend sales of the Group's products and for the resale to end users in the channel partner's territory
 - Comply with applicable laws and regulations

- Pricing The level of discount will vary depending on the sales performance of the channel partner

- Product returns The Group does not accept product return unless the products are defective. The Group is required to indemnify the channel partner any losses arising out of any claim that its products were defective or any recall of its products

- Sales and expansion targets The Group does not impose sales and expansion targets on the channel partner

- Minimum purchase amount Channel partner does not have minimum purchase amount

- Payment The Group accepts payments by telegraphic transfer and no cash payment is acceptable without the Group's approval

BUSINESS

Confidentiality Channel partner is not allowed to disclose the Group's confidential information to third parties without the Group's consent

Non-competition During the term of the authorised channel partner agreement and for a period of one year after the agreement is terminated, channel partner shall not engage in the manufacture, sale, marketing, distribution, agency, representation to the local market in its country and for the resale to the end users of any products that are in direct or indirect competition with the Group's products

Termination arrangement and grounds of termination Upon termination, the channel partner shall cease all use of the Group's name, logo and marks, return to the Group all written confidential information it received from the Group and pay the Group all outstanding sums due

The Group or the channel partner may terminate the agreement immediately by written notice if (i) the other party breaches any material term of the agreement; or (ii) the other party becomes insolvent or subject to any bankruptcy, receivership or other procedures for failure to pay debts when due

The Group or the channel partner may also terminate the agreement by giving a 60-day written notice prior to the expiration of the initial term and any subsequent renewal term

The Group may terminate the agreement if (i) any enactment of law that would make it unreasonably expensive for the Group to provide its products in compliance with the law of the channel partner's territory; or (ii) there is a change in control of the channel partner or any sale or transfer of substantial ownership interest in the channel partner

Management of channel partners

The Directors understand that managing the competition among the channel partners plays an essential part of the Group's success. Therefore, the Group adopts measures to mitigate the risk of cannibalisation amongst its channel partners. The Group specifies in the authorised channel partner agreement the designated territories for the respective channel partner and the channel partners are prohibited from reselling any of the Group's products outside the designated territory without prior approval from the Group. The Group's cyber security solutions are equipped with security features that prohibit the products from functioning when they are removed from the existing site or the particular country that the products are supplied to. In addition, the Group has also implemented a deal registration system. End users registered by the channel partners will have an exclusivity period of three months to conclude the sales transaction. Further, in the deal registration process, the Group will carry out due diligence measures which endeavour to verify the nature and background of the end user of prospective projects via channel partners. The deal registration process includes the execution of an application form by the channel partner containing details of the end user. The channel partner is also required to sign a customer statement of certification confirming the identity of end users. A physical meeting with the end user will be conducted before the order is processed.

BUSINESS

The Group provides training to its channel partners on its suite of products. This enables the channel partners to anticipate, predict and respond to the needs of their customers with appropriate and relevant solutions. The Group also provides its channel partners with back-office support functions to help them improve efficiency and customer service levels.

Maintenance and support services

The Group provides maintenance services relating to its product warranties. The hardware and software that the Group purchases from its suppliers come with original product warranties offered by the manufacturer suppliers. The software that the Group develops come with product warranties with the term of such warranties ranging from 12 months to 24 months. During the Track Record Period, no material quality issue on the Group's products were identified, due mainly to the fact that (i) the Group's cyber infrastructure solutions and cyber security solutions would be tested by the Group's technical team prior to the delivery and installation; and (ii) user acceptance tests would be carried out by the Group's and the customers' technical team prior to signing the certificate of acceptance. In light of this, the Directors considered that the Group's exposure on product warranties is insignificant, and therefore, it is not required to and did not make any provision for its warranty services. For further details of the Group's quality control system, please refer to the section headed "Business — Quality Control" in this Document. Upon expiration of the relevant product warranty, the Group offers its customers an annual maintenance package of such warranties for a fee. If the hardware and/or software are purchased from suppliers, the Group will obtain a back-to-back extended warranty from the suppliers.

The Group's support services focus on the provision of on-the-job training and onsite or remote support.

SALES

The Group's sales team is mainly based in Singapore. The Group also has sales office in Malaysia. The Group generally secures projects through its sales and marketing activities, channel partners, recurring customers or referrals. It generally does not participate in tendering for projects.

BUSINESS

During the Track Record Period, the Group sold its products to end users within Singapore and Malaysia and exported to various countries and regions in the Asia Pacific region including Indonesia, Laos, Myanmar, Philippines, Thailand and South Korea, etc. Approximately 86.6%, 94.6% and 86.4% of the Group's revenue for the years ended 31 December 2014, 2015 and 2016, respectively were derived from end users in Southeast Asia. The following table sets out the breakdown of the Group's revenue by geographical locations 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

Myanmar is a Sanctioned Country and during the Track Record Period was subject to sanctions imposed by Australia, the US and the European Union. During the Track Record Period, the Group had sales with customers from Myanmar. Approximately 33.1%, 30.9% and 3.9% of the Group's total revenue for the years ended 31 December 2014, 2015 and 2016, respectively were derived from sales to Myanmar. Detailed analysis of the Group's sales with customers in Myanmar is set out in the paragraph headed "Business in a Sanctioned Country" in this section.

BUSINESS

During the Track Record Period, the Group offered its cyber infrastructure and cyber security solutions to both the public sector and the private sector. Approximately 62.2%, 43.0% and 36.7% of the Group's total revenue for the years ended 31 December 2014, 2015 and 2016, respectively were derived from public sector projects. 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
	<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>

There were an aggregate of 11, 23 and 31 Major Projects for the years ended 31 December 2014, 2015 and 2016, respectively. During the Track Record Period, the revenue contribution of the Major Projects in the Group's cyber infrastructure solutions business ranged from approximately US\$31,000 to approximately US\$1,363,000 and the revenue contribution of the Major Projects in the Group's cyber security solutions business ranged from approximately US\$35,000 to approximately US\$659,000. The following table sets out the breakdown of the Group's Major Projects 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	%
Type of business						
Cyber infrastructure solutions attributable to project with revenue contribution of						
— US\$30,000 or above	678	27.8	1,765	47.5	2,881	51.1
— below US\$30,000	201	8.2	241	6.5	318	5.7
	<u>879</u>	<u>36.0</u>	<u>2,006</u>	<u>54.0</u>	<u>3,199</u>	<u>56.8</u>
Cyber security solutions attributable to project with revenue contribution of						
— US\$30,000 or above	1,441	59.0	1,563	42.1	2,005	35.6
— below US\$30,000	80	3.2	30	0.8	63	1.1
	<u>1,521</u>	<u>62.2</u>	<u>1,593</u>	<u>42.9</u>	<u>2,068</u>	<u>36.7</u>
Maintenance and support service income	43	1.8	116	3.1	368	6.5
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 further information, please refer to the section headed "Financial Information — Description of selected items from the Group's combined statements of profit or loss and other comprehensive income — Revenue" in this document.

BUSINESS

Pricing

The Group prices its products on cost-plus basis taking into account various factors. Such factors include (i) the complexity of the work involved; (ii) types of products and services involved; (iii) the estimated project cost (taking into account the cost of equipment, hardware and/or software required); and (iv) the Group's competitiveness in the market. The Group charges its customers at a fixed fee. Accordingly, any material deviation in the actual time and resources spent from the Group's initial estimation may result in significant cost overruns which may adversely affect the profitability of the project. The Group has adopted the following measures to manage the risk of cost overruns:

- a detailed estimation of time and cost expected to be incurred in a project is prepared by its sales staff and reviewed by its management before a quotation is submitted to its customers;
- its sales support staff will obtain preliminary quotations from its suppliers in respect of the hardware and/or software required for implementation and integration in order to ascertain the cost expected to be incurred, thereby forming the basis for the Group to prepare its quotation; and
- the sales staff will periodically review the progress of the project and report details of the same to the Group's management.

During the Track Record Period, the Group did not experience any cost overruns in respect of any of its cyber infrastructure solutions and cyber security solutions projects.

Seasonality

The Group's business operations are not affected by seasonal factors.

Credit control

The Group adopts different credit policies for its cyber infrastructure solutions business and cyber security solutions business.

Cyber infrastructure solutions business

For the Group's cyber infrastructure solutions business, the Group may incur substantial procurement costs for purchasing hardware and software from third party suppliers. In order to recover the procurement costs at early stage of the projects, the Group may request customers to pay a deposit of up to 60% of the sum of the project upon receipt of the purchase order in respect of all new customer dealings or projects involving substantial procurement costs. Thereafter, the remaining contract sum of the project is paid in instalments, with the last instalment generally paid (i) upon delivery or (ii) up to 30 days after delivery or completion of the user acceptance test. For recurring customers, the Group does not generally require them to pay any deposits for the projects which do not involve substantial procurement costs. It either (i) requests for the entire contract sum to be paid upon delivery or (ii) allows a credit period of 30 days from the date of issuance of invoice following delivery.

BUSINESS

Cyber security solutions business

For the Group's cyber security solutions business, the Group generally requires new customers to pay (i) the entire contract sum in advance or (ii) in instalments with a deposit of up to 30% of the contract sum of the project, with the last instalment paid upon delivery or up to 90 days after delivery or 14 days after completion of the user acceptance test. For recurring customers, the Group determines the payment terms on case-by-case basis. It generally dispenses with the necessity for deposits and (i) requests for the entire contract sum to be paid upon delivery, (ii) allows a credit period of up to 30 days from the date of issuance of invoice following delivery or (iii) allows payment by instalments with the last instalment paid up to 6 months after delivery.

Payment control

When a trade receivables become overdue, the Group's sales staff are required to contact the relevant customer for settlement. If necessary, these sales staff will undertake negotiations with the customer regarding the payment schedule. The Group's finance and administrative staff are responsible for monitoring the settlement of the trade receivables from time to time. The Directors closely monitor the settlement status of the Group's trade receivables and assess the collectability of the Group's trade receivables to determine if any impairment of trade receivables is necessary. The Directors' assessment takes into account, among others, the evaluation of collectability, ageing analysis of the trade receivables, creditworthiness, financial strength, and payment history of the customers.

During the Track Record Period, the Group had recorded some overdue trade receivables from certain customers, for which the Directors consider that there is no recoverability issue after assessing the individual condition of these customers. The Group had not recorded any bad debt or impairment of trade receivables during the Track Record Period. For further details of the analysis of the Group's trade receivables, please refer to the section headed "Financial Information — Description of Selected Items of the Group's Combined Statements of Financial Position — Trade and other receivables" in this document.

Marketing

The Group uses trade shows and exhibitions, search engine advertisements and social media to create awareness of its products and services as well as to enhance its brand visibility in the market. These activities provide the Group with significant opportunities to meet potential new customers. Additionally, the Group engages in joint marketing efforts mainly with Independent Third Parties.

The Group also markets its brand, solutions and services through seminars, exhibition, luncheons and email marketing. These activities allow the Group to demonstrate its capabilities and to build and maintain its relationships with its potential customers, existing customers, and suppliers.

BUSINESS

CUSTOMERS

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 the public sector. 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 combined amounted to approximately 84.2%, 52.6% and 64.3%, respectively. A summary of the five largest customers of the Group during the Track Record Period is set out in the following table:

For the year ended 31 December 2014

Rank	Customer	Background and scope of business	Duration of business relationship	Types of solutions sold	Credit terms	Payment method
1.	Customer A <i>(Note)</i>	Based in Myanmar. It is a telecommunications service provider as well as an ICT and system integration company specialising in network security, IT infrastructure solutions and business continuity solutions, etc.	8 years	Cyber infrastructure and cyber security	For cyber infrastructure solutions projects, 60% upon the confirmation of purchase order, 20% before delivery, 10% upon delivery and 10% within 14 days of user acceptance test. For cyber security solutions projects, 30 days from invoice date	Cheque/ telegraphic transfer
2.	Customer B	Incorporated in the BVI. It is a company providing cyber security solutions to the public sector.	2 years	Cyber security	30% upon confirmation of purchase order, 50% upon delivery and 20% upon user acceptance test	Telegraphic transfer
3.	Customer C	Based in South Korea. It is an IT company specialising in providing IT solutions for hospitality industry and ICT services.	7 years	Cyber security	By 5 equal monthly instalments with the first instalment starting from 3 months after signing of contract	Telegraphic transfer
4.	Customer D	Based in Laos. It is an IT company providing various IT related services including setting up office network, cabling, server installation, system integration and cloud computing, etc.	8 years	Cyber infrastructure and cyber security	30 days from invoice date	Telegraphic transfer
5.	Customer E	Based in Singapore. It is an IT company providing cyber security solutions and relevant consultancy services to the public sector.	3 years	Cyber security	Cash on delivery	Cheque

BUSINESS

For the year ended 31 December 2015

Rank	Customer	Background and scope of business	Duration of business relationship	Types of solutions sold	Credit terms	Payment method
1.	Customer A ⁽¹⁾	Based in Myanmar. It is a telecommunications service provider as well as an ICT and system integration company specialising in network security, IT infrastructure solutions and business continuity solutions, etc.	8 years	Cyber infrastructure	50% upon confirmation of purchase order, 30% before delivery and 20% upon delivery	Cheque/ telegraphic transfer
2.	Yatanarpon Teleport Company Limited	Based in Myanmar. It is an ISP offering internet access services, data services, voice services and corporate VPN services, etc.. It has over 400 employees appointed in Yangon, Mandalay, Naypyitan and Yatanarpon Cyber City offices.	4 years	Cyber infrastructure	50% or 60% upon confirmation of purchase order, 25% or 30% upon delivery and 25% or 10% within 14 days upon presentation of final acceptance certificate	Telegraphic transfer
3.	Customer F	Based in Malaysia. It is an IT company focusing on design and development of IT solutions and applications.	1 year	Cyber security	Cash on delivery	Telegraphic transfer
4.	Customer G	Based in Thailand. It is a company specialising in design, specification, procurement, integration and support of advanced security system.	1 year	Cyber security	Cash on delivery	Telegraphic transfer
5.	Customer B	Incorporated in the BVI. It is a company providing cyber security solutions to the public sector.	2 years	Cyber security	30% upon confirmation of purchase order, 50% upon delivery and 20% upon user acceptance test	Telegraphic transfer

BUSINESS

For the year ended 31 December 2016

Rank	Customer	Background and scope of business	Duration of business relationship	Types of solutions sold	Credit terms	Payment method
1.	Customer H	Based in Philippines. It provides IT and non-IT related services, including internet protocol communications, network management and disaster recovery.	1 year	Cyber infrastructure	50% upon confirmation of purchase order, 30% balance upon delivery and 20% upon acceptance/ 35% upon confirmation of purchase order and remaining balance in 11 monthly instalments	Telegraphic transfer
2.	Spyeye Technology Co., Ltd.	Based in Taiwan. It is a company engaging in sale of telecommunications instruments and computer software.	2 years	Cyber security	30/90 days from invoice date	Telegraphic transfer
3.	Customer G	Based in Thailand. It is a company specialising in design, specification, procurement, integration and support of advanced security system.	1 year	Cyber security	Cash on delivery	Telegraphic transfer
4.	Customer F	Based in Malaysia. It is an IT company focusing on design and development of IT solutions and applications.	1 year	Cyber security	30 days from invoice date	Telegraphic transfer
5.	Customer I	Headquartered in the United Kingdom. It is a company providing data privacy and security protection services.	1 year	Cyber infrastructure	30 days from invoice date	Cheque

Note:

- (1) Customer A was the Group's largest customer for each of the years ended 31 December 2014 and 2015 as a result of deployment of (i) two cyber infrastructure solutions projects and a cyber security solutions project in 2014; and (ii) a cyber infrastructure solutions project in 2015, respectively. After completion of the projects, the business relationship between Customer A and the Group is still maintained. For the year ended 31 December 2016, the Group continued provided Customer A maintenance and support services in connection with the projects deployed in 2014 and 2015.

Save for Customer E, all of the Group's five largest customers during the Track Record Period were Independent Third Parties. None of the Directors, their respective close associates or any Shareholder who, to the best knowledge of the Directors, owns more than 5% of the issued Shares had any interest in any of the Group's five largest customers during the years ended 31 December 2014, 2015 and 2016.

To the best knowledge and belief of the Directors, none of the Group's five largest customers of the Group during the Track Record Period was also a supplier of the Group.

BUSINESS

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 software. Although the Group does not have any long term or exclusive agreements with its suppliers, the Group maintains stable relationships with its suppliers, some of whom the Group had worked with for over 14 years. The Group generally places orders for products on a back-to-back basis upon receipt of orders from customers. During the Track Record Period, the Group did not experience any delay or shortages of supply of products. Notwithstanding the general downward price trends of computer equipment, the Group did not experience any material price fluctuations of products it sourced from suppliers.

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. Accordingly, the Directors consider that during the Track Record Period, the Group was not dependent on any single supplier. A summary of the five largest suppliers of the Group during the Track Record Period is set out in the following table:

For the year ended 31 December 2014

Rank	Supplier	Background and scope of business	Duration of business relationship	Types of purchases	Credit terms	Payment method
1.	Supplier A	Based in Singapore. It is a distributor for network and security solutions in the Southeast Asia.	6 years	IPAM and CGN	30 days from invoice date	Cheque
2.	Supplier B	Headquartered in the US It is a value-added technology distributor of solutions for security, collaboration, networking and data centre.	14 years	Firewall and intrusion prevention system	30 days from invoice date	Cheque
3.	Pacific Tech Pte Ltd.	Based in Singapore. It is a value-added distributor providing network/cyber security and data protection/continuity solutions in the Southeast Asia.	6 years	Firewall, UTM and DPI	30 days from invoice date	Cheque
4.	Supplier C	Based in Singapore. It is a technology company focusing on developing innovative digital media enablement solutions and services for telecommunications service providers, content providers, media broadcasters and enterprises.	2 years	Load balancer	No credit terms	Cheque

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Rank	Supplier	Background and scope of business	Duration of business relationship	Types of purchases	Credit terms	Payment method
5.	Datanet Solution Ltd.	Based in the PRC. It engages in the sale of computer software and hardware (excluding specialised safety products of computer information system), electronic products and mechanical equipment.	6 years	Switches, router and firewall	No credit terms	Telegraphic transfer

For the year ended 31 December 2015

Rank	Supplier	Background and scope of business	Duration of business relationship	Types of purchases	Credit terms	Payment method
1.	Pacific Tech Pte Ltd.	Based in Singapore. It is a value-added distributor providing network/cyber security and data protection/continuity solutions in the Southeast Asia.	7 years	Firewall, UTM and DPI	30 days from invoice date	Cheque
2.	Supplier D	Headquartered in the US. It is a computer technology company specialising in development, sale, repair and support of computers and related products and services.	3 years	Server and storage	30 days from invoice date	Cheque
3.	Knowledge Computers Pte Ltd.	Headquartered in Canada. It is a reseller of new and refurbished/used network hardware.	9 years	Refurbished IT products	30 days from invoice date	Cheque
4.	Supplier E	Headquartered in Taiwan. It is a technology company offering comprehensive system integration, hardware, software, customer-centric design services and global logistics support.	2 years	Network processor platform	No credit terms	Cheque
5.	Supplier F	Based in the PRC. It is a reseller of network hardware.	3 years	Switches, router and firewall	No credit terms	Cheque

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For the year ended 31 December 2016

Rank	Supplier	Background and scope of business	Duration of business relationship	Types of purchases	Credit terms	Payment method
1.	Knowledge Computers Pte Ltd	Headquartered in Canada. It is a reseller of new and refurbished network hardware.	9 years	Refurbished IT products	30 days from invoice date	Cheque
2.	Supplier G	Based in Hong Kong. It is a network services company providing network and application solutions to carriers and service providers in the telecommunications industry in the Asia Pacific region.	1 year	Switches and routers	30 days from invoice date	Telegraphic transfer
3.	Supplier H	Headquartered in the US. It is a distributor of computer and technology product providing sales, marketing and logistics services for the IT industry worldwide.	14 years	Computers, servers and switches	30 days from invoice date	Cheque
4.	Supplier B	Based in the US. It is a value-added technology distributor of solutions for security, collaboration, networking and data centre.	14 years	Firewall and intrusion prevention system	30 days from invoice date	Cheque
5.	Supplier A	Based in Singapore. It is a distributor of network and security solutions in the Southeast Asia.	6 years	IPAM and CGN	30 days from invoice date	Cheque

All of the Group's five largest suppliers during the Track Record Period are Independent Third Parties. None of the Directors, their respective close associates or any Shareholder who, to the best knowledge of the Directors, owns more than 5% of the issued Shares had any interest in any of the Group's five largest suppliers during the years ended 31 December 2014, 2015 and 2016.

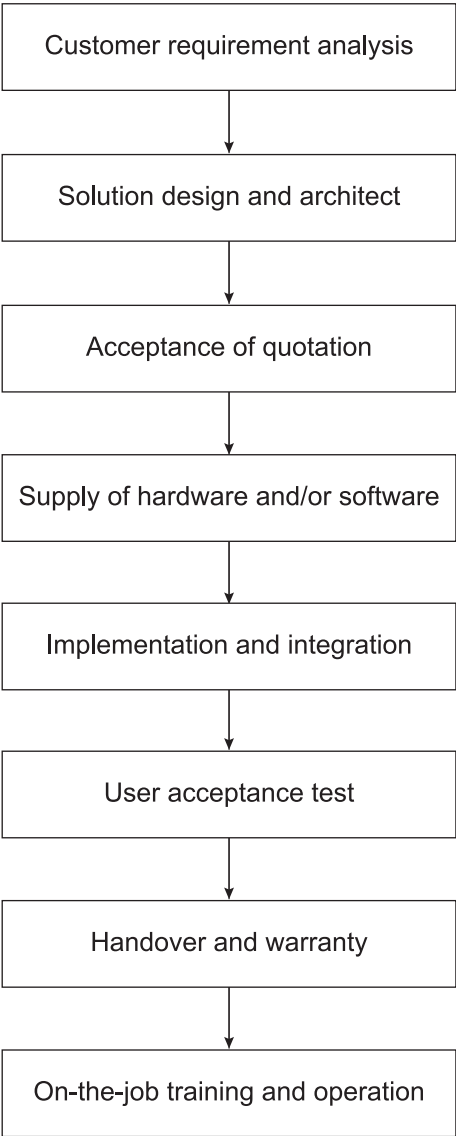
OPERATIONAL FLOW

The operational flow of the Group's cyber infrastructure solutions business and cyber security solutions business are similar. The Group typically manages the entire cyber infrastructure and cyber security solutions project. Every project generally starts from understanding the customer's requirements and needs. The Group will normally conduct thorough analysis on the existing network environments and the requirements of its customer. Once the proposed solution design and architect is accepted by its customer, the Group will place orders with its suppliers for the required hardware and/or software and implement the solutions upon delivery of products. During the Track Record Period, the duration of the Group's

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cyber infrastructure solutions projects and cyber security solutions projects ranged from 1 month to 7 months (which refers to the period from acceptance of quotation by customer to completion of user acceptance test), the duration of most of the Group's projects were from 1 month to 3 months. The duration of the Group's cyber infrastructure solutions projects and cyber security solutions projects depends on the scale and complexity of the projects and the scope of work assigned to the Group.

The following chart illustrates the typical workflow of the projects of the Group:



Customer requirement analysis

When a customer contacts the Group for a quotation of service, the sales staff of the Group will first enquire about (i) the present needs and specifications; (ii) the proposed site for installation and implementation; (iii) the existing computer systems and network environment; (iv) the preference on choice of hardware and/or software; (v) the schedule; and (vi) the budget of the customer.

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Solution design and architect

The sales staff of the Group will conduct meetings with the customer to further discuss its specific needs and requests for the Group's services. At the same time, the Group will obtain quotations from suppliers for the required hardware and software for its cyber infrastructure solutions, and hardware for its cyber security solutions (if necessary).

The sales staff of the Group are trained with knowledge of cyber infrastructure solutions and cyber security solutions, product specification and functionality. They are responsible for handling general requests or enquires relating to the Group's products. Where request from a customer exceeds their capability, the sales staff of the Group will consult and involve the Group's technical support engineers. Normally, complicated projects such as those involving development of new IT environment and latest IT technologies will require the assistance of the technical support engineers of the Group.

For complicated projects, the sales staff of the Group will, with the assistance of the Group's technical support engineers, come up with a design proposal that best suits the requirements of a customer after taking into account of the customer's budget. The design proposal generally includes recommendations in respect of products and/or solutions as well as descriptions of the features and functions of the products and/or solutions. In some cases, the Group also provides proof of concept services to customers to increase their confidence in the design proposal. The Group will continue to further refine the design proposal based on customers' feedback until they are satisfied with the design proposal.

Once a customer has accepted the design proposal, the Group will provide its quotation to the customer. The sales staff of the Group are responsible for negotiating with the customer in relation to the scope of services and contract terms between the Group and the customer.

Acceptance of quotation

The customer will confirm acceptance of the quotation provided by the Group, the scope of services as well as major contract terms between the Group and such customer.

Supply of hardware and/or software

Once a customer has confirmed acceptance of its quotation, the Group's sales staff will be responsible for the administration of the project, including placing orders for hardware and/or software with the Group's suppliers, monitoring shipment and logistics progress to meet project schedule and co-operating with the project team as appropriate.

The hardware and/or software required for the implementation of the cyber infrastructure solutions and cyber security solutions project are either delivered to the Group's premise or delivered directly to the site of the customer's premise on a case by case basis. Quality control procedures are carried out on the hardware in order to ensure that it is in accordance with the specifications.

Implementation and integration

The technical support engineers of the Group are responsible for supervising and carrying out the implementation and integration work, which includes hardware installation, software implementation, configuration, customisation, integration and data migration.

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User acceptance test

Upon completion of the hardware and/or software implementation and integration, the Group will conduct user acceptance test depending on the complexity of the project. The user acceptance test is essentially a series of checks on the functionality and compatibility of the solutions implemented by the Group. The user acceptance test requires the Group to satisfy various predetermined criteria set by its customer. The Group normally requires its customer to sign a commissioning form which serves as a certificate of acceptance to evidence completion of the user acceptance test.

Handover and warranty

Once the commissioning form is signed by the Group's customer, the project is completed. Depending on the agreements with its customers, the Group may within one to three months after the completion of the projects take steps to rectify any flaws in the cyber infrastructure solutions and cyber security solutions which the Group implemented for its customers. For details on warranty provided by the Group to its customers, please refer to the paragraph headed "Business Model — Maintenance and support services" in this section.

On-the-job training and operation

For details relating to on-the-job training and assistance with operation provided by the Group to its customers, please refer to the paragraph headed "Business Model — Maintenance and support services" in this section.

INVENTORY CONTROL

The Group normally places orders with its suppliers upon acceptance of customers' orders. The Group maintains a minimal level of inventory which are commonly used for implementation of its projects in order to minimise its risk of exposure to obsolete stock as the lifecycle of IT hardware is normally short and reduce its working capital requirement.

QUALITY CONTROL

The Directors consider product and service quality to be critical to the success of the Group's business. The technical support team of the Group, which comprises 3 staff as at the Latest Practicable Date, has delivered developed quality control system for the Group to adhere to.

The Group's quality control system complies with ISO 9001: 2008 and requires that its solutions and services are implemented through procedures and processes which allow the Group to monitor performance and control output quality. The Group has adopted to the following quality assurance and control procedures:

Pre-installation procedures

The Group commences pre-installation procedures before undertaking project installation. Pre-installation quality control procedures refer to procedures put in place by the Group to check that the hardware and/or software required for the implementation of the Group's cyber infrastructure solutions and cyber security solutions are in accordance with the specifications and quantity ordered by customers. The technical support team of the Group will also check if all hardware and software supplied by suppliers come with proper warranty and/or a back-to-back return policy arrangement such that any products that are defective or do not comply with stated product specifications within the warranty period will be replaced by the suppliers. In

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addition, the technical support team of the Group will also check if there is any damage to the physical packaging of the products before installing the cyber infrastructure solutions and/or cyber security solutions. The Group will conduct a “burn-in” test prior to delivery. A “burn-in” test typically involves the running of the hardware up to 24 hours to ensure that all components are functioning properly.

System handover quality control procedures

Upon installation, the technical support team of the Group will perform an integration test. This test is performed to ensure compatibility of the Group’s technology with the customers’ infrastructure.

Once the technical support team of the Group has successfully implemented the cyber infrastructure solutions and/or cyber security solutions, a user acceptance test is carried out with the customer. Thereafter, the customer will sign off a commissioning form which serves a certificate of acceptance to evidence that the solutions have been successfully implemented.

RESEARCH AND DEVELOPMENT

The Group will explore and keep up with the growth in cyber security technology and the applications of such technology as it recognises that the ICT industry is characterised by rapid changes in technology, frequent introduction of new and more advanced solutions, changes in customers’ demands and evolving industry standards. Hence, the Group is committed to developing and integrating the latest relevant technologies in order to maintain its competitive edge in the cyber security industry. The Group’s R&D direction is guided by the following objectives and strategies:

- Continuous development of relevant cyber security products and solutions to meet evolving market trends, customer demands and emerging technologies to remain competitive and commercially relevant;
- Building on strength and competencies of existing solutions and enhance features and performance;
- Collaborating with external parties and forming strategic alliances; and
- Increasing R&D manpower, training and resources.

Furthermore, the Group will enhance its IRGO core engine as its technical knowledge and know-how in the industry continues to grow. This IRGO core engine will continue to be used as a base to design, develop and implement the Group’s cyber security products and solutions. This will allow the Group to replicate its solutions rapidly and ensure consistent quality solutions.

The Group’s R&D team

The Group’s R&D activities are carried out by its R&D team which comprises 12 staff based in Singapore and Malaysia as at the Latest Practicable Date, all of which had attained tertiary education and approximately 25% held a master’s degree. The Group’s R&D team had a track record of successful cooperation with a US public company specialising in the manufacturing of application delivery controllers and successfully developed a solution targeting advanced threat in 2016. For further details, please refer to the section headed “Business — Competitive Strengths — Strong R&D capabilities” in this document. The Group enters into employment agreements with its R&D staff which provide that all technology developed by the Group’s R&D

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staff during their employment shall be deemed as the Group's intellectual property. The Group focuses its research and development efforts on the continuous development of cyber security products and solutions.

The Group intends to employ additional experienced R&D personnel. This would enable the Group to further enhance its ability to develop new solutions and shorten the product development cycle, and hence increasing the speed of introducing new solutions to the market. Continuous staff training and development is also emphasised to ensure technical personnel are kept abreast with the latest developments in the industry.

During the Track Record Period, the Group's investment in R&D activities were approximately US\$208,000, US\$420,000 and US\$408,000, respectively, representing approximately 13.7%, 26.4% and 19.7% of the Group's revenue from its cyber security solutions business for the years ended 31 December 2014, 2015 and 2016. The Group's investment in R&D activities mainly involved staff costs, which may be classified as research costs or development costs. Research costs are expensed as incurred. Costs incurred on development activities, which involve the application of research findings to a plan or design for the production of new or substantially improved products and processes are capitalised, if the product or process is technically and commercially feasible and the Group has sufficient resources to complete the development. The Group's research costs that were expensed during the Track Record Period were approximately US\$87,000, US\$78,000 and US\$102,000 for the years ended 31 December 2014, 2015 and 2016, respectively. The Group's development costs that were capitalised during the Track Record Period were approximately US\$121,000, US\$342,000 and US\$306,000, for the years ended 31 December 2014, 2015 and 2016 respectively.

The following table sets out the details of the Group's intangible assets during the Track Record Period:

	As at 31 December		
	2014 US\$'000	2015 US\$'000	2016 US\$'000
Core engine and technologies			
IRGO core engine and RTPR technology	129	61	—
Cyber security solutions			
— 3i System and ancillary systems ⁽¹⁾	87	291	204
— 3i-Tactical System	47	65	22
— 3i-Web System	—	—	99
— 3i-Anti Drone (UAV) Solutions	—	—	103
— Upgrade of existing 3i-Filter System	—	—	43
Total intangible assets	<u>263</u>	<u>417</u>	<u>471</u>

Note:

(1) The ancillary systems include 3i-Filter System, 3i-CS System and 3i-RS System.

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R&D projects under development

As at the Latest Practicable Date, the Group had four main projects in various stages of development through its expertise. Details of products that the Group believes will be commercially launched in the next two to three years are summarised below:

<u>R&D projects under development</u>	<u>Description</u>	<u>Expected time to complete</u>
3i-Web System	Cyber security product designed with the objectives of monitoring, content from websites in real time	2017
3i-Anti Drone (UAV) Solutions	Solutions designed with the objectives of detecting, identifying and controlling intruding rogue drones (UAV)	2017
Upgrade of existing 3i-Filter System	Upgrades of cyber security products to increase bandwidth	2017/2018
Analytics and Correlation Solutions	Cyber security solutions developed with the objective of analysing information transmitted over the internet	2018/2019

3i-Web System

3i-Web System is a cyber security product designed with the objectives of monitoring, retrieving and classifying content from websites in real time. The 3i-Web System can monitor the contents of websites in real time whereas other similar products view such contents using databases which may be outdated. The features of 3i-Web System will allow users to constantly monitor and retrieve contents of existing websites and classify newly launched websites in real time.

As at the Latest Practicable Date, the development of the 3i-Web System is at the stage of features and performance testing. The prototype of the 3i-Web System has been produced and the Group is presently working on its user interface for commercial production. The Group targets to launch the 3i-Web System in 2017.

3i-Anti Drone Solutions

Drones pose great threats to entities such as power plants, airports, military installations and offices. They are commercially available and easy to acquire, making them reachable to criminals. Their capability to record video, carry certain loads and reach certain boundaries and destinations through the use of Wi-Fi, GPS and even mobile networks at some extent pose substantial threats. The Group is developing a solution which is capable of detecting drones and neutralising the impact of attacks by the same.

3i-Anti Drone Solutions designed with the objectives of detecting and identifying intruding rogue drones (UAV) and containing the drones in an operational range of 400 meters or more depending on its antenna.

The Group has submitted an international patent application on 5 September 2016 under the PCT for the grant of patent for its invention relating to 3i-Anti Drone Solutions. As at the Latest Practicable Date, the development of 3i-Anti Drone Solutions is at the stage of pre-launch

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testing. The Group is working on the compatibility with a wider range of brands of drones and is fine tuning its 3i-Anti Drone Solutions. The Group targets to launch 3i-Anti Drone Solutions in 2017.

Upgrade of existing 3i-Filter System

The Group's existing 3i-Filter System has a data filtering capability that supports 10 gigabits per second bandwidth. In order to meet the demands of the future for bigger data bandwidth, the Group plans to upgrade its 3i-Filter System using the ATCA technology to significantly boost its performance of the 3i-Filter System to 160 gigabits per second of data bandwidth. The Group believes that its ability to provide such enhanced Applications and technologies will lend it an edge over its competitors. As at the Latest Practicable Date, the Group had commenced the upgrade development works and the Group targets to launch the upgraded system in 2017/2018.

Analytics and Correlation Solutions

The Analytics and Correlation Solutions is designed to analyse large volume of data collected from internet/networks, examine the multiple relationships that exist among analysed data and present the analysis in a systematic manner which enables users to visualise the relationships through the use of interactive diagrams.

The Directors expect that the development of such analytics and correlations solutions will commence by the end of 2017.

INTELLECTUAL PROPERTY RIGHTS

The Group relies primarily on intellectual property laws and contractual arrangements with its staff to protect its intellectual property rights. The Group's R&D staff are required to enter into employment agreements or service contracts where they are required to keep confidential relating to the Group's intellectual property and trade secrets. Intellectual property rights of the Group represent all processes, procedures, programs, discoveries, ideas, formulae, improvements, developments, technologies, designs, inventions conceived or developed by its R&D staff during the course of their employment or service with the Group.

While the Group takes steps to protect its proprietary rights, the steps taken by the Group may not be adequate to eliminate the risk of infringement or misappropriation of its intellectual property rights. Any infringement or misappropriation of the Group's intellectual property rights could materially harm its business. For details of the risk relating to infringement or misappropriation of the Group's intellectual property rights, please refer to the section headed "Risk Factors — Risk related to the Group's Business — The Group may face possible infringement by third parties of its trademarks or other intellectual property rights and possible counterfeiting or imitation of its solutions" in this document.

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;

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- one international patent application under the PCT for the grant of patent for systems and methods for intercepting and taking over control of multiple rogue drones simultaneously developed by the Group relating to 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 RTPR technology.

For further details, please refer to the section headed “Statutory and General Information — A. Further Information about the Group’s business — 2. Intellectual property rights of the Group” in Appendix IV to this document. Save as set out above, the Group did not submit patent applications for its other inventions as these were generally developed using open source technology, where the source code used to create the program was freely available for the public to view, edit and redistribute.

The Directors confirm that during the Track Record Period, the Group was not involved in any proceedings in respect of, and the Group had not received any notice of claims of infringement of any intellectual property rights that may be threatened or pending, in which it may be involved whether as a claimant or as a respondent.

AWARDS AND RECOGNITION

The Group has received various awards and recognitions which it believes are recognitions of its technical capabilities and exceptional performance. These include:

<u>Granted by</u>	<u>Granted to</u>	<u>Name of award/recognition</u>	<u>Year awarded</u>
Milipol Paris . . .	Expert Team (Singapore)	Top 5 Finalist Startup Challenge	November 2015
DP Information Group	Expert Team (Singapore)	One of the top 1 per cent of Singapore’s leading corporations and SMEs in the 29th “Singapore 1000 & SM 1000 incorporating Singapore International 100” Rankings	January 2016

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 share 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.

According to the Industry Report, 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.

Based on the Group’s revenue in 2015, the Group’s market share in the cyber infrastructure and cyber security solutions 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.

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EMPLOYEES

As at the Latest Practicable Date, the Group employed a total of 31 employees of which 6, 12, 4, 5, 1 and 3 of its employees were based in Malaysia, Singapore, Hong Kong, Philippines, Taiwan and Myanmar, respectively. A breakdown of the Group's employees by function as at the Latest Practicable Date is set out below:

Function	Total number of employees
Management	1
Sales and marketing	7
R&D	12
Technical support	4
Finance and accounting	4
Human resources and administration	3
Total	<u>31</u>

Recruitment and training policies

The Group recruits personnel from the open market. The Group recruits employees based on a number of factors, including their working experience, technical knowledge, educational background and its needs. The Group formulates its recruitment policy based on prevailing market conditions, and its business demands and expansion plans. The Group's employee compensation includes salary, bonuses and cash subsidies. The Group generally determines employee's compensation based on their qualification, position, seniority and performance.

In order to enhance the quality of its workforce, the Group provides technical as well as operational training to its new employees and on-going training for its current employees. The Group provides training to its employees to improve their technical and product knowledge. The Group also encourages its employees to take part in external seminars and training that are relevant to their work.

Mandatory provident fund

The Group had made relevant contributions to the relevant mandatory provident fund in accordance with such laws and regulations during the Track Record Period.

Employee relations

The Directors believe that the Group has a good relationship with its employees. During the Track Record Period, the Group did not have any dispute with its employees. As at the Latest Practicable Date, the Group had not experienced any significant problems with its employees or disruption to its operation due to labour disputes nor had it experienced any material difficulties in recruiting or retaining experienced staff.

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INSURANCE

The Group has maintained mandatory insurance policies for its staff. The Group currently maintains a general office insurance policy in Singapore in respect of (i) all risks relating to loss of or damage to property; (ii) consequential loss arising from business interruption resulting from closure of the whole premise; (iii) fire and extraneous perils on buildings; (iv) money; (v) personal accidents relating to Mr. Foo and Mr. Chan; (vi) public liability; (vii) goods in transit; and (viii) legal expenses. The Group also maintains an office insurance policy in respect of business furniture, internal and external fixtures and fittings which includes office equipment. The Group does not maintain product liability insurance. The Directors believe that the existing insurance policies of the Group are sufficient for its business operations and in line with the industry norm.

During the Track Record Period and up to the Latest Practicable Date, the Group did not experience any material insurance claims nor did the Group receive any material claim from its channel partners and customers relating to any liability arising from or relating to the use of the Group’s solutions or services. For details of the risk relating to the Group’s insurance coverage, please refer to the section headed “Risk Factors — Risks related to the Group’s Business — The Group’s insurance policies may be inadequate to cover its assets, operations and any loss arising from business interruptions” in this document.

HEALTH AND WORK SAFETY AND ENVIRONMENTAL MATTERS

The Group’s daily operations do not involve any manufacturing process and do not result in production of any harmful products. The Group has established policies to provide its staff with a safe and healthy working environment by providing work safety rules for its staff to follow. Such work safety rules relate to procedures regarding the proper installation and usage of IT products. The Group also requires customers to ensure that the Group’s staff are briefed on the safety aspects involved in performing at the premises of the customers and that the staff of the Group are taught to observe and comply with existing safety rules and regulations concerning the premises of the customers. During the Track Record Period and up to the Latest Practicable Date, the Group did not experience any significant incidents or accidents in relation to workers’ safety.

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PROPERTIES

The Group does not own any property. As at the Latest Practicable Date, the Group had leased from Independent Third Parties the following properties:

<u>Location</u>	<u>Approximate gross floor area (in approximate square feet)</u>	<u>Key terms of tenancy</u>	<u>Usage (inclusive of service charge)</u>
12 Tannery Road #08-03, HB Centre 1 Singapore 347722	1,464	Monthly rental of S\$4,245 (inclusive of service charge) with tenancy period up to 31 December 2017	Office, R&D function and warehouse
Unit No. 3B-7-6 Block 3B, Plaza Sentral Jalan Stesen Sentral 5 Kuala Lumpur Sentral 50470 Kuala Lumpur Malaysia	1,978	Monthly rental of RM9,812.46 with tenancy period up to 31 May 2018	Office, R&D function and warehouse
Unit 09, 16/F Wellborne Commercial Centre 8 Java Road North Point, Hong Kong	300	Monthly rental of HK\$20,000 with tenancy period up to 30 June 2018	Office

During the Track Record Period, the Group did not experience any difficulty or failure in renewing its tenancy agreements.

LEGAL PROCEEDINGS

As at the Latest Practicable Date, there were no litigation, arbitration or administrative proceedings pending or threatened against the Group or any of the Directors which could have may from time to time become a party to various legal, arbitration or administrative proceedings arising from the ordinary course of the Group's business, and that could have a material adverse effect on the financial condition or results of operation of the Group.

LICENCES, REGULATORY APPROVALS AND COMPLIANCE

The Directors confirm that during the Track Record Period and up to the Latest Practicable Date, the Group had complied with all relevant laws and regulations in Singapore, Malaysia and Hong Kong in all material respects. Save as incidents set out under the paragraph headed "Non-Compliance Incidents" in this section, during the Track Record Period and up to the Latest Practicable Date, the Group has obtained all requisite licences, approvals and permits from the relevant regulatory authorities for its operations in Singapore, Malaysia and Hong Kong. The legal compliance expenses of the Group were approximately US\$13,000 and US\$7,000 for the year ended 31 December 2015 and 2016, respectively. The Group did not record any legal compliance expenses for the year ended 31 December 2014.

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NON-COMPLIANCE INCIDENTS

The following table sets out historical non-compliance incidents relating to the Group during the Track Record Period and the measures that the Group has adopted to rectify the non-compliances and prevent future recurrence of non-compliances.

Non-compliance incident	Reason(s) for non-compliance/responsible person	Relevant laws and regulations and maximum penalty	Rectification actions and impact on the Group	Enhanced internal control measures
<p>Offering for sale certain models of router from March 2002 to August 2016 without the Telecommunication Dealer's Individual Licence or the Telecommunication Dealer's Class Licence.</p>	<p>The Group has not been a manufacturer or trader of routers. Netis (Singapore) purchases routers on behalf of the customers as one of many components in its cyber infrastructure solutions that are offered to its customers. The Directors were of the view that all routers were computer network equipment until they were advised by its legal advisors as to Singapore law in August 2016 during the preparation of [REDACTED], that certain models of router sold by Netis (Singapore) (including Juniper Networks MX480, Cisco 2921, Cisco 2821, Cisco 2911 and Cisco 881) would appear to be telecommunication equipment under the TA. The Company legal advisor as to Singapore law noted that one model of the routers sold by Netis (Singapore) is a telecommunication equipment registered with the Info-communications Development Authority of Singapore. The Directors believe that through technological advancement in recent years, some models of routers have become more advance, powerful and feature rich, and the delineation between computer related equipment and telecommunication equipment has blurred. As such, the Directors were not aware at the relevant times that certain models of routers which Netis (Singapore) was reselling as part of its cyber infrastructure solution could have been regarded as telecommunication equipment.</p>	<p>Pursuant to section 34(1) of the Telecommunication's Act ("TA"), Netis (Singapore) may be liable on conviction to a fine not exceeding S\$10,000 (equivalent to US\$7,300) or imprisonment for a term not exceeding 3 years or to both, and in the case of a continuing offence, to a further fine not exceeding S\$1,000 (equivalent to US\$730) for every day or part thereof during which the offence continues after conviction for offering for sale telecommunication equipment without a licence under the TA.</p> <p>As advised by Virtus Law LLP, the legal advisers as to Singapore laws, based on the list of enforcement actions published by Info-communications Development Authority of Singapore, the enforcement action that may be taken by the Info-communications Development Authority of Singapore against Netis (Singapore) (if any), would likely be a formal warning for such compliance, and that the chance of prosecution is unlikely.</p>	<p>In August 2016, Netis (Singapore) obtained the Telecommunication Dealer's Individual Licence issued by the Info-communications Development Authority of Singapore, and such licence is still in force.</p> <p>As at the Latest Practicable Date, there has not been any prosecution reported against Netis (Singapore) of any of its officers.</p>	<p>The Group has formulated and adopted internal control policy to prevent recurrence of non-compliance incidents. For further details, please refer to the paragraph headed "Internal Control Measures" in this section.</p>
<p>The Group's operating cash flows generated from offering for sale of all routers 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.</p>				

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Non-compliance incident	Reason(s) for non-compliance/responsible person	Relevant laws and regulations and maximum penalty	Rectification actions and impact on the Group	Enhanced internal control measures
<p>Selling 3i Filter Systems and 3i Tactical Systems in 12 instances from January 2014 to September 2016 without the Security Service Provider Licence.</p>	<p>The non-compliances were attributed to the different interpretation and understanding of the PSIA by the Directors. Because of the technical nature of the definition and lack of precedent cases, the Directors were not able to confirm that 3i Filter System and 3i Tactical System are classified as data surveillance products under the PSIA. The Directors were under the impression that the PSIA intended to regulate physical type of security such as private investigators, securities guards and dealers of security alarms and CCTVs. As such, the Directors made an assessment at the relevant times and were of the view that 3i Filter System and 3i Tactical System did not fall within the definition of data surveillance products under the PSIA.</p> <p>In August 2016, during the preparation of [REDACTED], The Directors were advised by the Company's legal advisers as to Singapore law, that based on the Group's representation of the capabilities and the characteristics of 3i Filter System and 3i Tactical System and on the face of the relevant provisions of the PSIA, it would appear that 3i Filter System and 3i Tactical System fall within the definition of data surveillance products under the PSIA. Through the Company's legal advisers as to Singapore law, the Company has asked the authority for determination of such products. As at Latest Practicable Date, the authority has not given a conclusive determination. Considering that the Security Service Provider's Licence may be required for the design, sale and export of 3i Filter Systems and 3i Tactical Systems, the Group proceeded to apply for the Security Service Provider's Licence in September 2016.</p> <p>The Group's operating cash flows generated from selling 3i Filter 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. During the Track Record Period, the Group did not provide any independent advisory services in relation to data surveillance equipment, and no cashflow from provision of such advising services was generated by the Group.</p>	<p>Under section 18(1)(a) and (b) of the PSIA, a person is said to provide a security service if he designs, sells or exports any security equipment (which include data surveillance products). Under section 19(1)(a), no person shall engage in the business of providing, for reward, any security service to other persons except with the Security Service Provider Licence.</p> <p>Pursuant to section 19(2) of the PSIA for engaging in the business of providing, for reward, a security service to other persons without a licence under the PSIA, the Group may be liable upon conviction to a fine not exceeding S\$10,000 (equivalent to US\$7,300) or to imprisonment for a term not exceeding 2 years or to both. In addition, where an offence under the PSIA committed by a body corporate is proved to have been committed with the consent or connivance of an officer of the body corporate, or to be attributable to any neglect on his part, the officer as well as the body corporate shall be guilty of the offence and shall be liable to be proceeded against and punished accordingly.</p> <p>As advised by Harry Elias Partnership LLP, the legal advisers advising on the Singapore Private Security Industry Act, there are no reported cases in Singapore of prosecutions under section 19 of the PSIA as at the Latest Practicable Date. Given the circumstances as instructed and after considering the general principles which a court in Singapore applies in determining the type of sentence imposed for offences of this nature, Harry Elias Partnership LLP is of the opinion that if there is a conviction as a result of prosecution against any officer, the Court is unlikely to impose a term of imprisonment on the officer of Expert Team (Singapore) and the Court is more likely to impose a fine. Harry Elias Partnership LLP is of the opinion that if any action is taken against Expert Team (Singapore) for breaching section 19 of the PSA, a fine will be imposed as punishment of up to S\$10,000 for each count, and if Expert Team (Singapore) is prosecuted for each instance of supply as a separate offence and if Expert Team (Singapore) is prosecuted for the 12 instances, the cumulative punishment will be fines up to S\$120,000.</p> <p>Based on the advice of Virtus Law LLP, the legal advisers as to Singapore laws and Harry Elias Partnership LLP, the legal advisers advising on the Singapore Private Security Industry Act, the Directors consider that none of the historical non-compliance incidents set out in the table above will have any material operational or financial impact on the Group's business.</p>	<p>In September, 2016, Expert Team (Singapore) obtained a Security Service Provider's Licence issued by the Singapore Police Force under the PSIA.</p> <p>As at the Latest Practicable Date, there has not been any prosecution reported against Expert Team (Singapore) of any of its officers.</p>	<p>The Group has formulated and adopted internal control policy to prevent recurrence of non-compliance incidents. For further details, please refer to the paragraph headed "Internal Control Measures" in this section.</p>

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The Group has formulated and adopted internal control policy to prevent recurrence of non-compliance incidents. For further details, please refer to the paragraph headed "Internal Control Measures" in this section.

In addition, the Directors consider that these non-compliance incidents are not of a serious nature and were primarily due to the Group's inadequate legal knowledge of the relevant laws and regulations. Accordingly, the Directors do not consider these non-compliance incidents to have constituted material or systematic non-compliances.

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. 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.

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 United Nations, as at the Latest Practicable Date, has not introduced sanctions against Myanmar. The sanctions measurements imposed by the US, the European Union and Australia targeting Myanmar during the Track Record Period were defined and limited in scope and did not amount to a total restriction on doing business in or with Myanmar. DLA Piper UK LLP, the Group's legal advisers as to International Sanctions, has advised the Group that the sanctions imposed by the US, the European Union and Australia on Myanmar during the Track Record Period were not "country-wide sanctions", but generally consisted of (i) restrictions on certain forms of trade with the Sanctioned Country, and (ii) financial sanctions (asset freezes) on designated individuals and entities in or connected with the Sanctioned Country, which are included on designated persons lists maintained by the US, the European Union and Australia.

In providing their advice, DLA Piper UK LLP:

- (a) reviewed commercial invoices and contractual documentation provided by the Group that evidence its sales transactions to customers located in Myanmar during the Track Record Period;
- (b) screened the list of customers in Myanmar provided by the Group to whom sales have been made during the Track Record Period against the consolidated lists of sanctioned targets maintained by the US, the European Union, the United Nations and Australia, and confirmed that none of these customers are listed as a designated target under the US's, the European Union's, the United Nations' and Australia's sanctions; and

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- (c) received written confirmation from the Group that except as otherwise disclosed in this document, neither the Group nor any of its affiliates (including any representative office, branch, subsidiary or other entity which forms part of the Group) conducted any business dealing in or with any other countries or persons that are subject to International Sanctions during the Track Record Period.

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 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 the Group, its directors and employees, investors and shareholders as well as the Stock Exchange, the HKSCC, the HKSCC Nominees and SFC. As at the Latest Practicable Date, the Group has not been notified that any International Sanctions would be imposed on it in relation to its business dealings with Myanmar during the Track Record Period. Taking into account the opinion of DLA Piper UK LLP as expressed in the foregoing in this paragraph, the Group will continue to carry out its existing direct dealings with Myanmar in order to capture the potential business opportunities arising from the future economic growth of this emerging market. The Group will however continue to evaluate and monitor such dealings in order to control its exposure to sanction risks. The Group may undertake new businesses in the Sanctioned Country if such businesses will not expose it to any sanctions risk to maximise the interests of the Group and the Shareholders. To achieve this, the Group has implemented a number of measures to control its exposure to sanctions risk. For details of the measures the Group has implemented to control its sanctions risk, please refer to the paragraph headed "Internal Control Measures — Internal control measures to identify and monitor the Group's exposure to risks associated with International Sanctions laws" in this document.

IMPACT OF US RE-EXPORT CONTROLS

Any item that is sent from the US to a foreign destination is an export. "Items" include commodities, software or technology, circuit boards, automotive parts, blue prints, design plans, retail software packages and technical information. How an item is transported outside of the US does not matter in determining export licence requirements. For example, an item can be sent by regular mail, handcarried on an airplane, sent via facsimile, software can be uploaded to or downloaded from an internet site, or technology can be transmitted via e-mail or during a telephone conversation. Regardless of the method used for the transfer, the transaction is considered an export.

The US Department of Commerce, Bureau of Industry and Security (the "BIS") controls exports of commercial and dual-use products, software and technology. These controls are authorised by the Export Administration Act of 1979, as amended and extended, and implemented by the US Export Administration Regulations, 15 C.F.R. Parts 730-774 (the "EAR").

The EAR apply generally to exports of commodities, software and technical data from the US to foreign countries and to re-exports from one foreign country to another. The application of controls implemented pursuant to the EAR is not limited to exports and re-exports to Sanctioned Countries. In addition, they apply to shipments from one foreign country to another of foreign-made products or technology that incorporate, are bundled or commingled, or drawn from more than 10% US origin parts, components, materials, technology or software, by value.

Re-exports in violation of the EAR, conducted willingly, are subject to potential criminal penalties by US enforcement authorities. Where a company wilfully violates the EAR, it may be fined up to US\$1 million or twice the gain or loss from the relevant transaction, whichever is

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greater. Where an individual wilfully violates the EAR, the individual may be fined as described above and/or imprisoned for up to 20 years. Civil violations of the EAR may result in fines of up to US\$250,000 or twice the value of the transaction per violation.

During the Track Record Period, the purchase amount of US-origin items that the Group re-exported was approximately US\$478,000, US\$569,000 and US\$1,348,000, respectively, for the years ended 31 December 2014, 2015 and 2016. The Group was unable to provide a definite list of ECCNs for the US-origin items to DLA Piper UK LLP, the Group's legal advisers as to International Sanctions for assessment of the Group's compliance with the US re-export controls because the Group was not the party that directly imported the US-origin items from the US. Despite numerous attempts to follow up with the suppliers, who were mainly resellers or distributors of IT products and equipments instead of the manufacturers, of the US-origin items, the Group has not been able to obtain the assigned ECCNs for the US-origin items.

The Group has confirmed that during the Track Record Period:

- (a) The Group has not incorporated US-origin items into any wider products manufactured by the Company. The products are re-transferred, in their original state, to the customers in Myanmar, Laos, Malaysia, Thailand and Philippines;
- (b) The Group has not produced any other products incorporating US-origin parts, components, materials, software or technology; and
- (c) The US-origin products have only been supplied to Myanmar, Laos, Malaysia, Thailand and Philippines and have not been supplied to any other destinations, including Cuba, Syria, North Korea and Sudan.

Based on the foregoing, it is DLA Piper UK LLP's assessment that separate, written US re-export authorisation was probably not required for the re-transfer or re-export of the US-origin items to the end users, provided that there were no restrictions attached to the original deliveries of the US-origin items to the Group. However, the Group has not been able to provide a definitive list of US Export Control Classification Numbers ("**ECCNs**") for the US-origin items supplied to both commercial and state-owned telecommunications companies and ISPs in Myanmar and its wider customers in Laos, Malaysia, Thailand and Philippines. Nonetheless, without a definitive list of the correct ECCNs for the US-origin items, and the US authority for the original deliveries to the Group, it is not possible to make a definitive determination regarding the Group's compliance with US export and re-export controls.

Nonetheless, DLA Piper UK LLP has confirmed that, on the basis of (a) the information provided by the Company with respect to the US-origin items and (b) a list of the Group's customers during the Track Record Period, it considers the potential risk of any enforcement action being taken by the US authorities with respect to potential violations of US export and re-export controls to be remote, especially as DLA Piper UK LLP has not identified that any violations have actually occurred. Furthermore, DLA Piper does not see any potential risk or liability to current or future investors and shareholders or the Stock Exchange, Hong Kong Securities Clearing Company Limited, HKSCC Nominees Limited and the Securities and Futures Commission for any potential violations of the EAR by the Group.

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In order to minimise any potential future US export or re-export control risk the Group has confirmed that for future orders it will:

- (a) stipulate that manufacturers and suppliers of US-origin item shall be responsible for shipping such items direct to the client's customers. This places the responsibility for export control compliance to the exporter of record; or
- (b) ensure that it obtains any appropriate ECCNs and seeks legal advice regarding any necessary US export or re-export authorisations prior to transferring such items to its customers. A clear request for suppliers to provide any relevant US ECCNs will be written into the standard language in the Group's purchase orders and supply contracts and recorded when the goods are received.

In addition, the Group intends to develop and implement a practical export control compliance programme, focused on awareness raising, monitoring, tracking and screening re-export, re-transfer, re-supply and re-sale of US-origin items. The principal objectives of the export control compliance programme will be to: (a) identify US-origin items; (b) obtain any relevant ECCNs; (c) ensure that any applicable re-export authorisations are obtained; and (d) ensure that items subject to the EAR are not re-transferred to prohibited parties.

Undertaking to the Stock Exchange regarding sanctioned activities

The Company has undertaken to the Stock Exchange:

- that it will not use the [REDACTED] from the [REDACTED], or any other funds raised through the Stock Exchange, to finance or facilitate, directly or indirectly, activities or business with any Sanctioned Country which are prohibited under International Sanctions, or with any Sanctioned Person;
- that it has no present intention to undertake any future business that would cause the Company, the Stock Exchange, HKSCC, HKSCC Nominees, the Shareholders or potential investors to violate or become a target of International Sanctions;
- to disclose on the respective websites of the Stock Exchange and the Company if it believes that the transactions the Group entered into in relation to a Sanctioned Country or with a Sanctioned Person would put the Company or its Shareholders and investors at risk of being sanctioned;
- to disclose in its annual reports or interim reports its efforts in monitoring its business exposure to sanctions risk, the status of future business, if any, in a Sanctioned Country and its business intentions, if any, relating to a Sanctioned Country; and
- to undertake enhanced customer due diligence in respect of customer from Myanmar.

If the Company breaches the above undertaking to the Stock Exchange after the [REDACTED], it is possible that the Stock Exchange may delist its Shares. For details of internal control measures related to any future business conducted by the Group in Sanctioned Countries, please refer to the paragraph headed "Internal Control Measures" in this section.

INTERNAL CONTROL MEASURES

The Group believes that the non-compliance incidents set out in the paragraph headed "Non-Compliance Incidents" in this section and its exposure to the risks associated with International Sanctions and US export or re-export is not crucial to its operation and would not

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materially affect its business and the results of its operation. However, the Group has taken all reasonable steps to establish a proper internal control system to prevent future recurrence of non-compliance incidents in relation to licensing matters and control its exposure to the risks associated with International Sanctions and US export or re-export requirements.

The Group will therefore adopt, before the [REDACTED], enhanced internal control measures, including:

Internal control measure on non-compliance with licensing requirements

- (a) the Board has established a Risk Management Committee to assist it in identifying, assessing and managing the risks associated with the Group's operations from time to time to ensure due compliance with laws and regulations applicable to the Group, overseeing the implementation of relevant internal control policies and reviewing the effectiveness of the Group's risk management and internal control system. Members of the Risk Management Committee include Mr. Chan Ming Kit, Mr. Gonzales and Mr. Foo. The chairman of the Risk Management Committee is Mr. Foo;
- (b) the Group's Risk Management Committee will regularly review the licencing status of each member of the Group to ensure that licence renewals are carried out prior to the expiry of the licences (including the telecommunication's licence and the Security Service Provider's Licence), and consider whether there are any requirements to obtain new licences or permits relevant to the Group's business;
- (c) if the Group becomes aware of any possible requirements to obtain new licences or permits which are relevant to its business, the Risk Management Committee will assess such requirements and where required, the Group will take the necessary steps to apply for such licences and permits. In the event that there is any uncertainty as to whether new licences or permits are required, the Group will seek professional advice; and
- (d) the Group will retain qualified legal advisers after the [REDACTED] to advise the Group and provide training to the Directors and senior management from time to time on the legal and regulatory requirements applicable in the jurisdictions in which the Group operates.

Internal control measures to identify and monitor the Group's exposure to risks associated with International Sanctions

- (a) the Group's Risk Management Committee will assist the Board in monitoring the Group's exposure to International Sanctions risk and overseeing the implementation of relevant internal control policies;
- (b) the Group's sales and marketing department will assist the Risk Management Committee in the day-to-day monitoring of the Group's exposure to International Sanctions risk, including (i) updating the list of the Sanctioned Countries and Sanctioned Persons from time to time; (ii) reviewing the existing customers' information against the control list of Sanctioned Countries and Sanctioned Persons and, if needed, report to the Risk Management Committee; (iii) preparing summary of the use of [REDACTED] from the [REDACTED] for Risk Management Committee's review; and (iv) monitoring the Group's transactions against International Sanctions risk as requested by the Risk Management Committee;

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- (c) before accepting orders from new customers, the sales staff of the Group will conduct company searches to the extent publicly available and internet searches on the new customers to find out if the customers are from Sanctioned Countries or are listed as designated targets under the US, the European Union, the United Nation and Australia sanctions regimes. The relevant sales staff will update the outcome of the searches in the Group's records;
- (d) for new customers from Sanctioned Countries, the Risk Management Committee must review and approve these customers;
- (e) the Risk Management Committee may also engage external legal advisers with necessary expertise and experience in International Sanctions to evaluate International Sanctions risk as and when necessary and will formulate risk management measures taking into account advice and recommendations provided by such external legal advisers;
- (f) the Risk Management Committee will convene quarterly meetings with the Group's sales and marketing department, and to the extent necessary, the Group's finance and accounting department, to assess the latest International Sanctions risk that the Group's operations may be exposed to;
- (g) the Company will arrange training relating to International Sanctions to be provided to the Directors, senior management members and other relevant personnel to assist them in evaluating the potential International Sanctions risk in the Group's daily operations; and
- (h) the Company will, upon [REDACTED], set up a designated bank account for the purpose of holding [REDACTED] from the [REDACTED] or any other funds raised through the Stock Exchange ("**Funds**") separate from its other funds. The Risk Management Committee will monitor and regulate the use of the Funds to ensure that the Group under no circumstances uses the Funds, directly or indirectly, to finance or facilitate any projects or business in Sanctioned Countries in breach of applicable International Sanctions.

Internal control measures to minimise the Group's exposure to US export or re-export risk

- (a) the Group will develop and implement a practical export control compliance programme, focused on awareness raising, monitoring, tracking and screening re-export, re-transfer, re-supply and re-sale of US-origin items. The principal objectives of the export control compliance programme are to: (i) identify US-origin items; (ii) obtain any relevant ECCNs; (iii) ensure that any applicable re-export authorisations are obtained; and (iv) ensure that items subject to the EAR are not re-transferred to prohibited parties;
- (b) for future orders, the Group will stipulate that manufacturers and suppliers of US-origin item shall be responsible for shipping such items direct to the client's customers or will ensure that it obtains any appropriate ECCNs and seeks legal advice regarding any necessary US export or re-export authorisations prior to transferring such items to its customers; and
- (c) the Group will include a request for suppliers to provide any relevant ECCNs in its purchase orders and supply contracts and record it when the goods are received.

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The Group engaged an independent internal control consultant which is a reputable accounting firm with an international practice to review the effectiveness of the Group's internal control measures relating to its business operations, with a view to identify irregularities and furnish internal control recommendations on remedial actions in order to enhance the Group's internal control system generally. The review was completed on 4 August 2016, and a follow-up review on the implementation status of these remedial actions was completed on 7 October 2016. The Group's remedial actions set out above are consistent with the key findings of the internal control consultant's review process. Based on the findings, recommendations and result of the review process performed by such internal control consultant, no material deficiency has been identified. The work performed by such internal control consultant did not involve an assurance engagement in relation to the Group's internal controls.

Taking the above into consideration, the Directors are of the view, and the Sole Sponsor concurs, that the above measures will provide reasonably adequate and effective framework to assist the Group in preventing future non-compliance incidents in relation to licensing matters, identifying and monitoring any material risks relating to International Sanctions and in minimising the Group's exposure to US export or re-export risk.

STATEMENT OF BUSINESS OBJECTIVES AND USE OF [REDACTED]

REASONS FOR THE [REDACTED]

To enable the Group to implement its business strategies

The Directors believe that the [REDACTED] will facilitate the implementation of the Group's business strategies. As stated in the section headed “Business — Business Strategies” in this document, the Group intends to expand its headquarters, establish a R&D centre in Singapore and upgrade its R&D facilities, expand product lines by developing new products, upgrading its existing products and strengthening its R&D team, expand its sales and marketing team and establish regional offices, and develop cyber infrastructure to broaden its source of revenue. For further details, please refer to the section headed “Business — Business Strategies” section in this document. The [REDACTED] from the [REDACTED] will provide financial resources to the Group to achieve the business strategies which will further strengthen its market position.

To expand the Group's capacity to undertake more projects by enhancing its financing options

The Group has received requests for proposals for larger and more complicated projects which would entail larger capital outlay as well as more substantive amounts retained for start-up costs such as hardware and/or software costs. However, it is difficult for the Group to obtain bank borrowings mainly due to the fact that the Group does not own any property and a public [REDACTED] status to secure the repayment of bank borrowings. Therefore, it missed the opportunities to participate in those large scale projects.

Currently, the Group has no bank borrowings and project financing options are limited. The Directors anticipate that after the [REDACTED], the Group will have more financing options including but not limited to bank loan. Such increased financing options would make it easier for the Group to take on larger and more complicated projects, particularly those projects which entail larger capital outlay.

To access to capital market

The Directors believe that Hong Kong is a major international financial centre comprising established infrastructure that attracts investors worldwide. With the standard of information transparency as required by the Stock Exchange, the Directors recognised that the Group's presence in the Hong Kong capital markets could create a higher level of visibility for the Group among international investors, and hence gain better access to international funding. The Directors believe that access to international funding will support the Group's long term sustainable growth by providing the Group with diversified and flexible means to fund the expansions plans the Group may have from time to time in the future and to support the working capital needs of its operations. The Directors confirm that the Company currently has no plans to conduct any fund raising activities in the near future other than the [REDACTED], and that should any fund raising activities be required in the future, the Group will fully disclose the purpose of these fund raising activities in the announcements and circulars (if applicable) to be published by the Company pursuant to the GEM Listing Rules.

To support the growth of the Group's business and increase the Group's competitiveness in the cyber infrastructure solutions and cyber security solutions industry by enhancing the Group's corporate profile and recognition

The Directors believes that the [REDACTED] will enhance the Group's corporate profile and credibility with customers and strengthen the Group's competitiveness. During the Track Record Period, the Group's customers mainly included telecommunications service providers, ISPs, IT companies, manufacturing companies in respect of its cyber infrastructure solutions business.

STATEMENT OF BUSINESS OBJECTIVES AND USE OF [REDACTED]

During the Track Record Period, the end users of the Group’s cyber security solutions were from the public sector. The Group believes that these customers or end users may have a preference for suppliers which are listed companies with good reputation, sound internal control and corporate governance practice, transparent financial disclosures and regulatory supervision.

Additionally, some of the Group’s competitors in the cyber infrastructure solutions and cyber security solutions industry are listed on the stock exchange or are parts of listed companies. As listed companies or part of listed companies, these competitors would be in a better position to secure better access to funding and financing options than the Group. The Group believes that the [REDACTED] would allow it to maintain its competitiveness against its competitors.

Lastly, the enhancing of the Group’s corporate profile and credibility would allow the Group to better attract and retain the necessary talent to remain competitive in the changing market and propel its success and business growth. Given the nature of the Group’s business, talented and qualified personnel are critical and the personnel that the Group intends to recruit with the [REDACTED] from the [REDACTED] include additional sales and marketing managers and senior technical sales engineers. For more details, please refer to the paragraph headed “Business Objectives and Strategies” in this section.

To motivate the employees to contribute to the Group’s future growth by adoption of equity-based incentive program

The Directors believe that human resources are the core assets in ICT industry, so it is crucial for the Group to have measures for motivating its employees to contribute to the Group’s future growth. If the Company has a public [REDACTED] status on a well-established stock market, it is more meaningful for the Group to offer an equity-based incentive program (such as share option scheme) to its employees to incentivise them and align their interests with Shareholders’ interest, which is typical among listed companies. The Group would therefore be in a better position to motivate its employees with incentive programs that closely align with the objective of maximising Shareholders’ value.

To achieve a broader shareholder base

The Directors believe that the [REDACTED] will enhance the liquidity of the Shares as the Shares would be freely traded on the Stock Exchange, in contrast with the limited liquidity of the Shares privately held before the [REDACTED]. Further, the [REDACTED] would allow the Company to obtain a broader shareholder base which would allow the Company a more liquid market in the trading of the Shares.

BUSINESS OBJECTIVES AND STRATEGIES

Please refer to the sub-section headed “Business — Business strategies” in this document for the Group’s business objectives and strategies and further details on the Group’s implementation plan.

STATEMENT OF BUSINESS OBJECTIVES AND USE OF [REDACTED]

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

If the final [REDACTED] is set at: (i) the lowest; or (ii) the highest of the indicative [REDACTED] range, the gross [REDACTED] from the [REDACTED] are estimated to be (i) approximately HK\$[REDACTED] million; or (ii) approximately HK\$[REDACTED] million respectively. In such event, the estimated gross [REDACTED] will decrease or increase by approximately HK\$[REDACTED] million. The [REDACTED] are intended to be used in the same proportions as disclosed above.

In the event that the [REDACTED] is exercised in full, the [REDACTED] from the [REDACTED] will increase by approximately HK\$[REDACTED] million to approximately HK\$[REDACTED] million. Under such circumstances, the Group will adjust the allocation of the [REDACTED] in the same proportions as disclosed above.

To the extent that the [REDACTED] from the [REDACTED] are not immediately required for the above purposes, it is the present intention of the Directors that such [REDACTED] be placed in short-term interest bearing deposit accounts held with authorised financial institutions.

STATEMENT OF BUSINESS OBJECTIVES AND USE OF [REDACTED]

BASES AND ASSUMPTIONS

Potential investors should note the attainability of the Group’s business objectives depends on a number of assumptions, in particular:

- there will be no material changes in the existing political, legal, fiscal, social or economic conditions in Singapore, Malaysia, Hong Kong or in any other places in which any member of the Group carries or will carry on its business;
- the Group will have sufficient financial resources to meet the planned capital expenditure and business development requirements during the period to which the business objectives relate;
- there will be no material changes in the bases or rates of taxation in Singapore, Malaysia, Hong Kong or in any other places in which any member of our Group operates or will operate;
- there will be no material changes in legislation or regulations whether in Singapore, Malaysia, Hong Kong or elsewhere materially affecting the business carried on by the Group;
- there will be no significant changes in the Group’s business relationship with its customers, channel partners or suppliers;
- there will be no material changes in the funding required for each of the scheduled achievements as outlined under the sub-section headed “Use of [REDACTED]” in this section; and
- the Group will not be materially affected by the risk factors as set out in the section headed “Risk Factors” in this document.

DIRECTORS AND SENIOR MANAGEMENT

OVERVIEW

The Board currently consists of five Directors comprising two executive Directors and three independent non-executive Directors. The functions and duties of the Board include convening shareholders’ meetings, reporting on the Board’s work at these meetings, implementing the resolutions passed on these meetings, determining business and investment plans, formulating the Group’s annual budget and final accounts, and formulating the Group’s proposals for profit distributions and for the increase or reduction of registered capital. In addition, the Board is responsible for exercising other powers, functions and duties in accordance with the Articles.

DIRECTORS

The following table sets out the information regarding the members of the Board:

Name	Age	Position	Date of joining the Group	Date of appointment as the Director	Roles and responsibilities in the Group	Relationship with the other Directors and the Group’s senior management
Mr. Foo Moo Teng (符懋勝)	51	Chairman, executive Director and CEO	11 March 2002	22 June 2016	Responsible for the Group’s overall corporate strategy and the daily operation of the Group, including business development and overall management.	None
Mr. Edgardo Osillada Gonzales II	38	Executive Officer and Chief Technology Officer	1 September 2010	22 June 2016	Responsible for overseeing the IT functions of the Group as well as providing marketing, sales and products support	None
Mr. Park Jee Ho	47	Independent non-executive Director	[●] 2017	[●] 2017	Providing independent advice on the business and operations of the Group to the Board	None
Ms. Lim Joo Seng (林友欣)	42	Independent non-executive Director	[●] 2017	[●] 2017	Providing independent advice on the business and operations of the Group to the Board	None
Mr. Chan Ming Kit (陳銘傑)	36	Independent non-executive Director	[●] 2017	[●] 2017	Providing independent advice to the Board in respect of legal matters	None

Executive Directors

Mr. Foo Moo Teng (符懋勝), aged 51, is a founder of the Group, its Chairman, an executive Director and also its CEO. Mr. Foo is primarily in charge of the Group’s overall corporate strategy and the daily operations of the Group, including business development and overall management.

Mr. Foo has over 25 years of experience in the IT industry. Prior to founding the Group in 2002, Mr. Foo held various positions in the IT industry between January 1987 and January 1989. Between February 1989 and August 1998, Mr. Foo founded several IT businesses which were engaged in the provision of word processing and repair services for the private and government sectors, the sales and servicing of computers, and the trading of computer parts and computer peripherals respectively. From October 1998 to December 1999, he was a training officer with the Institute of Technical Education, Singapore and was responsible for educating students in the subject of electronics engineering. From January 2000 to January 2001, he joined Premier Electro Communication Pte. Ltd., a company engaged in the business of IT system integration,

DIRECTORS AND SENIOR MANAGEMENT

as a service manager where he was responsible for assisting to manage a team of engineers, generation of revenue as well as the maintenance of contracts with existing clients. From March 2001 to February 2002, he joined Getronics Solutions (S) Pte Ltd., a reputable European subsidiary of a holding company headquartered in Munich, Germany, which is in the business of system integration as a project manager. He was responsible for the negotiation, implementation and maintenance of IT projects. Mr. Foo obtained a diploma in Electronics & Communication Engineering from Singapore Polytechnic in April 1990.

Pursuant to A.2.1 of Appendix 15 to the GEM Listing Rules, the roles of chairman and chief executive officer should be separated and should not be performed by the same individual. However, having considered the nature and extent of the Group's operations, and Mr. Foo's in-depth knowledge and experience in the IT industry and familiarity with the operations of the Group, that all major decisions are made in consultation with members of the Board and relevant Board committees, and that there are three independent non-executive Directors on the Board offering independent perspectives, the Board is therefore of the view that there are adequate safeguards in place to ensure sufficient balance of powers and authorities between the Board and the management of the Company and that it is in the best interest of the Group to have Mr. Foo taking up both roles. As such, the roles of the Chairman and Chief Executive Officer of the Group are not being separated pursuant to the requirement under A.2.1 of Appendix 15 to the GEM Listing Rules.

Mr. Foo was previously a director or manager of the companies/sole proprietorship shown in the following table before their respective dissolution.

Name of company	Place of incorporation/ establishment	Principal business activity immediately before dissolution	Position	Status	Date of dissolution
Dai Fu Technology Pte Ltd	Singapore	Inactive	Director	Dissolved	22 December 1998
Radiance Technology Group Pte. Ltd.	Singapore	Inactive	Director	Dissolved	8 April 2013
MIG Technologies	Singapore	Inactive	Sole proprietor	Dissolved	9 June 2000
MIG Technologies (M) Sdn Bhd	Malaysia	Inactive	Director	Dissolved	21 October 2011

Mr. Foo has confirmed that (i) the above companies/sole proprietorship were solvent at the time of dissolution; (ii) he did not incur any debt and/or liabilities occasioned by such dissolution; (iii) the dissolution did not have any negative effect on the Group; and (iv) the above companies/sole proprietorship were dissolved because there were no business operations at the time of dissolution.

Mr. Edgardo Osillada Gonzales II, aged 38, is the Group's Chief Technology Officer. He is primarily responsible for overseeing the IT functions of the Group as well as providing marketing, sales and products support.

Mr. Gonzales has over 15 years of experience in the IT industry. From February 2001 to November 2005, Mr. Gonzales was a network engineer in Primeworld Digital System, Inc., a provider of internet protocol communication services, and was responsible for maintaining and managing computer networks. From October 2005 to October 2008, Mr. Gonzales joined Commverge Solutions Philippines, Inc. ("**Commverge Philippines**"), a company which provides professional services and network solutions to carriers and service providers in the telecommunications industry in the Asia Pacific, as a network and system engineer and his last position was a technical manager. During his employment as a technical manager at

DIRECTORS AND SENIOR MANAGEMENT

Commverge Philippines, he was also attached to Commverge Solutions Pte Ltd in Singapore from November 2008 to May 2009. He managed the technical operations for pre-sales and post-sales in Singapore and the Philippines. From May 2009 to June 2010, Mr. Gonzales was holding the position of technical manager at Commverge Philippines. In July 2010, Mr. Gonzales joined Systex SouthAsia Pte Ltd., a Taiwan-based IT services provider in the Asia Pacific region, as product support engineer where he was responsible for implementing, maintaining and administering network and servers. Since September 2010, Mr. Gonzales joined Netsis (Singapore) as an ISP consultant.

Mr. Gonzales graduated with a bachelor degree in Science (Computer Engineering) from the AMA Computer College in Manila, the Philippines in April 2000. Mr. Gonzales is a Cisco Routing and Switching Solutions Specialist, Cisco Certified Network Professional, and Cisco Certified Design Professional as certified by Cisco Systems, Inc. in April 2012 and April 2015 respectively. In November 2014, Mr. Gonzales was also recognised as an A10 Certified Engineer for Application Delivery by A10 Networks.

Independent Non-Executive Directors

Mr. Park Jee Ho, aged 47, was appointed as an independent non-executive director on [●] 2017. Mr. Park was employed by Sanmjong KPMG Accounting, an international accounting firm from November 2000 to December 2003 as a senior associate. He joined Webzen Inc. an online game company listed on the KOSDAQ and National Association of Securities Dealers Automated Quotations from July 2006 to August 2010 as a finance and administration manager. Thereafter from January 2012 to September 2012, he commenced a role as finance manager in TmaxSoft, one of the largest software development company in Korea. He then joined DMX Technologies Korea (wholly owned by DMX Technologies Group Ltd. which is listed on Mainboard of the SGX-ST) as chief financial officer from May 2014 to December 2015. In April 2016, he became a regional chief financial officer in DMX Technologies Group Ltd. and is presently engaged in this role.

Mr. Park graduated with a bachelor of commerce (with a major in accounting) from Concordia University in Montreal, Canada in May 1998 and has been a member of the American Institute of Certified Public Accountants since June 2000.

Ms. Lim Joo Seng (林友欣), aged 42, was appointed as an independent non-executive director on [●] 2017. She has been involved in the finance industry for over 17 years, having started her career at Sekhar & Tan as a tax assistant from April 1999 to April 2000. Thereafter, she joined Deloitte KassimChan (Deloitte & Touche) as an audit senior from May 2000 to December 2003. In February 2005, she joined Deloitte Touche Tohmatsu CPA Ltd. and, where she was promoted from a senior to a manager in February 2010. In March 2010, she joined XinRen Aluminium Holdings Limited, previously a company listed on the Main Board of the Singapore Exchange Securities Trading Limited in October 2010 which was subsequently privatised in 2016 and is now a private holding company located in the People's Republic of China as a chief financial officer and is presently engaged in this role.

Ms. Lim graduated with a bachelor of commerce from Macquarie University in Sydney, Australia in April 1998, and has been a member of the Malaysian Institute of Accountants and the Certified Public Accountants of Australia since September 2003 and January 2003 respectively.

DIRECTORS AND SENIOR MANAGEMENT

Mr. Chan Ming Kit (陳銘傑), aged 36, was appointed as an independent non-executive director on [●] 2017. He has been involved in the legal industry for over 5 years, having started his legal career as a compliance officer with G2000 (Apparel) Limited from April 2007 to August 2011. He was called to the bar in Hong Kong in April 2012. Thereafter from 2013 to 2015, he was employed by M.C.A. Lai & Co Solicitors (now known as Lai M.C.A. Solicitors LLP) as a trainee solicitor. He was admitted as a solicitor of the High Court of Hong Kong in March 2015 and is presently employed as an assistant solicitor at the same firm.

Mr. Chan graduated with a bachelor of laws from the University of Sheffield in the United Kingdom in 2005 and subsequently obtained his Postgraduate Certificate in Laws from the City University of Hong Kong in July 2011.

Save as disclosed above and in “Appendix IV — Statutory and General Information” to this document, each of the Directors confirms with respect to him/her that: (i) he/she has not held directorships in the last three years in other public companies the securities of which are listed on any securities market in Hong Kong or overseas; (ii) he/she does not hold any other position in the Company or any of its subsidiaries; (iii) he/she does not have any interests in the Shares within the meaning of Part XV of the SFO; (iv) there is no other information that should be disclosed for him/her pursuant to Rule 17.50(2) of the GEM Listing Rules; and (v) to the best of the knowledge, information and belief of the Directors having made all reasonable enquiries, there are no other matters with respect to the appointment of the Directors that need to be brought to the attention of the Shareholders.

SENIOR MANAGEMENT

The Board is supported by the Group’s senior management in the day-to-day management of its business. The following table sets forth the information regarding the Group’s senior management:

Name	Age	Position	Date of joining the Group	Date of appointment of current position	Roles and responsibilities in the Group	Relationship with the Directors and its senior management
Tang Mei Leng Olivia (鄧美玲) . . .	49	Head of Sales and Marketing Department	1 November 2014	April 2015	Leading the sales and marketing of the Group and supervising the sales and marketing of cyber infrastructure solutions business	No
Hoo Kam Choy (何錦財)	41	Sales and Marketing Director	15 August 2012	1 September 2015	Supervising the sales and marketing department of the Group’s cyber security solutions business	No
Chan Kok Liang Frankie (田國良) . . .	34	Chief Development Officer	15 August 2012	1 October 2013	Supervising the product and technology research, design and development of the Group	No
Chen Kao Chih (陳高智)	50	R&D Director	1 August 2013	1 August 2013	Supervising on software engineering and programming of the Group’s products	No
Yeo Joo Ling (楊珠琳)	38	Financial Controller	15 August 2016	15 August 2016	Responsible for the overall financial management of the Group	No

DIRECTORS AND SENIOR MANAGEMENT

Ms. Tang Mei Leng Olivia (鄧美玲), aged 49, is the Group's Head of Sales and Marketing Department. She is also responsible for the overall supervision of the sales and marketing of the Group's cyber infrastructure solutions business. She has over 10 years of experience in the IT industry since 2003.

Before joining the Group, Ms. Tang was a director of Knowledge Computers Pte. Ltd., a supplier of network hardware, from July 2003 to December 2009, where she oversaw the daily operations of Knowledge Computers Pte. Ltd. located in Singapore. In January 2010, Ms. Tang joined Netsis (Singapore) as its general manager in charge of managing its operations and was responsible for creating processes for Netsis (Singapore) such as sales support systems, setting up the support for sales contract reporting, identifying and engaging partnership with suppliers, developing business and developing marketing plan to reach new customers. In September 2010, Ms. Tang left Netsis (Singapore). Prior to re-joining the Group in November 2014, she worked at IJ Global Solutions Singapore Pte. Ltd., a company engaged in the business of providing information and communications technology solutions from June 2011 to November 2014, as a business development manager, and was responsible for sales and business development in Southeast Asia.

Ms. Tang holds a postgraduate diploma of Business Administration from the University of Melbourne, obtained in July 2011.

Ms. Tang has not been a director in any public companies the securities of which are listed on any securities market in Hong Kong or overseas for the three years immediately preceding the Latest Practicable Date.

Mr. Hoo Kam Choy (何錦財), aged 41, is a founder of Expert Team (Singapore) and is the Group's Sales and Marketing Director. He joined Expert Team (Singapore) in September 2015. He is responsible for supervising the sales and marketing department of the Group's cyber security business. In November 2003, Mr. Hoo founded K Track Trading, which was engaged in the business of security camera and communication products in Taiwan, Hong Kong and PRC. As at the Latest Practicable Date, K Track Trading was a dormant company. Before joining the Group, Mr. Hoo incorporated Gandingan Pakar Sdn. Bhd. in Malaysia in August 2013, which supplied surveillance products. As at the Latest Practicable Date, Gandingan Pakar Sdn. Bhd. was in the process of striking off.

Mr. Hoo obtained a bachelor degree in Business Administration from SooChow University, Taiwan in June 2001.

Mr. Hoo has not been a director in any public companies the securities of which are listed on any securities market in Hong Kong or overseas for the three years immediately preceding the Latest Practicable Date.

Mr. Chan Kok Liang Frankie (田國良), aged 34, is a founder of Expert Team (Singapore) and is the Group's Chief Development Officer. He joined Expert Team (Singapore) in October 2013. He takes up the management role in the supervision of the Group's product and technology research, design and development. He further oversees the daily operation of the engineering team and leads the implementation of the Group's own developed solutions. Mr. Chan has 9 years of experience in the IT industry.

From December 2006 to December 2012, Mr. Chan was a director at Decision Group Pte. Ltd., a company in Singapore which provides cyber security solutions and consultancy services.

DIRECTORS AND SENIOR MANAGEMENT

Mr. Chan graduated with a bachelor degree in Engineering Electronics, majoring in Telecommunications, from the Multimedia University in Malaysia in June 2005, and obtained a master of Communication Engineering from the Nanyang Technological University in Singapore in November 2006. Mr. Chan became a professional member of the Institute of Electrical and Electronics Engineers in April 2015. Mr. Chan has also contributed to publications including the "Analysis of IEEE 802.11b wireless security for university wireless LAN design" published in Volume 2 of the 2005 12th IEEE International Conference on Networks jointly held with the 2005 IEEE 7th Malaysia International Conference on Communication and "Supporting Quality of Services in Wireless LANs by EDCA Access Scheme" in Proc-MMU International Symposium on Information and Communications Technologies (M2USIC 2006).

Mr. Chan has not been a director in any public companies the securities of which are listed on any securities market in Hong Kong or overseas for the three years immediately preceding the Latest Practicable Date.

Mr. Chen Kao Chih (陳高智), aged 50, is the Group's R&D Director who joined the Group in August 2013. Mr. Chen is primarily responsible for the supervision of software engineering and programming of the Group's products. He has over 24 years of experience in network design, deployment and administration for large scale sites, and is experienced in embedded system implementation.

From November 1992 to September 1998, Mr. Chen worked as an IT trainer and network administrator at the Army Communication Electronic Information School of Taiwan and was mainly responsible for establishing the campus network with asynchronous transfer mode backbone. Then, he became the chief of network administrators at the Army Information Centre of Taiwan from April 2000 to August 2006. He was responsible for designing network in the phase 1 and 2 projects for the Taiwan Army's Management Information Systems (MIS) management information system projects. He subsequently returned to the Army Communication Electronic Information School of Taiwan as its chief IT trainer from September 2006 to June 2010, where he designed and created new IT systems for the military. Before joining the Group in August 2013, Mr. Chen worked as the project manager at the Decision Group of Taiwan, a company focused on providing data monitoring and gathering, computer forensics cyber security services, from February 2011 to August 2013. He was responsible for creating and maintaining the internal communication mechanism and designed data monitoring and gathering products.

Mr. Chen obtained a Bachelor of Information Science degree from the Chung Cheng Institute of Technology in Taiwan in July 1990 and a Master of Science from the Department of Computer Science and Information Engineering from the National Taiwan University in January 2004. Mr. Chen obtained the OCPJP (Oracle Certified Professional, Java SE 6 Programmer) certification, OCPJWCD (Oracle Certified Professional Java EE Web Component Developer) certification and CCNA (Cisco Certified Network Associate) certificate in December 2010, January 2011 and 14 May 2010 respectively.

Mr. Chen has not been a director in any public companies the securities of which are listed on any securities market in Hong Kong or overseas for the three years immediately preceding the Latest Practicable Date.

Ms. Yeo Joo Ling (楊珠琳), aged 38, was appointed as the Group's financial controller in August 2016. Ms. Yeo is primarily responsible for the overall financial management of the Group. Ms. Yeo has approximately 9 years in the finance and accounting spheres, having held positions in another two companies in Singapore with roles in accounting.

Ms. Yeo obtained the GCE A levels from Outram Institute in December 1998 and completed level 3 of the Association of Chartered Certified Accountants in June 2007.

DIRECTORS AND SENIOR MANAGEMENT

Ms. Yeo has not been a director in any public companies the securities of which are listed on any securities market in Hong Kong or overseas for the three years immediately preceding the Latest Practicable Date.

COMPANY SECRETARY

Mr. Yeung Kwong Wai (楊光偉), aged 43, is the Company’s company secretary.

Mr. Yeung has more than 19 years of auditing, accounting, financial management and corporate governance experience. He is a Certified Public Accountant (Practising) of the Hong Kong Institute of Certified Public Accountants and a member of the American Institute of Certified Public Accountants. He is also a Chartered Financial Analyst (CFA) charterholder. He has been senior executives of various listed companies in Hong Kong. He is currently an independent non-executive director of Zhi Cheng Holdings Limited (Stock Code: 8130), a company listed on the GEM board of the Hong Kong Stock Exchange.

Mr. Yeung graduated from Concordia University, Montreal, Canada in October 1997 with a major in Accounting.

COMPLIANCE OFFICER

Mr. Foo Moo Teng (符懋勝), who also holds the post of executive Director, is the compliance officer of the Company. His biographical details are set out in the paragraph above headed “Directors — Executive Directors”.

BOARD COMMITTEES

The Board has established an audit committee, a remuneration committee and a nomination committee.

Audit committee

The Company has established an audit committee pursuant to a resolution of the Directors passed on [●]. Its audit committee has written terms of reference in compliance with Rule 5.28 of the GEM Listing Rules and the Corporate Governance Code and Corporate Governance Report (“CG”). The primary duties of the audit committee are mainly to make recommendations to the Board on the appointment and removal of external auditor, review the financial statements and information and provide advice in respect of financial reporting and oversee the internal control procedures of the Group. At present, the Company’s audit committee comprises three independent non-executive Directors: Ms. Lim Joo Seng, Mr. Park Jee Ho and Mr. Chan Ming Kit. Ms. Lim Joo Seng is the chairman of the audit committee.

Remuneration committee

The Company has established a remuneration committee pursuant to a resolution of the Directors passed on [●]. Its remuneration committee has written terms of reference in compliance with Rule 5.34 of the GEM Listing Rules and the CG. The primary duties of the remuneration committee are to make recommendation to the Board on the overall remuneration policy and structure relating to all Directors and senior management of the Group, review performance-based remuneration and ensure none of the Directors determine their own remuneration. At present, the Company’s remuneration committee consists of three members: Mr. Park Jee Ho, Mr. Gonzales and Mr. Chan Ming Kit. Mr. Chan Ming Kit is the chairman of the remuneration committee.

DIRECTORS AND SENIOR MANAGEMENT

Nomination committee

The Company has established a nomination committee pursuant to a resolution of the Directors passed on [*date*]. The nomination committee has written terms of reference in compliance with the CG. The primary duties of the nomination committee are to review the structure, size and composition (including the skills, knowledge and experience) of the Board on a regular basis and make recommendations to the Board on any proposed changes to the Board to complement the Group's corporate strategy, identify individuals suitably qualified to become Board members, assess the independence of independent non-executive Directors and make recommendations to the Board on the appointment or reappointment of Directors and succession planning for Directors, in particular the chairman and the chief executive. At present, the Company's nomination committee consists of three members: Mr. Chan Ming Kit, Mr. Foo and Ms. Lim Joo Seng. Mr. Chan Ming Kit is the chairman of the nomination committee.

COMPENSATION OF DIRECTORS AND SENIOR MANAGEMENT

The aggregate amount of remuneration including salaries, allowances bonus, director fees and benefits in kind which were paid to the Directors for the years ended 31 December 2014, 2015 and 2016 were approximately US\$125,000, US\$173,000 and US\$361,000, respectively.

The aggregate amount of remuneration including salaries, allowances bonus, sales commission and benefits in kind which were paid to the five highest paid individuals (excluding the Directors amongst the five highest paid individuals) for the years ended 31 December 2014, 2015 and 2016 were approximately US\$97,000, US\$174,000 and US\$202,000, respectively.

During the Track Record Period, no remuneration was paid by the Group to, or received by, the Directors or senior management or the five highest-paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office. There was no arrangement under which a Director waived or agreed to waive any remuneration during the same period.

Save as disclosed above, no other payments have been made or are payable in respect of the years ended 31 December 2014, 2015 and 2016 by any member of the Group to any of the Directors. Under the arrangements currently in force, the Group estimates the aggregate remuneration, excluding discretionary bonus, of the Directors for the year ending 31 December 2017 to be approximately US\$218,000.

For additional information on Directors' remunerations during the Track Record Period as well as information on the highest paid individuals, please refer to notes 8 and 9 in the Accountants' Report as set out in Appendix I to this Document.

COMPLIANCE ADVISER

The Company has appointed Southwest HK Capital as its compliance adviser on 28 September 2016 pursuant to Rule 6A.19 of the GEM Listing Rules to provide advisory services to the Company. In compliance with Rule 6A.23 of the GEM Listing Rules, the Company must consult with, and if necessary, seek advice from, the compliance adviser on a timely basis in the following circumstances:

- (a) before the publication of any regulatory announcement, circular or financial report;
- (b) where a transaction which might be a notifiable or connected transaction under Chapters 19 or 20 of the GEM Listing Rules, is contemplated, including share issues and share repurchases;

DIRECTORS AND SENIOR MANAGEMENT

- (c) where the Company proposes to use the [REDACTED] of the [REDACTED] in a manner different from that provided in this document or when business activities, developments or results deviate from any forecast, estimate (if any) or other information in this document; and
- (d) where the Stock Exchange makes an inquiry of the Company under Rule 17.11 of the GEM Listing Rules.

The term of appointment of the compliance adviser shall commence on the [REDACTED] Date and end on the date on which the Company complies with Rule 18.03 of the GEM Listing Rules in respect of its financial results for the second full financial year commencing after the [REDACTED] Date and such appointment may be subject to extension by mutual agreement.

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

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 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 Mr. Foo's background, please refer to the section headed "Directors and Senior Management — Directors" in this document.

COMPETING INTERESTS

As confirmed by the Directors, none of the Controlling Shareholders, the Substantial Shareholders, the Directors and their respective close associates is interested in any business, apart from the business operated by members of the Group, that competes or is likely to compete, directly or indirectly, with the business of the Group and would require disclosure pursuant to Rule 11.04 of the GEM Listing Rules at as the Latest Practicable Date.

INDEPENDENCE FROM THE CONTROLLING SHAREHOLDERS

Taking into consideration of the following factors, the Directors are satisfied that the Group is capable to carry on the business independently from the Controlling Shareholders or their respective close associates after the [REDACTED]:

Management independence

The management and operational decisions are made by the Board and a team of senior management. The Board consists of five Directors, comprising two executive Directors, and three independent non-executive Directors. One of the executive Directors is Mr. Foo.

Each of the Directors is aware of his fiduciary duties as a Director which requires, among other things, that he acts for the benefit and in the best interests of the Company and does not allow any conflict between his duties as a Director and his personal interest. In the event there is a potential conflict of interest arising out of any transaction to be entered into between the Group and the Directors or their respective associates, the interested Director(s) shall abstain from voting at the relevant board meetings of the Company in respect of such transactions and shall not be counted in the quorum.

Further, the independent non-executive Directors will bring independent judgement to the decision making process of the Board.

In addition, the Board is supported by a team of senior management who possess relevant management skills and industry knowledge who are responsible to take charge of the daily operations, are independent from the Controlling Shareholders and their associates. Please refer to the section headed "Directors and Senior Management" in this document for details of their management experience. In this regard, the Directors are of the view that the Group can be managed independently notwithstanding that Mr. Foo, being a Controlling Shareholder, and an executive Director.

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

Operational independence

The Group has established its own organisational structure made up of individual departments, each with specific areas of responsibilities in the operation. The Group has also established a set of internal control measures to facilitate the effective operation of the Group's business. Despite the controlling interest held by the Controlling Shareholders, the Company has full rights to make all decisions on, and to carry out its own business operations independently.

The Group has not shared the operational resources, such as premise, access to customers and suppliers, manufacturing, sales and general administration resources with the Controlling Shareholders and/or their respective close associates.

There has not been any business transaction between the Group and the Controlling Shareholders and/or their respective close associates during the Track Record Period.

Based on the above, the Directors are satisfied that the Group is able to operate independently from the Controlling Shareholders and their respective associates.

Financial independence

The Group has established an internal financial management system that operates independently from the Controlling Shareholders from a financial perspective. The Group has made and will make financial decisions according to the own business needs. The Group has its own bank account, make its own tax registrations and have employed a sufficient number of financial accounting personnel. Taking into account of the Group's internal resources, the [REDACTED] from the [REDACTED] Investment and the estimated [REDACTED] from the [REDACTED], the Directors believe that the Group will have sufficient working capital for its requirements for at least the next 12 months from the date of publication of this document. The Group is confident that after the [REDACTED], the Group will be able to obtain credit facilities from financial institutions on a stand-alone basis. The Directors confirm that, as at the Latest Practicable Date, the Controlling Shareholders or their respective close associates have not provided any loan to the Group. Based on the above, the Directors believe that the Group is able to maintain financial independence from the Controlling Shareholders.

NON-COMPETITION UNDERTAKING

To better safeguard the Group from any potential competition and conditional upon the [REDACTED] taking place, (i) the Controlling Shareholders namely, Alpha Sense (BVI) and Mr. Foo, as covenantors (“**CS Covenantors**”) have entered into a deed of non-competition (“**CS Deed of Non-Competition**”), and (ii) two of the substantial Shareholders namely Future Way (BVI) and Mr. Hoo, as covenantors (“**SS Covenantors**”, collectively with the CS Covenantors, the “**Covenantors**”) have entered into a deed of non-competition (“**SS Deed of Non-Competition**”), both dated [●] and in favour of the Company (for itself and as trustee for the subsidiaries), pursuant to which each of the CS Covenantors or the SS Covenantors (as the case may be) jointly and severally, irrevocably and unconditionally, undertakes with the Company that with effect from the [REDACTED] Date and for as long as the Shares remain so listed on the Stock Exchange and the CS Covenantors or the SS Covenantors (as the case may be) are regarded as controlling shareholders (as defined under the GEM Listing Rules) or

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

substantial shareholders (as defined under the GEM Listing Rules) (as the case may be), each of the CS Covenants or the SS Covenants (as the case may be) will not, and will procure that none of their respective associates (except any member of the Group) will:

- (a) directly or indirectly carry on, engage, participate, be interested or acquire or hold any right or interest in any business which is or may be in competition, whether directly or indirectly, with the principal business of any member of the Group in the provision of cyber infrastructure solutions and cyber security solutions and the related businesses ancillary to any of the foregoing from time to time (the "**Restricted Business**") save for (i) the holding of not more than 5% shareholding interests (individually or any of the CS Covenants or the SS Covenants (as the case may be) with their associates collectively) in any listed company in Hong Kong; or (ii) the holding of shares in any listed company in Hong Kong where the Restricted Business conducted or engaged in by such company accounts for less than 10% of the relevant company's consolidated turnover or consolidated assets, or (iii) where the CS Covenants or the SS Covenants (as the case may be) are already, directly or indirectly, interested or invested in the operations of companies which are engaging in Restricted Business and details of which have been specifically disclosed in this document; and
- (b) take any direct or indirect action which constitutes an interference with or a disruption to the business activities including, but not limited to, solicitation of the Group's customers, suppliers or staff.

In addition, each of the CS Covenants or the SS Covenants (as the case may be), in the respective CS Deed of Non-Competition or the SS Deed of Non-Competition (as the case may be), jointly and severally undertakes that if any new business opportunity relating to any Restricted Business is made available to any of the CS Covenants or the SS Covenants (as the case may be), it will direct the Restricted Business to the Group with such required information to enable the Group to evaluate the merits of the Restricted Business.

Any decision of the Company as to whether or not to engage in the Restricted Business will have to be approved by the independent non-executive Directors. Where the independent non-executive Directors have reviewed the opportunity to invest, participate, be engaged in and/or operate with a third party any Restricted Business and has declined such opportunity, the CS Covenants or the SS Covenants (as the case may be) (or his/its associate(s)) may subsequently invest, participate, engage in or operate the Restricted Business as long as the terms by which the CS Covenants or the SS Covenants (as the case may be) subsequently invest are not more favourable than those disclosed to the Company.

Where the Company decides and offers to invest, participate, be engaged in and/or operate any Restricted Business with any of the CS Covenants or the SS Covenants (as the case may be) and/or his/its associates, such CS Covenants or the SS Covenants (as the case may be) and/or his/its associates can invest, participate, be engaged in and/or operate such Restricted Business with the Company. The Company will comply with the requirements of the Listing Rules in case of such cooperation with the CS Covenants or the SS Covenants (as the case may be) and/or his/its associates.

Each of the CS Covenants or the SS Covenants (as the case may be) further jointly and severally undertakes that he/it will provide to the Group all information necessary for the enforcement of the above non-competition undertakings.

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

Each of the CS Covenantors or the SS Covenantors (as the case may be) also represents and warrants that apart from the disclosures made in this document, neither he or it nor any of his/its associates is currently engaging, directly or indirectly, in any business that competes or may compete with the Group.

The Deeds of Non-Competition will cease to have effect on any of the CS Covenantors or the SS Covenantors (as the case may be) if he/it ceases to be a Controlling Shareholder (in respect of the CS Deed of Non-Competition) or substantial shareholder of the Company (in respect of the SS Deed of Non-Competition), as the case may be, or the date on which the [REDACTED] is withdrawn, whichever occurs first.

CORPORATE GOVERNANCE MEASURES

The Group has adopted the following measures to manage the conflict of interests arising from competing business and to safeguard the interest of the Shareholders:

- (a) the Covenantors will promptly provide to the Group such information as the Group may from time to time reasonably request to ascertain the compliance of by the Covenantors of their respective obligations under the Deeds of Non-Competition;
- (b) the independent non-executive Directors will review, on an annual basis, the compliance with the non-competition undertaking by the respective Covenantors under the Deeds of Non-Competition;
- (c) the Covenantors undertake to provide all information necessary for the annual review by the independent non-executive Directors and the enforcement of the Deeds of Non-Competition;
- (d) the Company will disclose decisions on matters reviewed by the independent non-executive Directors relating to the compliance and enforcement of the Deeds of Non-Competition either through the Company's annual report or by way of announcement to the public;
- (e) the Covenantors undertake to abstain from voting at any general meeting of the Company if there is any actual or potential conflict of interest;
- (f) the Covenantors will make an annual declaration on compliance with their respective undertaking under the Deeds of Non-Competition in the Company's annual report and make disclosure on how the CS Deed of Non-Competition or the SS Deed of Non-Competition (as the case may be) has been complied with and enforced, consistent with the principle of making voluntary disclosure in the corporate governance report; and
- (g) the Company has appointed Southwest HK Capital as its compliance adviser which shall provide the Company with professional advice and guidance in respect of compliance with the GEM Listing Rules and applicable laws.

SUBSTANTIAL SHAREHOLDERS

SUBSTANTIAL SHAREHOLDERS

So far as the Directors are aware, the following persons will, immediately following the 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), have an interest or short position in Shares or underlying Shares which would fall to be disclosed to the Company and the Stock Exchange under provisions of Divisions 2 and 3 of Part XV of the SFO, or who are, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group:

Name of Shareholder	Nature of interests (Note 1)	Shares held immediately prior to the completion of the [REDACTED] and the [REDACTED]		Shares held immediately following completion of the [REDACTED] and the [REDACTED] (assuming the [REDACTED] is not exercised) (Note 6)		Shares held immediately following completion of the [REDACTED] and the [REDACTED] (assuming the [REDACTED] is fully exercised) (Note 6)	
		Number of Shares	Approximate Percentage of shareholding	Number of Shares	Approximate Percentage of shareholding	Number of Shares	Approximate Percentage of shareholding
Alpha Sense (BVI) (Note 2)	Beneficial interests	60,597	60.6%	[REDACTED]	[REDACTED]%	[REDACTED]	[REDACTED]%
Mr. Foo (Note 2)	Interest in a controlled corporation	60,597	60.6%	[REDACTED]	[REDACTED]%	[REDACTED]	[REDACTED]%
Future Way (BVI) (Note 3)	Beneficial interests	15,036	15.0%	[REDACTED]	[REDACTED]%	[REDACTED]	[REDACTED]%
Mr. Hoo (Note 3)	Interest in a controlled corporation	15,036	15.0%	[REDACTED]	[REDACTED]%	[REDACTED]	[REDACTED]%
Vantage Network (BVI) (Note 4)	Beneficial interests	15,000	15.0%	[REDACTED]	[REDACTED]%	[REDACTED]	[REDACTED]%
Vast Mega Limited (Note 4)	Interest in a controlled corporation	15,000	15.0%	[REDACTED]	[REDACTED]%	[REDACTED]	[REDACTED]%
China Smartpay Group Holdings Limited (Note 4)	Interest in a controlled corporation	15,000	15.0%	[REDACTED]	[REDACTED]%	[REDACTED]	[REDACTED]%
Cyber Pioneer (BVI) (Note 5)	Beneficial interests	9,367	9.4%	[REDACTED]	[REDACTED]%	[REDACTED]	[REDACTED]%
Mr. Chan (Note 5)	Interest in a controlled corporation	9,367	9.4%	[REDACTED]	[REDACTED]%	[REDACTED]	[REDACTED]%

Notes:

- All interests stated are long positions.
- Alpha Sense (BVI) is an investment holding company incorporated in the BVI and is held as to 100% by Mr. Foo. By virtue of the SFO, Mr. Foo is deemed to be interested in the Shares held by Alpha Sense (BVI).
- Future Way (BVI) is an investment holding company incorporated in the BVI and is held as to 100% by Mr. Hoo. By virtue of the SFO, Mr. Hoo is deemed to be interested in the Shares held by Future Way (BVI).
- Vantage Network (BVI) is an investment holding company incorporated in the BVI and is held as to 100% by Vast Mega Limited, an investment holding company incorporated in the BVI which is in turn held as to 100% by China Smartpay Group Holdings Limited (Stock Code: 8325), a company listed on the GEM Board of the Stock Exchange since 28 August 2009. By virtue of the SFO, China Smartpay Group Holdings Limited and Vast Mega Limited are deemed to be interested in the Shares held by Vantage Network (BVI).
- Cyber Pioneer (BVI) is an investment holding company incorporated in the BVI and is held as to 100% by Mr. Chan. By virtue of the SFO, Mr. Chan is deemed to be interested in the Shares held by Cyber Pioneer (BVI).
- Excluding any shares which may be allotted and issued pursuant to the exercise of the options that may be granted under the Share Option Scheme.

SUBSTANTIAL SHAREHOLDERS

Save as disclosed in this document, the Directors are not aware of any person who will, immediately following the 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), have an interest or short positions in any of the Shares or underlying Shares which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or be directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Company. Further, the Directors are not aware of any arrangement which may at a subsequent date result in a change of control of the Company.

SHARE CAPITAL

SHARE CAPITAL

The following is a description of the share capital of the Company in issue and to be issued as fully paid or credited as fully paid immediately following the [REDACTED] and the Share [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):

	HK\$
<i>Authorised share capital:</i>	
<u>6,000,000,000</u> Shares	<u>60,000,000</u>
<i>Issued and to be issued, fully paid or credited as fully paid:</i>	
[REDACTED] Shares in issue as at the date of this document	[REDACTED]
[REDACTED] Shares to be issued pursuant to the [REDACTED]	[REDACTED]
<u>[REDACTED]</u> Shares to be issued pursuant to the [REDACTED]	<u>[REDACTED]</u>
 <u>[REDACTED]</u> Total	 <u>[REDACTED]</u>

Assumptions

The above table assumes that the [REDACTED] has become unconditional and the Shares are issued pursuant thereto. It does not take into account of any Shares which may be allotted and issued upon the exercise of the [REDACTED] and the options which may be granted under the Share Option Scheme or which may be allotted and issued or repurchased by the Company under the general mandates for the allotment and issue or repurchase of Shares granted to the Directors as referred to below or otherwise.

Assuming the [REDACTED] is exercised in full, an additional [REDACTED] Shares will be issued. In such circumstances, the issued share capital of the Company immediately after the [REDACTED] and the [REDACTED] will be HK\$[REDACTED] divided into [REDACTED] Shares.

Ranking

The [REDACTED] will carry the same rights as all Shares in issue or to be issued as mentioned in this document, and will qualify for all dividends or other distributions declared, paid or made on the Shares after the date of this document except for the entitlement under the [REDACTED].

[REDACTED]

Pursuant to Rule 11.23(7) of the GEM Listing Rules, at the time of [REDACTED] and at all times thereafter, the Company must maintain the minimum level of [REDACTED]% of the issued share capital of the Company in the hands of the public (as defined in GEM Listing Rules).

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.

SHARE CAPITAL

GENERAL MANDATE GIVEN TO THE DIRECTORS TO ISSUE [REDACTED]

Subject to the [REDACTED] becoming unconditional, a general unconditional mandate has been granted to the Directors to allot, issue and deal with unissued Shares with an aggregate nominal value of not more than the sum of:

- 20% of the aggregate nominal amount of Shares in issue immediately following 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 that may be granted under the Share Option Scheme); and
- the aggregate nominal amount of Shares repurchased by the Company under the authority referred to in the paragraph headed “General mandate given to the Directors to repurchase Shares” in this section.

The aggregate nominal value of the Shares which the Directors are authorised to allot and issue under this mandate will not be reduced by the allotment and issue of Shares under a rights issue, script dividend scheme or similar arrangement in accordance with the Articles, or pursuant to the exercise of the [REDACTED] or the options which may be granted under the Share Option Scheme or under the [REDACTED] or the [REDACTED].

This general mandate will expire:

- at the conclusion of the Company’s next annual general meeting; or
- upon the expiration of the period within which the Company is required by any applicable laws or its Articles to hold its next annual general meeting; or
- when varied or revoked by an ordinary resolution of the Shareholders in general meeting,

whichever is the earliest.

Particulars of this general mandate are set forth under the section headed “Statutory and General Information — A. Further information about the Group — 3. Resolutions in writing of the Shareholders” in Appendix IV to this document.

GENERAL MANDATE GIVEN TO THE DIRECTORS TO REPURCHASE SHARES

Subject to the [REDACTED] becoming unconditional, a general unconditional mandate has been granted to the Directors to exercise all the powers of the Company to repurchase Shares with an aggregate nominal value of not more than 10% of the aggregate nominal amount of the share capital of the Company in issue immediately following 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 that may be granted under the Share Option Scheme).

This repurchase mandate only relates to repurchases made on the Stock Exchange, or on any other stock exchange on which the Shares are listed (and which are recognised by the SFC and the Stock Exchange for this purpose), and which are made in accordance with the GEM Listing Rules. Further information required by the Stock Exchange to be included in this document regarding the repurchase of Shares is set out in the section headed “Statutory and General Information — A. Further information about the Group — 6. Repurchase by the Company of its own securities” in Appendix IV to this document.

SHARE CAPITAL

This repurchase mandate will expire:

- at the conclusion of the Company's next annual general meeting; or
- upon the expiration of the period within which the Company is required by any applicable laws or its Articles to hold the next annual general meeting; or
- when varied or revoked by an ordinary resolution of the Shareholders in general meeting, whichever is the earliest.

Particulars of this repurchase mandate are set forth in the section headed "Statutory and General Information — A. Further information about the Group — 3. Resolutions in writing of all Shareholders" in Appendix IV to this document.

CIRCUMSTANCES UNDER WHICH GENERAL MEETING AND CLASS MEETING ARE REQUIRED

The Company has only one class of shares, namely ordinary shares, each of which ranks with equal rights to the other shares.

The circumstances under which general meeting and class meeting are required are provided in the Articles. For further details, please refer to the section headed "Summary of the Constitution of the Company and Cayman Company Law — Articles of Association" in Appendix III to this document.

FINANCIAL INFORMATION

The following discussion of the financial condition and results of operations of the Group should be read in conjunction with the Group’s combined financial information, including the notes thereto, as set out in “Appendix I — Accountants’ Report” in this document. The combined financial information has been prepared in accordance with the IFRS.

The following discussion contains certain forward-looking statements that involve risks and uncertainties. These statements are based on assumptions and analysis made by the Group in light of its experience and perception of historical trends, current conditions and expected future developments, as well as other factors it believes are appropriate under the circumstances. However, the Group’s future results could differ materially from those discussed below as a result of various factors, including those set forth under the sections headed “Risk Factors” and “Forward-looking Statements”, and elsewhere in this document.

The following discussion and analysis also contain certain amounts and percentage figures that have been subject to rounding adjustments. Accordingly, figures shown as totals in certain tables may not be an arithmetic aggregation of the figures preceding them and all monetary amounts shown are approximate amounts only.

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. The Group derives the majority of its revenue from the provision of project-based cyber infrastructure and cyber security solutions. The Group also derives revenue from the provision of maintenance and support services which is recurring in nature. For an overview of the Group’s business, please refer to the section headed “Business — Overview” in this document.

KEY FACTORS AFFECTING THE GROUP’S RESULTS OF OPERATIONS AND FINANCIAL CONDITION

The Group’s results of operation and financial condition have been, and will continue to be, affected by a number of factors, including those set forth in the section headed “Risk Factors” of this document and the following factors, some of which may not be within its control.

The Group’s ability to anticipate and respond to changes in technologies or needs

As a technology-focused enterprise committed to developing innovative technology, the Group’s R&D capabilities are critical to its success. There is no assurance that any of the Group’s R&D activities would produce meaningful results or will lead to the production or creation of revenue-generating products or solutions. The Group’s ability to conduct R&D and offer, on a timely basis, new solutions or enhancements of existing solutions that will address the changing needs of the marketplace is critical to its competitiveness. The Group’s existing range of solutions may also become obsolete due to rapid technological changes. If the Group does not quickly respond to the rapidly changing and rigorous needs of its customers by conducting R&D activities and making available, on a timely basis, new solutions and enhancements to its existing solutions that can respond to advanced threats and its customers’ needs. Even if the Group is able to make available upgrades or new solutions, there is no

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assurance that these upgrades, new solutions will achieve widespread market acceptance or meet users' expectations. If the Group fails to develop any upgrades or new solutions or they do not receive the expected market acceptance, its competitive position, profitability and business prospects will be adversely affected.

Changes in project mix

Because of the different cost structure in different solutions, the gross operating profit margin may be different depending on the type of the solutions. In general, the supply of the Group's software in its cyber security solutions projects will have a higher gross operating profit margin compared to cyber infrastructure solutions projects that involve sourcing of software and hardware from third party suppliers. In addition, the cost structure of each project may be different depending on the specification of the projects. As such, any change in project mix of the Group during a period may have an impact on its gross operating profit margin and may continue to lead to fluctuations in its overall gross operating profit margin and working capital requirements. There is no assurance that the Group will be able to maintain its current level of gross operating profit margin. Should the Group fail to maintain such high gross operating profit margin, its operating results may be adversely affected.

The Group's ability to secure new contracts

The Group operates in a competitive market where it is difficult to predict when or if it will be awarded contracts. The Group's ability to generate revenue is to a large extent dependent on its ability to secure new contracts as the Group derives its revenue mainly from the provision of project-based cyber infrastructure solutions and the provision of project-based cyber security solutions, which would entail the securing of new contracts. For the years ended 31 December 2014, 2015 and 2016, the Group derived approximately 36.0%, 54.0% and 56.8% of its revenue from the provision of cyber infrastructure solutions, respectively and approximately 62.2%, 42.9% and 36.7% of its revenue from the provision of cyber security solutions, respectively.

However, there is no assurance that the Group will be able to secure new contracts of a similar value or profit margins or in similar sectors to existing ones. If the Group is unable to secure new contracts, its results of operations, profitability and financial condition may be adversely affected.

The Group's ability to retain its key management personnel

The Group's continued success is dependent on the Group's ability to retain its key management personnel, who are responsible for overseeing its business operations, marketing and maintaining its relationships with existing and potential customers as well as formulating and implementing its growth, corporate development and overall business strategies. The loss of service of the Group's key management personnel and qualified personnel without suitable replacements will adversely affect the Group's business operations, profitability and prospects.

Credit risks of the Group's customers

The Group may extend credit terms to customers depending on the creditworthiness of the customers. The Group faces uncertainties over the timeliness of customers' payments and their ability to pay, which may be affected by events or circumstances that are difficult to foresee or anticipate, such as a decline in their business or an economic downturn. In the case of channel partners, their ability to repay the Group may depend on their collection of payment for the relevant projects. If there is any delay in the collection of payment for the projects by the channel partners, it will in turn cause delay in payment by the channel partner to the Group. As at 31 December 2014, 31 December 2015 and 31 December 2016, the Group recorded trade

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receivables of approximately US\$323,000, US\$376,000 and US\$108,000, respectively which have been past due but not impaired. The trade receivables due from the Group’s largest debtor accounted for approximately 33.2%, 22.9% and 42.3% of the Group’s total trade receivables as at 31 December 2014, 31 December 2015 and 31 December 2016, respectively. Approximately 94.4%, 77.4% and 86.4% of the Group’s total trade receivables as at 31 December 2014, 31 December 2015 and 31 December 2016, respectively, were due from the Group’s five largest debtors. Accordingly, the Group had concentration of credit risk. For the years ended 31 December 2014, 31 December 2015 and 2016, the Group’s average trade receivables turnover days were approximately 93 days, 120 days and 105 days, respectively. Although no provision for bad debt was incurred by the Group during the Track Record Period, there is no assurance that the Group will be able to collect its trade debts fully or within a reasonable period of time. In such circumstances, the Group may be required to make provisions for doubtful debts or incur write-offs, which may have a material adverse effect on its financial condition and results of operations. During the Track Record Period, the Group did not incur any bad debts.

Availability of tax exemptions

During the Track Record Period, the Group’s effective tax rates for the years ended 31 December 2014, 2015 and 2016 were significantly lower than the standard rate of Singapore and Malaysia corporate income tax due to tax incentives under the Productivity and Innovation Credit Scheme launched by the Singapore government and income tax exemption under the “Pioneer Status” in Malaysia. The Productivity and Innovation Credit Scheme will lapse after year of assessment 2018. 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. There is no assurance that the Group will be granted any tax exemptions at all or with similar benefits. If the Group is not granted any tax exemptions or tax exemptions with similar benefits, there may be a material adverse effect on the Group’s business, financial conditions and results of operations. Please refer to the section headed “Regulatory Overview — Singapore Laws and Regulations” in this document for details of the Productivity and Innovation Credit Scheme and the section headed “Regulatory Overview — Malaysian Laws and Regulations” for more information relating to the tax incentives for company with pioneer status in Malaysia.

BASIS OF PRESENTATION OF FINANCIAL INFORMATION

The Company was incorporated in the Cayman Islands under the Cayman Company Law as an exempted company with limited liability on 22 June 2016. Pursuant to the Reorganisation as detailed in the paragraphs headed “Reorganisation” in the section headed “History, Reorganisation and Corporate Structure” of this document, the Company became the holding company of the companies now comprising the Group on 30 June 2016. The companies now comprising the Group were under the common control of the Controlling Shareholder before and after the Reorganisation. Accordingly, for the purpose of the Accountants’ Report set forth in Appendix I to this document, the Group’s financial information has been prepared on a combined basis by applying the principles of merger accounting as if the Reorganisation had been completed at the beginning of the Track Record Period.

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The combined statements of profit or loss and other comprehensive income, combined statements of changes in equity and combined statements of cash flows include the combined results of operations, cash flows and movements in equity of the companies now comprising the Group (or where the companies were incorporated/established later than 1 January 2015, for the period from the date of establishment to 31 December 2016) have been prepared as if the current group structure upon completion of the Reorganisation had been in existence throughout the Track Record Period or since their respective date of incorporation, where there is a shorter period. The combined statements of financial position of the Group as at 31 December 2014, 31 December 2015 and 31 December 2016 have been prepared to present the combined assets and liabilities of the companies now comprising the Group as if the current group structure upon completion of the Reorganisation had been in existence as at those dates, taking into account the respective dates of incorporation.

All intra-group balances, transactions, incomes and expenses and profits and losses resulting from intra-group transactions are eliminated in full in preparing the Group's financial information.

SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies adopted by the Group are set forth in detail in note 3 of section B to the Accountants' Report set forth in Appendix I to this document.

The following paragraphs summarise the critical accounting policies that the Group believes are important to the presentation of its combined financial information.

Revenue recognition

Revenue is recognised when it is probable that the economic benefits will flow to the Group and when the revenue and costs, if applicable, can be measured reliably and on the following bases:

Revenue from cyber infrastructure solutions and cyber security solutions include hardware, software and/or service components. Generally, engagements of this nature are negotiated, priced and concluded as one integrated solution because the provision of consulting, installation and configuration forms an integral part of completing the engagement and therefore, such revenue is recognised upon the customers' acceptance of the integrated solution when the risks and rewards of the ownership transferred.

Maintenance and support service income is recognised on a straight-line basis over the life of the related agreement.

Intangible assets — Research and development costs

Research costs are expensed as incurred. Costs incurred on development activities, which involve the application of research findings to a plan or design for the production of new or substantially improved products and processes, are capitalised if the product or process is technically and commercially feasible and the Group has sufficient resources to complete the development. The expenditure capitalised includes the cost of materials, direct labour and an appropriate proportion of overheads.

Other development expenditure is recognised in profit or loss as an expense as incurred. When the asset is available for use, the capitalised development costs are amortised on a straight-line basis over a period of 3 years. For intangible assets yet to be available for use, they are stated at cost less any accumulated impairment losses.

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Segment reporting

Operating segments, and the amounts of each segment item reported in the financial information, are identified from the financial information provided regularly to the Group's most senior executive management for the purpose of allocating resources to, and assessing the performance of, the Group's various lines of business and geographical locations.

Individual material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of production processes, the type or class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

Estimates and assumptions concerning the future and judgements are made by the management in the preparation of the financial information. They affect the application of the Group's accounting policies, reported amounts of assets, liabilities, income and expenses, and disclosures made. They are assessed on an on-going basis and are based on experience and relevant factors, including expectations of future events that are believed to be reasonable under the circumstances. Where appropriate, revisions to accounting estimates are recognised in the period of revision and future periods, in case the revision also affects future periods.

KEY SOURCES OF ESTIMATION UNCERTAINTY

Impairment of property, plant and equipment and intangible assets

The management determines whether the Group's property, plant and equipment and intangible assets are impaired when an indication of impairment exists or when annual impairment testing is required. This requires an estimation of the recoverable amount of the property, plant and equipment and intangible assets, which is equal to the higher of fair value less costs of disposal or the value in use. Estimating the value in use requires the management to make an estimate of the expected future cash flows from the property, plant and equipment and intangible assets and also to choose a suitable discount rate in order to calculate the present value of those cash flows. Any impairment will be charged to profit or loss.

Impairment of trade and other receivables

The provisioning policy for bad and doubtful debts of the Group is based on the evaluation by management of the collectability of the trade and other receivables. A considerable amount of judgement is required in assessing the ultimate realisation of these receivables, including assessing the current creditworthiness and the past collection history of each debtor. If the financial conditions of these customers were to deteriorate, resulting in an impairment of their ability to make payments, allowance will be required.

Please refer to note 3 of section B to the Accountants' Report on Appendix I to this document for details of the Group's significant accounting policies and critical accounting estimates and judgments.

FINANCIAL INFORMATION

SELECTED FINANCIAL STATEMENT INFORMATION

The following table sets out selected items of the Group's combined statements of profit or loss and other comprehensive income for the periods as indicated, as derived from the Accountants' Report in Appendix I to this document.

	Year ended 31 December		
	2014	2015	2016
	US\$'000	US\$'000	US\$'000
Revenue	2,443	3,715	5,635
Other income	24	13	84
Cost of inventories sold	(495)	(1,423)	(2,122)
Staff costs and related expenses	(273)	(452)	(928)
Depreciation and amortisation	(115)	(212)	(316)
Other operating expenses	(213)	(266)	(428)
[REDACTED] expenses	—	—	(514)
Profit before income tax	1,371	1,375	1,411
Income tax expenses	(8)	(25)	(135)
Profit for the year	1,363	1,350	1,276
Other comprehensive income	—	—	—
Total comprehensive income for the year	<u>1,363</u>	<u>1,350</u>	<u>1,276</u>

FINANCIAL INFORMATION

The following table sets out selected items of the Group's combined statements of financial position for the periods as indicated, as derived from the Accountants' Report in Appendix I to this document.

	As at 31 December		
	2014 US\$'000	2015 US\$'000	2016 US\$'000
Non-current assets			
Property, plant and equipment	32	148	103
Intangible assets	263	417	471
	<u>295</u>	<u>565</u>	<u>574</u>
Current assets			
Inventories	38	44	63
Trade and other receivables	1,207	1,608	2,389
Due from a related company	—	76	—
Bank balances and cash	790	1,051	3,000
	<u>2,035</u>	<u>2,779</u>	<u>5,452</u>
Current liabilities			
Trade and other payables	277	432	494
Due to an ex-director of a subsidiary	30	—	—
Income tax payables	11	15	71
	<u>318</u>	<u>447</u>	<u>565</u>
Net current assets	<u>1,717</u>	<u>2,332</u>	<u>4,887</u>
Total assets less current liabilities	<u>2,012</u>	<u>2,897</u>	<u>5,461</u>
Non-current liabilities			
Deferred tax liabilities	2	17	82
NET ASSETS	<u>2,010</u>	<u>2,880</u>	<u>5,379</u>
Capital and reserves			
Share capital	—	—	—
Reserves	2,010	2,880	5,379
TOTAL EQUITY	<u>2,010</u>	<u>2,880</u>	<u>5,379</u>

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DESCRIPTION OF SELECTED ITEMS FROM THE GROUP'S COMBINED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Revenue

During the Track Record Period, the Group generated its revenue mainly from the provision of cyber infrastructure solutions and cyber security solutions. The Group also derived 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:

Type of business	Year ended 31 December					
	2014		2015		2016	
	Revenue US\$'000	% of total %	Revenue US\$'000	% of total %	Revenue US\$'000	% of total %
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 Group's cyber infrastructure solutions projects and cyber security solutions projects can be generally categorised into public sector projects and private sector projects based on end users. Public sector projects refer to projects where the end users are government bodies, while private sector projects refer to projects that the end users are not government bodies. 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:

End user segment	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	—	0.0	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

The Group generated a larger portion of revenue from private sector projects during the Track Record Period. The private sector projects represent mainly cyber infrastructure solutions projects. The Group focused on provision of cyber infrastructure solutions to ISPs and telecommunications sectors during the Track Record Period, these sectors contribute the largest portion of revenue from private sector projects. With respect to public sector, the public sector projects during the Track Record Period represent mainly cyber security solutions projects. As such, the reasons for the fluctuation of the revenue from public sector projects are the same as those for the fluctuation of revenue from cyber security solutions. Please refer to the paragraph headed "Review of historical results of operations" in this section for details.

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The Group generated most of its revenue from projects with revenue contribution of US\$30,000 or above ("**Major Projects**") during the Track Record Period. The revenue from Major Projects represented approximately 86.8%, 89.6% and 86.7% of the Group's total revenue for the years ended 31 December 2014, 2015 and 2016, respectively. The remaining portion of the revenue were generated from a number of small projects and miscellaneous sales transactions, representing approximately 13.2%, 10.4% and 13.3% of the Group's total revenue for the years ended 31 December 2014, 2015 and 2016, respectively. As such, analysis of revenue contribution from such small projects and miscellaneous sales transactions is not meaningful.

The following table sets out the breakdown of the Group's revenue derived from Major Projects in its cyber infrastructure solutions and cyber security solutions business during the Track Record Period:

	Year ended 31 December					
	2014		2015		2016	
	Revenue	% of total revenue	Revenue	% of total revenue	Revenue	% of total revenue
	US\$'000	%	US\$'000	%	US\$'000	%
Cyber infrastructure solutions attributable to project with revenue contribution of						
— US\$30,000 or above	678	27.8	1,765	47.5	2,881	51.1
Cyber security solutions attributable to project with revenue contribution of						
— US\$30,000 or above	1,441	59.0	1,563	42.1	2,005	35.6

The following table sets out the average revenue per Major Project during the Track Record Period for illustrative purpose:

	Year ended 31 December					
	2014		2015		2016	
	Number of Major Projects	Average revenue per Major Project	Number of Major Projects	Average revenue per Major Project	Number of Major Projects	Average revenue per Major Project
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
Cyber infrastructure solutions	5	135.6	16	110.3	19	151.6
Cyber security solutions	6	240.2	7	223.3	12	167.1

The decrease in average revenue per Major Project from cyber infrastructure solutions projects from approximately US\$135,600 for the year ended 31 December 2014 to approximately US\$110,300 for the year ended 31 December 2015 was mainly due to the increase in the number of Major Projects with smaller contract sum in Singapore in various industries, such as manufacturing and construction, in 2015 following the expansion of sale and marketing team. The average revenue per Major Project from cyber security solutions projects decreased slightly from approximately US\$240,200 for the year ended 31 December 2014 to approximately US\$223,300 for the year ended 31 December 2015.

The increase in average revenue per Major Project from cyber infrastructure solutions projects from approximately US\$110,300 for the year ended 31 December 2015 to approximately US\$151,600 for the year ended 31 December 2016 was mainly due to completion of two cyber infrastructure solutions projects in Philippines with large contract sum in 2016. The average revenue per Major Project from cyber security solutions projects decreased from approximately US\$223,300 for the year ended 31 December 2015 to approximately US\$167,100 for the year

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ended 31 December 2016, mainly due to the fact that more cyber security solutions projects with smaller contract sum were completed in 2016. Those smaller contract sum projects mainly represent the provision of upgrading system solutions to existing customers, who need to upgrade their systems by adding new features to respond to changes in technologies or meet their needs and projects with smaller quantity of solutions involved.

During the Track Record Period, Southeast Asia was the principal market of the Group. The revenue derived from Southeast Asia region accounted for approximately 86.6%, 94.6% and 86.4% of the Group's total revenue for the years ended 31 December 2014, 2015 and 2016, respectively. 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
	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

Cost of inventories sold

During the Track Record Period, the Group's cost of inventories sold mainly comprised telecommunications equipment, IT hardware and software including laptop, cables, servers, network equipment, network processor platform and various software used for the implementation of its cyber infrastructure and cyber security solutions projects. There were no inventories being consumed for the maintenance and support services, therefore, the cost of inventories sold was only related to the Group's provision of cyber infrastructure solutions and cyber security solutions.

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The Group's cost of inventories sold mainly depend on the specification required in the Group's cyber infrastructure solutions and cyber security solutions projects completed during the Track Record Period. The following table sets out a breakdown of the Group's cost of inventories sold during the Track Record Period:

	Year ended 31 December		
	2014	2015	2016
	US\$'000	US\$'000	US\$'000
Cyber infrastructure solutions	467	1,094	2,093
Cyber security solutions	<u>28</u>	<u>329</u>	<u>29</u>
Total	<u><u>495</u></u>	<u><u>1,423</u></u>	<u><u>2,122</u></u>

Gross operating profit and gross operating profit margin

The Group presents its expenses in the profit or loss and other comprehensive income by their nature. The Group adopts this presentation method on the basis that (i) the operation scale of the Group is small; (ii) the Group operates under a mixed function model of which majority of the staff of various departments (including the senior management, sales and marketing and technical support personnel) involves in the work across different functions of the business, such as sales, procurement and project implementation, etc.; and (iii) the Group did not manage its business with reference to the staff utilisation rate by function, but only with reference to the gross operating profit and gross operating margin of each business segment as defined below. Under this presentation method, the direct labour costs and other direct costs are not determined and allocated to the cost of sales, therefore, no gross profit or gross profit margin is presented in the profit or loss and other comprehensive income and the Group's staff cost is not included in the analysis of the gross operating profit and gross profit margin below. As such, the Directors are of the view, and the joint reporting accountants of the Company concur, that such presentation method complies with general accepted accounting principles and is in line with the industry practice.

The Group's gross operating profit and gross operating profit margin was mainly affected by the following factors: (i) the complexity of the work involved; (ii) total costs of procured inventories and services; and (iii) the Group's competitiveness in the market. The following table sets out the Group's gross operating profit and gross operating profit margin 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)
Subcontracting costs	—	—	(84)
Acquired warranty costs	<u>(8)</u>	<u>(34)</u>	<u>(90)</u>
Gross operating profit ⁽¹⁾	<u><u>1,940</u></u>	<u><u>2,258</u></u>	<u><u>3,339</u></u>
Gross operating profit margin ⁽²⁾	<u><u>79.4%</u></u>	<u><u>60.8%</u></u>	<u><u>59.3%</u></u>

Notes:

- (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".
- (2) Gross operating profit margin is derived by dividing the gross operating profit of the Group for a financial year by the Group's revenue for the financial year, expressed as a percentage.

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

	Year ended 31 December		
	2014 US\$'000	2015 US\$'000	2016 US\$'000
Cyber Infrastructure Solutions			
Revenue	879	2,007	3,199
Cost of inventories sold	(467)	(1,094)	(2,093)
Subcontracting costs	—	—	(84)
Gross operating profit	<u>412</u>	<u>913</u>	<u>1,022</u>
Gross operating profit margin	<u>46.9%</u>	<u>45.5%</u>	<u>31.9%</u>
Cyber Security Solutions			
Revenue	1,521	1,592	2,068
Cost of inventories sold	(28)	(329)	(29)
Gross operating profit	<u>1,493</u>	<u>1,263</u>	<u>2,039</u>
Gross operating profit margin	<u>98.2%</u>	<u>79.3%</u>	<u>98.6%</u>
Maintenance and Support Services			
Revenue	43	116	368
Acquired warranty costs	(8)	(34)	(90)
Gross operating profit	<u>35</u>	<u>82</u>	<u>278</u>
Gross operating profit margin	<u>81.4%</u>	<u>70.7%</u>	<u>75.5%</u>

The gross operating profit margin of the Group's cyber security solutions is generally higher than that of cyber infrastructure solutions, as the Group's cyber security solutions are more focused on software which has a relatively higher gross operating profit margin.

The gross operating profit margin for the provision of cyber infrastructure solutions decreased slightly from approximately 46.9% for the year ended 31 December 2014 to approximately 45.5% for the year ended 31 December 2015. The gross operating profit margin for the provision of cyber infrastructure solutions decreased from approximately 45.5% for the year ended 31 December 2015 to approximately 31.9% for the year ended 31 December 2016. The decrease was primarily due to (i) the increase in proportion of revenue from cyber infrastructure solutions projects with more hardware component involved and (ii) the subcontracting costs for engaging a local subcontractor to carry out implementation works for a project in the Philippines in 2016. As the project site was located in a distant city in the Philippines, it was considered as more efficient for the Group to engage a local subcontractor to handle the project.

The gross operating profit margin of the Group's cyber security solutions business mainly depends on the customers' requirements and type of cyber security products used in the projects. Such gross operating profit margin decreased from approximately 98.2% for the year ended 31 December 2014 to approximately 79.3% for the year ended 31 December 2015,

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mainly due to a low margin sale of hardware for 3i System to a customer who purchased only software of 3i System from the Group for installation in its own systems in 2014. Such gross operating profit margin increased from approximately 79.3% for the year ended 31 December 2015 to approximately 98.6% 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.

Sensitivity analysis of change in gross operating profit margin, cost of inventories sold and staff costs

The following sensitivity analysis illustrates the impact of hypothetical fluctuations in the Group's gross operating profit margin, cost of inventories sold and staff costs on its profit before income tax for the Track Record Period. The fluctuations are assumed to be 20 percentage point, 15 percentage point, and 10 percentage point for the years ended 31 December 2014, 2015 and 2016, respectively.

	<u>+20</u> percentage point	<u>+15</u> percentage point	<u>+10</u> percentage point	<u>-10</u> percentage point	<u>-15</u> percentage point	<u>-20</u> percentage point
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
Change in gross operating profit margin						
Impact on profit before income tax						
for the year ended						
31 December 2014	489	366	244	(244)	(366)	(489)
31 December 2015	743	557	371	(371)	(557)	(743)
31 December 2016	1,126	845	563	(563)	(845)	(1,126)
Change in cost of inventories sold						
Impact on profit before income tax						
for the year ended						
31 December 2014	(99)	(74)	(50)	50	74	99
31 December 2015	(285)	(213)	(142)	142	213	285
31 December 2016	(424)	(318)	(212)	212	318	424
Change in staff costs						
Impact on profit before income tax						
for the year ended						
31 December 2014	(55)	(41)	(27)	27	41	55
31 December 2015	(90)	(68)	(45)	45	68	90
31 December 2016	(186)	(139)	(93)	93	139	186

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Other income

During the Track Record Period, the Group’s other income mainly comprised government grants, exchange gain, interest income and other miscellaneous income. The following table sets out a breakdown of other income of the Group by nature during the Track Record Period:

	Year ended 31 December		
	2014	2015	2016
	US\$'000	US\$'000	US\$'000
Interest income	—	—	3
Government grants	21	11	74
Exchange gain, net	1	—	6
Others	2	2	1
Total	24	13	84

Government grants mainly comprised various one-off government grant from the Singapore government, including the “Productivity and Innovation Credit Scheme”, the “International Marketing Activities Programme”, the “Market Readiness Assistance Grant” and the “Wage Credit Scheme” and “Special Employment Credit”. Such government grants vary from year to year, depending on government policy and whether the Group’s business in the relevant year qualifies for such available grants and is able to make use of such grants.

Staff costs and related expenses

During the Track Record Period, the Group’s staff costs and related expenses mainly comprised salaries and other benefits as well as the contributions to defined contribution plans incurred by the Group for its employees and Directors. The following table sets out a breakdown of the Group’s staff costs and related expenses during the Track Record Period:

	Year ended 31 December		
	2014	2015	2016
	US\$'000	US\$'000	US\$'000
Salaries and other benefits	353	681	1,106
Contributions to defined contribution plans	26	59	91
	379	740	1,197
Less: Staff costs capitalised as intangible assets	(106)	(288)	(269)
Total	273	452	928

The staff costs capitalised as intangible assets represent mainly the salaries of the Group’s R&D staff who involved in the development activities of the Group’s cyber security products during the Track Record Period.

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Depreciation and amortisation

During the Track Record Period, the Group's depreciation and amortisation mainly comprised depreciation of property, plant and equipment and amortisation of intangible assets. The following table sets out a breakdown of the Group's depreciation and amortisation during the Track Record Period:

	Year ended 31 December		
	2014	2015	2016
	US\$'000	US\$'000	US\$'000
Amortisation of intangible assets	98	188	252
Depreciation of property, plant and equipment . . .	17	24	64
Total	115	212	316

The property, plant and equipment mainly comprised IT equipment used for the Group's operations which are depreciated on a straight-line basis over a term of three years being the expected useful life of these equipment. The intangible assets mainly comprised the development costs of the Group's cyber security technologies capitalised which are amortised on a straight-line basis over a period of three years.

Other operating expenses

During the Track Record Period, the Group's other operating expenses mainly comprised advertising and promotional expenses, subcontracting costs, operating lease payments on premises, and acquired warranty costs and travelling expenses. Subcontracting costs represent the fees paid to a local subcontractor engaged by the Group for the implementation work of a cyber infrastructure solutions project in Philippines during the year ended 31 December 2016. Acquired warranty costs mainly represents the cost of extended product warranties purchased from the suppliers as required by some of the Group's customers upon the lapse of the original product warranties. The following table sets out a breakdown of the Group's other operating expenses by nature during the Track Record Period:

	Year ended 31 December		
	2014	2015	2016
	US\$'000	US\$'000	
Acquired warranty costs	8	34	90
Advertising and promotional expenses	30	37	44
Auditors' remuneration	11	7	16
Entertainment expenses	7	10	26
Legal and professional fee	16	32	7
Office expenses	29	19	25
Operating lease payments on premises	31	31	57
Subcontracting costs	—	—	84
Travelling expenses	64	58	60
Utilities expenses	4	6	7
Others ⁽¹⁾	13	32	12
Total	213	266	428

Note:

(1) Others include bank charges, exchange loss, stamp duties and staff recruitment expenses, etc.

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Income tax expenses

During the Track Record Period, the Group’s income tax expenses comprise Singapore corporate income tax.

Singapore corporate income tax is calculated at 17% of the Group’s estimated assessable profits generated from its Singapore operation subject to a tax rebate of 30% which is capped at S\$30,000 (equivalent to approximately US\$22,000) for the year ended 31 December 2014 and a tax rebate of 50% which is capped at S\$20,000 (equivalent to approximately US\$15,000) for the years ended 31 December 2015 and 2016. Each of Netsis (Singapore) and Expert Team (Singapore) enjoys 75% tax exemptions on the first S\$10,000 (equivalent to approximately US\$7,000) of normal chargeable income and a further 50% tax exemption on the next S\$290,000 (equivalent to approximately US\$212,000) of normal chargeable income during the Track Record Period.

Malaysia corporate income tax is calculated at 25%, 25% and 24% of the estimated assessable profit for the years ended 31 December 2014, 2015 and 2016, respectively. GET (Malaysia) enjoys a tax rate of 20% on the first RM500,000 (equivalent to US\$120,000) and the remaining balance of the estimated assessable profits at tax rate of 25% for the years ended 31 December 2014 and 2015 and a tax rate of 19% on the first RM500,000 (equivalent to US\$120,000) and the remaining balance of the estimated assessable profits at a tax rate of 24% for the year ended 31 December 2016. On 6 December 2016, GET (Malaysia) has been granted “Pioneer Status” with income tax exemption on eligible activities and products under the Promotion of Investments Act 1986 for an initial period of five years commencing on 18 November 2015, and subject to GET (Malaysia) submitting a format 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. Please refer to the section headed “Regulatory Overview — Malaysian Laws and Regulations” for more information relating to the tax incentives for companies with pioneer status in Malaysia.

No provision for Hong Kong profits tax has been made as the Group had no assessable profits arising in or derived from Hong Kong for the Track Record Period. Members of Group established in the Cayman Islands and the BVI are exempted from income tax.

The effective tax rate was approximately 0.6%, 1.8% and 9.6% for the years ended 31 December 2014, 2015 and 2016, respectively. The Group’s effective tax rate for the years ended 31 December 2014, 2015 and 2016 was significantly lower than the standard rate of Singapore and Malaysia corporate income tax due to the tax incentives on research and development expenditure and computer equipment which refers to capital allowance and tax deduction of 400% (comprising a 300% “enhanced allowance”, subject to the annual expenditure cap of S\$600,000 (equivalent to US\$438,000) and a 100% “base allowance”) on the Group’s capital expenditure incurred on qualifying R&D activities and acquisition of qualifying IT equipment under the “Productivity and Innovation Credit Scheme” launched by the Singapore government and the tax exemption under the Pioneer Status in Malaysia. The Directors confirm that the Group has paid all taxes as they fall due and was not subject to any tax-related disputes, administrative enquiries or investigations during the Track Record Period.

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REVIEW OF HISTORICAL RESULTS OF OPERATIONS

Year ended 31 December 2015 compared to year ended 31 December 2014

Revenue

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 Group's cyber infrastructure solutions business. The growth of the Group's cyber infrastructure solutions business was mainly due to the fact that the Group expanded its sales and marketing team which successfully brought in a number of cyber infrastructure solutions projects in the Singapore market. The Group's revenue from its cyber security solutions business remained stable at approximately US\$1,521,000 and US\$1,592,000 for the years ended 31 December 2014 and 2015, respectively, mainly due to the combined effect of an increase in the supply of the extreme version of the 3i-Tactical System after its launch in the fourth quarter of 2015 which had a substantial higher price than that of the standard version and a decrease in the supply of software for 3i-RS System, 3i-CS System and 3i-Filter System.

Other income

The Group's other income decreased by approximately US\$11,000, or 45.8% from approximately US\$24,000 for the year ended 31 December 2014 to approximately US\$13,000 for the year ended 31 December 2015 was due to the decrease in government grants received which were of an one-off nature.

Cost of inventories sold

The Group's cost of inventories increased by approximately US\$928,000 or 187.5% from approximately US\$495,000 for the year ended 31 December 2014 to approximately US\$1,423,000 for the year ended 31 December 2015, due to the increase in cost of inventories sold in both of the Group's cyber infrastructure and cyber security solutions projects in 2015.

Please refer to the paragraph headed "Gross Operating Profit and Gross Operating Profit Margin" in this section for detailed explanation of the fluctuation of the Group's gross operating profit margin.

Staff costs and related expenses

The Group's staff costs and related expenses increased by approximately US\$179,000, or 65.6%, from approximately US\$273,000 for the year ended 31 December 2014 to approximately US\$452,000 for the year ended 31 December 2015. The increase was mainly due to the combined effect of increase in (i) salaries of employees and Directors and (ii) the number of employees of the Group.

Depreciation and amortisation

The Group's depreciation and amortisation increased by approximately US\$97,000, or 84.3%, from approximately US\$115,000 for the year ended 31 December 2014 to approximately US\$212,000 for the year ended 31 December 2015. The increase was mainly due to the increase in amortisation of the Group's intangible assets. This reflected the fact that the Group continued invest in R&D activities for cyber security solutions and more development cost of the Group's developed cyber security technologies were capitalised as intangible assets.

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Other operating expenses

The Group's other operating expenses increased by approximately US\$53,000, or 24.9%, from approximately US\$213,000 for the year ended 31 December 2014 to approximately US\$266,000 for the year ended 31 December 2015. The increase was mainly due to the increase in (i) acquired warranty costs and (ii) legal and professional fees. The increase in acquired warranty costs was generally in line with the growth of maintenance and support services income. The increase in legal and professional fees was related to set up of the Malaysia office in 2015.

Profit before income tax

As a result of the above, the Group's profit before income tax remained relatively stable at approximately US\$1,371,000 and US\$1,375,000 for the years ended 31 December 2014 and 2015, respectively.

Income tax expenses

The Group did not record any material income tax expenses for the years ended 31 December 2014 and 2015, mainly due to the tax incentives on research and development expenditures.

Profit for the year

As a combined effect of the above, the Group's profit for the year remained stable at approximately US\$1,363,000 and US\$1,350,000 for the years ended 31 December 2014 and 2015, respectively. The net profit margin of the Group decreased from approximately 55.8% for the year ended 31 December 2014 to approximately 36.3% for the year ended 31 December 2015.

Year ended 31 December 2016 compared to year ended 31 December 2015

Revenue

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 mainly due to an increase in the revenue from both of the Group's cyber infrastructure solutions and cyber security solutions business.

The Group's revenue from the provision of cyber infrastructure solutions increased by approximately US\$1,192,000 or 59.4% from approximately US\$2,007,000 for the year ended 31 December 2015 to approximately US\$3,199,000 for the year ended 31 December 2016. The increase was mainly due to completion of two cyber infrastructure solutions projects with large contract sum from a customer in the Philippines ISPs and telecommunications industry.

The Group's revenue from the provision of cyber security solutions increased by approximately US\$476,000 or 29.9% from approximately US\$1,592,000 for the year ended 31 December 2015 to approximately US\$2,068,000 for the year ended 31 December 2016, mainly due to the increase in system and software upgrade projects from existing customers. Those customers need to upgrade their system and software for new features to respond to changes in technologies or meet their needs.

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Other income

The Group's other income increased by approximately US\$71,000, or 546.2% from approximately US\$13,000 for the year ended 31 December 2015 to approximately US\$84,000 for the year ended 31 December 2016. This was due to the increase in government grants received which were of an one-off nature.

Cost of inventories sold

The Group's cost of inventories increased by approximately US\$699,000 or 49.1% from approximately US\$1,423,000 for the year ended 31 December 2015 to approximately US\$2,122,000 for the year ended 31 December 2016, generally in line with growth of its cyber infrastructure solutions business and more hardware components being used in the cyber infrastructure solutions projects completed in 2016.

Please refer to the paragraph headed "Gross Operating Profit and Gross Operating Profit Margin" in this section for detailed explanation of the fluctuation of the Group's gross operating profit margin.

Staff costs and related expenses

The Group's staff costs and related expenses increased by approximately US\$476,000, or 105.3%, from approximately US\$452,000 for the year ended 31 December 2015 to approximately US\$928,000 for the year ended 31 December 2016. The increase was mainly due to the combined effect of (i) increase in salaries and bonus of employees and Directors, and (ii) the number of employees for the expansion of the Group's business.

Depreciation and amortisation

The Group's depreciation and amortisation increased by approximately US\$104,000, or 49.1%, from approximately US\$212,000 for the year ended 31 December 2015 to approximately US\$316,000 for the year ended 31 December 2016. The increase was mainly due to the increase in amortisation of the Group's intangible assets. The increase in amortisation of the Group's intangible assets reflected the fact that the Group continued to invest in R&D activities for cyber security solutions and more development costs of the Group's developed technologies were capitalised as intangible assets. As such, more amortisation was charged for the year ended 31 December 2016.

Other operating expenses

The Group's other operating expenses increased by approximately US\$162,000, or 60.9%, from approximately US\$266,000 for the year ended 31 December 2015 to approximately US\$428,000 for the year ended 31 December 2016, which was mainly due to (i) the incurrence of subcontracting costs, and (ii) the increase in acquired warranty costs. The subcontracting costs incurred was related to an engagement of a local subcontractor for the implementation work of a cyber infrastructure solutions project in the Philippines. The increase in acquired warranty costs was generally in line with the growth of the Group's maintenance and support services.

[REDACTED] expenses

The Group recorded [REDACTED] expenses of approximately US\$514,000 for the year ended 31 December 2016.

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Profit before income tax

As a result of the above, the Group's profit before income tax remained relatively stable at approximately US\$1,375,000 and US\$1,411,000 for the years ended 31 December 2015 and 2016, respectively.

Income tax expenses

The Group's income tax expenses increased by approximately US\$110,000 or 440.0% from approximately US\$25,000 for the year ended 31 December 2015 to approximately US\$135,000 for the year ended 31 December 2016. The increase was mainly due to a decrease in tax deduction in Singapore from investment in computer equipment under the "Productivity and Innovation Credit Scheme" as well as an increase in deferred tax expenses.

Profit for the year

As a combined effect of the above, the Group's profit for the year remained stable at approximately US\$1,350,000 and US\$1,276,000 for the years ended 31 December 2015 and 2016, respectively. The net profit margin of the Group decreased from approximately 36.3% for the year ended 31 December 2015 to approximately 22.6% for the year ended 31 December 2016.

LIQUIDITY AND CAPITAL RESOURCES

Overview

During the Track Record Period, the Group's operations (which included funding required for working capital and other liquidity requirements) were primarily financed through cash flow from its business operations as well as capital injection from the [REDACTED] Investment by the Strategic Investor on 30 June 2016. Following completion of the [REDACTED], the Group expects to fund its future operations and expansion plans principally with cash generated from its business operations, [REDACTED] from the [REDACTED] Investment by the Strategic Investor, [REDACTED] from the [REDACTED], bank borrowings and other funds raised from capital markets from time to time, as and when necessary.

Cash flow

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

	Year ended 31 December		
	2014	2015	2016
	US\$'000	US\$'000	US\$'000
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	<u>430</u>	<u>261</u>	<u>1,949</u>

Net cash generated from operating activities

For the year ended 31 December 2016, the Group had net cash from operating activities of approximately US\$1,051,000. This was primarily the result of the profit before income tax of approximately US\$1,411,000, which was primarily adjusted for (i) amortisation and depreciation

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expenses of approximately US\$252,000 and US\$64,000, respectively, (ii) the decrease in amount due from a related company of approximately US\$76,000 due to the repayment of such amount by the related party and (iii) the increase in trade and other payables of approximately US\$62,000, mainly due to an increase in trade payable, reflecting the growth in the Group's cyber infrastructure solutions business which requires more equipment and/or hardware for project implementation. This was partially offset by the increase in trade and other receivables of approximately US\$781,000. For details of the reasons for increase in trade and other receivables, please refer to the paragraph headed “Description of selected items of the Group's combined statements of financial position — Trade and other receivables” of this section.

For the year ended 31 December 2015, the Group had net cash from operating activities of approximately US\$1,223,000. This was primarily the result of the profit before income tax of approximately US\$1,375,000, which was primarily adjusted for (i) amortisation and depreciation expenses of approximately US\$188,000 and US\$24,000, respectively and (ii) the increase in trade and other payables of approximately US\$155,000 mainly due to the increase in receipt in advance resulting from the growth in the Group's maintenance and support services. This was partially offset by (i) the increase in trade and other receivables of approximately US\$401,000 and (ii) the increase in amount due from a related company of approximately US\$76,000 mainly due to the interest-free advance from the Group to the related company. For details of the reasons for the increase in trade receivables, please refer to the paragraph headed “Description of selected items of the Group's combined statements of financial position — Trade and other receivables” of this section.

For the year ended 31 December 2014, the Group had net cash from operating activities of approximately US\$516,000. This was primarily the result of the profit before income tax of approximately US\$1,371,000, which was primarily adjusted for (i) amortisation and depreciation of approximately US\$98,000 and US\$17,000, respectively and (ii) the decrease in amount due to an ex-director of a subsidiary of approximately US\$96,000 due to repayment by the Group. This was offset by the increase in trade and other receivables of approximately US\$820,000 which was in line with the increase in the Group's revenue.

Net cash used in investing activities

The Group had net cash used in investing activities of approximately US\$82,000, US\$482,000 and US\$325,000 for the years ended 31 December 2014, 2015 and 2016, respectively, mainly due to (i) the Group's continuous investment in R&D activities in cyber security technologies of which the development costs were capitalised as intangible assets and (ii) the Group's purchase of IT equipment for business operations.

Net cash (used in) from financing activities

The Group had net cash generated from financing activities of approximately US\$1,223,000 for the year ended 31 December 2016, mainly due to [REDACTED] from the [REDACTED] Investment.

The Group had net cash used in financing activities of approximately US\$480,000 for the year ended 31 December 2015 which represents payment of dividends.

The Group had net cash used in financing activities of approximately US\$4,000 for the year ended 31 December 2014 which represents repayment of bank borrowings in January 2014.

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Net current assets

The Group had net current assets of approximately US\$1,717,000, US\$2,332,000, US\$4,887,000 and US\$5,279,000 as at 31 December 2014, 31 December 2015, 31 December 2016 and 31 March 2017, respectively. The following table sets out the breakdown of the Group’s current assets and liabilities as at the dates indicated:

	As at 31 December			As at
	2014	2015	2016	31 March
	US\$'000	US\$'000	US\$'000	2017
				US\$'000
Current assets				
Inventories	38	44	63	319
Trade and other receivables	1,207	1,608	2,389	3,070
Due from a related company	—	76	—	—
Bank balances and cash	790	1,051	3,000	2,270
	<u>2,035</u>	<u>2,779</u>	<u>5,452</u>	<u>5,659</u>
Current liabilities				
Trade and other payables	277	432	494	242
Due to an ex-director of a subsidiary	30	—	—	—
Income tax payables	11	15	71	138
	<u>318</u>	<u>447</u>	<u>565</u>	<u>380</u>
Net current assets	<u>1,717</u>	<u>2,332</u>	<u>4,887</u>	<u>5,279</u>

There has been no material fluctuation of the Group’s net current assets as at 31 March 2017, compared to the net current assets in 31 December 2016. The Group’s current assets remained stable at approximately US\$5,659,000 as at 31 March 2017. The Group’s current liabilities decreased from approximately US\$565,000 as at 31 December 2016 to approximately US\$380,000 as at 31 March 2017, mainly due to the decrease in trade and other payables of approximately US\$252,000.

The Group’s net current assets increased by approximately US\$2.56 million from approximately US\$2.33 million as at 31 December 2015 to approximately US\$4.89 million as at 31 December 2016. The increase was mainly due to (i) the [REDACTED] from the [REDACTED] Investment, which was completed on 30 June 2016 and (ii) the increase in trade receivables resulting from expansion of the Group’s business.

The Group’s net current assets increased by approximately US\$615,000 from approximately US\$1,717,000 as at 31 December 2014 to approximately US\$2,332,000 as at 31 December 2015, which was mainly due to (i) the increase in trade receivables resulting from expansion of the Group’s business, and (ii) an increase in bank balances and cash in the amount of approximately US\$261,000 which was mainly generated from the Group’s business operations.

For details of the reasons for the changes in trade receivables, please refer to the paragraph headed “Description of selected items of the Group’s combined statements of financial position — Trade and other receivables” of this section.

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DESCRIPTION OF SELECTED ITEMS OF THE GROUP'S COMBINED STATEMENTS OF FINANCIAL POSITION

Property, plant and equipment

The Group recorded property, plant and equipment of approximately US\$32,000, US\$148,000 and US\$103,000 as at 31 December 2014, 31 December 2015 and 31 December 2016, respectively.

The increase in the Group's property, plant and equipment from approximately US\$32,000 as at 31 December 2014 to approximately US\$148,000 as at 31 December 2015 was mainly due to purchases of IT equipment of approximately US\$115,000 which were used for the Group's business operations during the year ended 31 December 2015. The decrease in the Group's property, plant and equipment from approximately US\$148,000 as at 31 December 2015 to approximately US\$103,000 as at 31 December 2016 was mainly due to the changes in depreciation for the year ended 31 December 2016. For details, please refer to note 13 of section B of the Accountants' Report in Appendix I to this document.

Intangible assets

The Group recorded intangible assets of approximately US\$263,000, US\$417,000 and US\$471,000 as at 31 December 2014, 31 December 2015 and 31 December 2016, respectively. The intangible assets represented the capitalised development costs incurred by the Group for the development of the Group's cyber security technology (including IRGO core engine, RTPR technology, 3i System, 3i-Tactical System, 3i-Web System and 3i-Anti drone (UAV) Solutions), such as the direct labour costs and other direct costs of the Group's R&D team for the development activities. The increase in intangible assets during the Track Record Period reflected the fact that the Group had continued to invest in R&D activities in cyber security solutions.

Inventories

The Group's inventories mainly comprised the inventories commonly used for implementation of the Group's projects. These inventories mainly include IT hardware including laptop and cables required for the implementation of its cyber infrastructure solutions and cyber security solutions projects. The balance of Group's inventories was approximately US\$38,000, US\$44,000 and US\$63,000 as at 31 December 2014, 31 December 2015 and 31 December 2016, respectively. The following table sets out the Group's average inventory turnover days for the periods indicated:

	Year ended 31 December		
	2014	2015	2016
Average inventory turnover days ⁽¹⁾	16	11	9

Note:

- (1) Average inventory turnover days are calculated by average inventory turnover balance as at the beginning and as at the end of a financial year, dividing such average by cost of inventories sold during the financial year and multiplying the number of days in the period.

The Group's average inventory turnover days during the Track Record Period was fairly low. It was primarily due to the fact that the Group normally places orders with its suppliers upon acceptance of customers' orders. The Group only maintains a minimal level of inventories which are commonly used for the implementation of its projects. As such, the Group can minimise its risk of exposure to obsolete stock as the lifecycle of IT hardware is normally short and reduce its working capital requirement. As at the Latest Practicable Date, approximately 28.0% of inventories as at 31 December 2016 was subsequently utilised.

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Trade and other receivables

The Group's trade and other receivables comprised trade receivables, prepayments and deposits and other receivables. The following table sets out the breakdown of trade and other receivables of the Group as at the dates indicated:

	As at 31 December		
	2014	2015	2016
	US\$'000	US\$'000	US\$'000
Trade receivables	932	1,513	1,715
Other receivables			
Prepayments	250	57	643
Deposits and other receivables	25	38	31
Total	<u>1,207</u>	<u>1,608</u>	<u>2,389</u>

Trade receivables

Trade receivables comprised amounts due from the Group's customers. The Group's trade receivables increased from approximately US\$932,000 as at 31 December 2014 to approximately US\$1,513,000 as at 31 December 2015, and subsequently increased to US\$1,715,000 as at 31 December 2016. The increase was generally in line with the growth of the Group's business during the Track Record Period. For the description of the Group's credit policies, please refer to the section headed "Business — Sales — Credit control" of this document.

The following table sets out the ageing analysis of trade receivables based on invoice date as at the dates indicated:

	As at 31 December		
	2014	2015	2016
	US\$'000	US\$'000	US\$'000
Within 30 days	409	987	1,227
31 to 60 days	40	433	460
61 to 90 days	18	5	13
Over 90 days	465	88	15
Total	<u>932</u>	<u>1,513</u>	<u>1,715</u>

The following table sets out the ageing analysis of trade receivables which are past due but not impaired as at the dates indicated:

	As at 31 December		
	2014	2015	2016
	US\$'000	US\$'000	US\$'000
Within 30 days	40	283	80
31 to 60 days	18	5	13
61 to 90 days	76	—	—
Over 90 days	189	88	15
Total	<u>323</u>	<u>376</u>	<u>108</u>

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During the Track Record Period, the Group had recorded some overdue trade receivables from certain customers. To the best of knowledge, information and belief of the Directors, the overdue trade receivables mainly resulted from the following reasons:

- (a) certain end users of the Group's cyber security solutions from the public sector usually require considerable length of time to obtain internal approval for settlement of the bills, thereby resulting in a delay in settlement of receivables by the channel partners which normally only settle the Group's bills after receiving payments from the end users. The Directors are of the view that the default risk of the public sector end users is low. In addition, the loss that the Group may suffer as a result of default in payment is also low as the main component of its cyber security solutions is its software and its cost is minimal;
- (b) the Group's customers may require the Group to fine-tune or make adjustments to the technical specifications for projects or to take steps to rectify any flaws in its solutions after completion of the projects. Accordingly, customers may not process the Group's invoices until their requirements are met; and
- (c) the Group has allowed prolonged repayment schedules to certain well-established customers on a case-by-case basis, upon request of the customers and after assessments by the Directors taking into consideration the current creditworthiness, financial strength, past repayment history of and the Group's current and future business relationship with the customers.

As at the Latest Practicable Date, all of the Group's trade receivables as at 31 December 2014 and 31 December 2015 had been collected and approximately 43.2% of the Group's trade receivables as at 31 December 2016 had been collected. The following table sets out the average turnover days of the Group's trade receivables for the periods indicated:

	Year ended 31 December		
	2014	2015	2016
Average trade receivables turnover days ⁽¹⁾	93	120	105

Note:

- (1) Average trade receivables turnover days are calculated by averaging the trade receivables balance after provision for impairment (if any) as at the beginning and as at the end of a financial year, dividing such average by revenue during the financial year.

For the years ended 31 December 2014, 2015 and 2016, the Group's trade receivables turnover days exceeded the Group's general credit period of 30 days primarily due to (i) the delayed settlement by certain customers of the Group; and (ii) the completion and delivery of certain projects with large project sum close to the end of the financial year with revenue is being recognised but not yet due in accordance with the instalment schedule. For instances, (a) the Group completed a cyber security solutions project in December 2014 with a contract sum of approximately US\$659,000 of which approximately US\$309,000 was not yet due as at 31 December 2014; (b) the Group completed a cyber security solutions project in December 2015 with a contract sum of approximately US\$335,000 which was not yet due as at 31 December 2015; and (c) the Group completed a cyber infrastructure solutions project in December 2016 with a contract sum of approximately US\$1,362,000, of which approximately US\$725,000 was not yet due as at 31 December 2016.

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The Directors closely monitor the settlement status of the Group's trade receivables and assess the collectability of the trade receivables on a case-by-case basis to determine if any impairment of trade receivables is necessary. The Directors' assessment takes into account, among others, the evaluation of collectability, ageing analysis of the trade receivables, as well as creditworthiness, financial strength and payment history of the customers. The Directors consider that there is no recoverability issue after assessing the individual condition of the Group's debtors. The Group had not recorded bad debt or impairment of trade receivables during the Track Record Period.

With respect to the high level of trade receivables turnover days and the amounts of overdue trade receivables during the Track Record Period, the Group has implemented the following internal control measures to mitigate the potential adverse impact of such and enhance the effectiveness of its credit policy:

- (i) periodic review of collection status of trade receivables, including (a) the Group's finance personnel sends the monthly statement with account balances to customers and the responsible sales staff or project manager for their attention to follow up with customers; and (b) the Directors review the trade receivables ageing report highlighting the outstanding receivables monthly;
- (ii) once the trade receivables becomes overdue, the Group's sales staff would contact the relevant customers by phone calls and emails to follow up on the repayment status and report to the Directors on the recoverability of the trade receivables after such follow up;
- (iii) in the event where the overdue balances are remain unsettled after one month of the reminder, a demand letter will be issued and further sales to that customers will be suspended until the overdue balances is settled;
- (iv) the Directors periodically review the Group's credit policy taking into account the collection status of trade receivables; and
- (v) the Directors conduct monthly analysis of the overdue trade receivables balances and determine whether an allowance for bad and doubtful debts is required, taking into consideration the ageing status and likelihood of collection of the trade receivables from its customers.

Prepayments

The Group's prepayments mainly comprised prepaid [REDACTED] expenses and prepayment to suppliers. The Group's prepayments decreased by approximately US\$193,000 from approximately US\$250,000 as at 31 December 2014 to approximately US\$57,000 as at 31 December 2015 was mainly attributable to decrease in prepayments to suppliers. The Group's prepayments increased by approximately US\$586,000 from approximately US\$57,000 as at 31 December 2015 to approximately US\$643,000 as at 31 December 2016 was mainly attributable to increase in prepaid [REDACTED] expenses from nil as at 31 December 2015 to approximately US\$559,000 as at 31 December 2016.

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Trade and other payables

The Group's trade and other payables comprised trade payables to suppliers, accruals and other payables and receipt in advance. The following table sets out the breakdown of the Group's trade and other payables as at the dates indicated:

	As at 31 December		
	2014	2015	2016
	US\$'000	US\$'000	US\$'000
Trade payables	68	125	265
Other payables			
Accruals and other payables	80	86	48
Receipt in advance	129	221	181
Total	<u>277</u>	<u>432</u>	<u>494</u>

Trade payables

The Group's trade payables primarily comprised amount due to its suppliers for purchase of telecommunications equipment, IT hardware and software for the implementation of its cyber infrastructure solutions projects and cyber security solutions projects. The fluctuations in the Group's trade payables during the Track Record Period were in line with the growth in the Group's cyber infrastructure solutions business which requires more equipment and/or hardware for project implementation.

The following table sets out the ageing analysis of trade payables based on the invoice date as at the dates indicated:

	As at 31 December		
	2014	2015	2016
	US\$'000	US\$'000	US\$'000
Within 30 days	68	110	261
31 to 60 days	—	—	—
61 to 90 days	—	11	1
Over 90 days	—	4	3
Total	<u>68</u>	<u>125</u>	<u>265</u>

The following table sets out the average turnover days of the Group's trade payables for the periods indicated:

	Year ended 31 December		
	2014	2015	2016
Average trade payables turnover days ⁽¹⁾ . .	<u>58</u>	<u>25</u>	<u>34</u>

Note:

- (1) Average trade payables turnover days are calculated by averaging the trade payables balance as at the beginning and as at the end of a financial year, dividing such average by cost of inventories sold during the financial year.

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The credit period granted to the Group by its suppliers is normally 30 days. The high trade payables turnover days was higher than 30 days for the year ended 31 December 2014 was mainly due to the increase in the volume of purchase from the Group's suppliers close to the end of the year, which led to the increase in the balance of outstanding trade payables at the end of 2014. The trade payables turnover days was fairly stable at around 30 days for the years ended 31 December 2015 and 2016 which is consistent with the credit period normally granted to the Group by its suppliers. As at the Latest Practicable Date, approximately 87.8% of the Group's trade payables as at 31 December 2016 had been settled.

Receipt in advance

The Group's receipt in advance mainly comprised deferred income for maintenance and support services and advance billing for the cyber infrastructure solutions projects. The Group's receipt in advance increased by approximately US\$92,000 from approximately US\$129,000 as at 31 December 2014 to approximately US\$221,000 as at 31 December 2015, primarily due to the increase in deferred income for the Group's maintenance and support services which was in line with the growth in the Group's maintenance and support services and decreased by approximately US\$40,000 from approximately US\$221,000 as at 31 December 2015 to approximately US\$181,000 as at 31 December 2016, primarily due to the decrease in deferred income for the Group's maintenance and support services.

Accumulated profits

The Group recorded accumulated profits of approximately US\$20,000, US\$1,383,000, US\$2,253,000 and US\$3,529,000 as at 1 January 2014, 31 December 2014, 31 December 2015 and 31 December 2016, respectively. The substantial increase in accumulated profits was primarily due to accumulation of net profit during the Track Record Period.

Prior to the Track Record Period, all of the Group's revenue was generated from its cyber infrastructure solutions business, as its cyber security solutions products were launched in late 2013. The Group did not make a substantial amount of net profit for the year ended 31 December 2012 and recorded a slight loss for the year ended 31 December 2013. As confirmed by the Directors, before the Track Record Period, a significant amount of time and effort of the Group's management were dedicated to, and occupied by, the researching of the core technologies (IRGO core engine and RTPR technology) and cyber security solutions products, and that the costs incurred for the research of core technologies and cyber security solutions products were not capitalised but charged to profit or loss. These two factors, to a large extent, temporarily affected the Group's profitability for the years ended 31 December 2012 and 2013. With the launch of the Group's first cyber security solutions products in late 2013, coupled with capturing the opportunity and demand in the cyber security solutions sector, the Group reported a remarkable growth in its net profits in 2014 as compared with 2013.

Related party balances and transactions

During the Track Record Period, the Group had entered into the following transactions with related parties:

- (i) the compensation of key management personnel (including Directors) of the Group;
- (ii) the provision of personal guarantee by Mr. Foo, a Director and Controlling Shareholder of the Company, in respect of the bank loan obtained by Netsis (Singapore). The bank loan was fully repaid in January 2014;

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- (iii) an amount due from a related company representing interest-free borrowings from the Group to Global Expert Team Holdings Sdn. Bhd. for its establishment. Global Expert Team Holdings Sdn. Bhd. is a related company of the Group by virtue of common shareholder and director, it is held as to 50% by Mr. Foo and 50% by Mr. Chan. It has been dormant with no business operation since its incorporation in May 2015 and will be deregistered. Accordingly, it was not included as part of the Group. The amount due from the related company had been settled as at 31 December 2016; and
- (iv) an amount due to an ex-director of a subsidiary representing the then outstanding balance of director's fee. The amount due to the ex-director of the Group was fully repaid in January 2015.

The Directors confirm that, save for the related party transactions relating to compensation of key management personnel (including Directors) of the Group, the other related party transactions had ceased during the Track Record Period and are not expected to continue after [REDACTED].

The Directors confirm that the related party transactions above were conducted in the ordinary and usual course of the Group's business and were entered into on normal commercial terms after arm's length negotiation and that the related party transactions did not cause any distortion of the Group's results of operations or make its historical results not reflective in the Track Record Period.

Details of the above transactions are set out in notes 17 and 24 of section B of the Accountants' Report set out in Appendix I to this document.

Historical transactions with connected persons

During the Track Record Period, the Group had provided cyber security solutions and maintenance and support services to a customer, which was a connected person of the Company at the time of the transaction by virtue of 49% of its shareholding interest previously held by Mr. Chan, a director of the Company's subsidiary until May 2015. The Directors confirm that such transactions with such customer had ceased during the Track Record Period and are not expected to continue after [REDACTED]. The following table sets out the breakdown of the transactions with such customer during the Track Record Period:

<u>Nature of transaction</u>	<u>Year ended 31 December</u>		
	<u>2014</u>	<u>2015</u>	<u>2016</u>
	<u>US\$'000</u>	<u>US\$'000</u>	<u>US\$'000</u>
Provision of cyber security solutions and maintenance and support services	194	5	—

The Directors confirm that the above transactions with such customer were conducted in the ordinary and usual course of the Group's business and were entered into on normal commercial terms after arm's length negotiation and that such transactions did not cause any distinction of the Group's results of operations or make its historical results not reflective during the Track Record Period.

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INDEBTEDNESS

Borrowings and contingent liabilities

During the Track Record Period and up to 31 March 2017, being the latest practicable date for the preparation of the indebtedness statement, except for a bank borrowing of approximately US\$4,000 which was repaid in January 2014, the Group did not have any bank borrowing. As at 31 March 2017, the Group had no bank borrowings and did not have any unutilised banking facilities.

Save as disclosed in this section, and apart from intra-group liabilities, normal trade and other payables and accrued charges, as at 31 March 2017, the Group had not been granted any borrowing, and did not have any outstanding loan capital issued and outstanding or agreed to be issued, term loans, bank overdrafts, loans from government, other borrowings or other similar indebtedness, liabilities under acceptance (other than normal trade bills) or acceptance credits, debentures, mortgages, charges, finance leases, hire purchase commitments, guarantees or other material contingent liabilities.

The Directors confirm that (i) the Group had not defaulted or delayed in any payment or breached any of the material covenants pertaining to its bank borrowing, outstanding debts, guarantees or other contingent liabilities during the Track Record Period and up to the Latest Practicable Date, and (ii) as at the Latest Practicable Date, the Group did not have any plan to raise material external debt financing.

None of the Group's assets were charged during the Track Record Period and as at 31 March 2017.

CAPITAL EXPENDITURE AND COMMITMENTS

Capital expenditure

During the Track Record Period, the Group's capital expenditures mainly comprised purchases of IT equipment required for the Group's business operation and the costs for development of the Group's cyber security solutions which are capitalised as intangible assets. The Group's capital expenditure in aggregate amounted to approximately US\$142,000, US\$482,000 and US\$325,000 for the years ended 31 December 2014, 2015 and 2016, respectively.

The Group expects to incur capital expenditure of approximately US\$3,312,500 in 2017 for the acquisition of a property as the Group's headquarters and R&D centre, the establishment of business in the PRC, the setting up of Netsis Hybrid Converge Hub and the purchase of office equipment. The Group plans to finance its future capital expenditures through cash flow from its business operations and the [REDACTED] from the [REDACTED]. The Group's projected capital expenditures are subject to revision based upon any future changes in its business plan, market continued with para in last page conditions and economic, and regulatory environment. Please refer to the section headed "Statement of Business Objectives and Use of [REDACTED]" in this document for more information.

Capital commitments

The Group had no capital expenditures contracted but not yet incurred and provided for as at the relevant balance sheet dates during the Track Record Period. As at the Latest Practicable Date, the Group had no capital commitments.

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Operating lease commitments

The Group had commitments for future minimum lease payments under non-cancellable operating leases in respect of its leased properties which fall due as at the dates indicated:

	As at 31 December		
	2014	2015	2016
	US\$'000	US\$'000	US\$'000
Within one year	28	83	81
In the second to fifth years inclusive	90	126	15
Total	118	209	96

Operating lease payments represent rentals payable by the Group for certain of its leased properties. Leases are negotiated for a term of one to two years. The Group does not have an option to purchase the leased properties at the expiry of the lease period.

OFF-BALANCE SHEET ARRANGEMENTS

As at the Latest Practicable Date, the Group had not entered into any off-balance sheet arrangements.

WORKING CAPITAL

The Directors confirm that, taking into consideration the financial resources presently available to the Group, the Group's internal generated cash flow, and the estimated [REDACTED] from the [REDACTED], the Group will have sufficient working capital for its present requirements and for at least the next 12 months commencing from the date of this document.

KEY FINANCIAL RATIOS

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

	As at 31 December		
	2014	2015	2016
Current ratio ⁽¹⁾	6.4	6.2	9.6
Quick ratio ⁽²⁾	6.3	6.1	9.5
Gearing ratio ⁽³⁾	N/A	N/A	N/A
Net debt-to-equity ratio ⁽⁴⁾	Net cash	Net cash	Net cash
	Year ended 31 December		
	2014	2015	2016
Return on equity ⁽⁵⁾	67.8%	46.9%	23.7%
Return on assets ⁽⁶⁾	58.5%	40.4%	21.2%

Notes:

(1) Current ratio is derived by dividing the current assets by current liabilities as at the end of the relevant financial year.

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- (2) Quick ratio is current assets less inventories dividing by current liabilities as of the end of the relevant financial year.
- (3) Gearing ratio is the total amount of bank borrowings as a percentage of total equity as of the end of the relevant financial year.
- (4) Net debt-to-equity ratio is the total amount of bank borrowings less bank balances and cash as a percentage of total equity as of the end of the relevant financial year.
- (5) Return on equity is the net profit for the respective year as a percentage of total equity as of the end of the relevant financial year.
- (6) Return on assets is derived by dividing net profit for the year by total assets as of the end of the relevant financial year.

Current ratio and quick ratio

The current ratio and quick ratio indicated that the strong liquidity position of the Group. The current ratio as at 31 December 2014, 31 December 2015 and 31 December 2016 was approximately 6.4, 6.2 and 9.6 times, respectively and quick ratio as at those dates was approximately 6.3, 6.1 and 9.5 times, respectively. Current ratio and quick ratio remained stable as at 31 December 2014 and 2015. The improved current and quick ratio as at 31 December 2016 was primarily due to the capital injection by the Strategic Investor through the [REDACTED] Investment.

Gearing ratio

The gearing ratio is not available, since the Group had no bank borrowings and no debt as at 31 December 2014, 31 December 2015 and 31 December 2016.

Net debt-to-equity ratio

The Group was in net cash position, since the Group had no bank borrowings and no debt as at 31 December 2014, 31 December 2015 and 31 December 2016.

Return on equity

The return on equity decreased from approximately 67.8% for the year ended 31 December 2014 to approximately 46.9% for the year ended 31 December 2015 and then decreased to approximately 23.7% for the year ended 31 December 2016. The decrease in 2015 was primarily due to the increase in equity base as a result of accumulation of profit. The further decrease in 2016 was primarily due to the increase in equity base as a result of the capital injection by the Strategic Investor and the decrease in the Group's net profit mainly as a result of the [REDACTED] expenses.

Return on assets

The return on assets decreased from approximately 58.5% for the year ended 31 December 2014 to approximately 40.4% for the year ended 31 December 2015 and then decreased to approximately 21.2% for the year ended 31 December 2016. The decrease in 2015 was primarily due to increase in the Group's trade and other receivables and cash balance as a result of expansion of the Group's business. The decrease in 2016 was primarily due to the increase in the Group's cash balance resulting from the capital injection by the Strategic Investor and the decrease in the Group's net profit mainly as a result of the [REDACTED] expenses.

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QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISKS

The Group is exposed to various types of market risks in the normal course of its business, including credit risk, liquidity risk, and interest rate risk.

Credit risk

Credit risk refers to the risk that debtors will default on their obligations to repay the amounts due to the Group, resulting in a loss to the Group. The Group's credit risk is mainly attributable to trade and other receivables, amount due from related company and bank balances and cash. The Group limits its exposure to credit risk by selecting the counterparties with reference to their past credit history and/or market reputation. The Group's maximum exposure to the credit risk is summarised as follows:

	As at 31 December		
	2014	2015	2016
	US\$'000	US\$'000	US\$'000
Trade and other receivables	957	1,551	1,746
Due from a related company	—	76	—
Bank balances and cash	790	1,051	3,000
Total	1,747	2,678	4,746

The management considers the credit risk in respect of bank balances and cash is minimal because the counter-parties are authorised financial institution with high credit ratings.

In order to minimise the credit risk, the management of the Group closely monitors the credit limits granted to individual customers and implements appropriate monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual debtors at the end of each reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the management of the Group considers that the Group's credit risk is significantly reduced. The Group trades with recognised and creditworthy third parties. The receivable balances are monitored on an ongoing basis by senior management and the Group's exposure to bad debts is not significant.

As at 31 December 2014, 31 December 2015 and 31 December 2016, the Group had a concentration of credit risk as approximately 33.2%, 22.9% and 42.3% of the total trade receivables was due from the Group's largest trade debtor, respectively, and approximately 94.4%, 77.4% and 86.4% of the total trade receivables was due from the Group's five largest trade debtors, respectively.

For details of the Group's credit control measures, please refer to the section headed "Business — Sales — Credit control" in this document.

Foreign currency risk

During the Track Record Period, the Group had a minimal exposure to foreign currency risk as most of its business transactions, assets and liabilities were principally denominated in the functional currency of the operating subsidiaries of the Group, i.e. US dollars.

FINANCIAL INFORMATION

During the Track Record Period, the Group does not have a foreign currency hedging policy in respect of its foreign currency assets and liabilities. The Group will closely monitor its foreign currency exposure and will consider using hedging instruments in respect of significant foreign currency exposure as and when appropriate.

Liquidity risk

The Group's objective is to maintain a balance between continuity of funding and flexibility. The Group has no specific policy for managing its liquidity. The remaining undiscounted contractual maturity profile of the Group's non-derivative financial liabilities, which are all interest-free, at the end of the reporting period, based on the earliest date on which the Group is required to settle, is within one year or on demand.

Please refer to note 25 of the Accountants' Report as set out in Appendix I of this document for details.

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.

DISTRIBUTABLE RESERVE

The Company was incorporated on 22 June 2016. As at 31 December 2016, the Company has share premium and capital reserve of approximately US\$1,200,000 and US\$3,922,000 respectively. It is distributable to the Company's shareholders provided that the Company is able to pay its debts as they fall due in the ordinary course of business.

UNAUDITED PRO FORMA COMBINED NET TANGIBLE ASSETS

The following unaudited pro forma statement of adjusted combined net tangible assets of the Group is prepared in accordance with Rule 7.31 of the GEM Listing Rules and is set out below to illustrate the effect of the [REDACTED] on the audited combined net tangible assets of the Group attributable to the owners of the Company as at 31 December 2016, as if the [REDACTED] had taken place on 31 December 2016.

The unaudited pro forma statement of adjusted combined net tangible assets the Group has been prepared for illustrative purpose only and because of its hypothetical nature, it may not give a true picture of the financial position of the Group if the [REDACTED] had been completed as at 31 December 2016, or at any future date.

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	Audited combined net tangible assets attributable to the owners of the Company as at 31 December 2016		Estimated [REDACTED] from the [REDACTED]		Unaudited pro forma adjusted combined net tangible assets attributable to the owners of the Company		Unaudited pro forma adjusted combined net tangible assets attributable to the owners of the Company per Share	
	⁽¹⁾ US\$'000	⁽⁵⁾ HK\$'000	^(2, 5) US\$'000	⁽²⁾ HK\$'000	⁽⁵⁾ US\$'000	⁽⁵⁾ HK\$'000	⁽³⁾ US\$	⁽⁵⁾ HK\$
Based on the [REDACTED] of HK\$[REDACTED] per [REDACTED]	4,908	38,282	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Based on the [REDACTED] of HK\$[REDACTED] per [REDACTED]	4,908	38,282	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]

Notes:

- (1) The audited combined net tangible assets of the Group attributable to the owners of the Company as at 31 December 2016 is based on the audited combined net assets attributable to the owners of the Company as at 31 December 2016 of approximately US\$5,379,000 with an adjustment for the intangible assets at 31 December 2016 of approximately US\$471,000, extracted from the combined financial information included in the Accountants' Report as set out in Appendix I to this document.
- (2) The estimated [REDACTED] from the [REDACTED] are based on [REDACTED] and the indicative [REDACTED] of HK\$[REDACTED] and HK\$[REDACTED] per [REDACTED], respectively, after deduction of relevant estimated [REDACTED] commissions and fees and other related expenses payable by the Company excluding approximately US\$[REDACTED] [REDACTED]-related expenses which has been accounted for prior to 31 December 2016. The estimated [REDACTED] have not taken into account any Shares which may be allotted and issued pursuant to the exercise of the [REDACTED] or any Shares which may be allotted and issued or repurchased by the Company pursuant to the general mandates given to the Directors.
- (3) The calculation of the pro forma adjusted combined net tangible assets of the Group attributable to the owners of the Company per Share is based on [REDACTED] Shares expected to be in issue after the completion of the [REDACTED] and the [REDACTED]. It has not taken into account any Shares which may be allotted and issued pursuant to the exercise of the [REDACTED] or any Shares which may be allotted and issued or repurchased by the Company pursuant to the general mandates given to the Directors.
- (4) No adjustment has been made to reflect any trading result or other transactions of the Group entered into subsequent to 31 December 2016.
- (5) These amounts are converted from US dollars to Hong Kong dollars or Hong Kong dollars to US dollars at an exchange rate of US\$1 to HK\$7.8. No representation is made that US dollars/Hong Kong dollars amount have been, could have been or may be converted to Hong Kong dollars/US dollars at that rate or at all.

DISCLOSURE REQUIRED UNDER THE GEM LISTING RULES

The Directors confirm that, as at the Latest Practicable Date, no circumstances would give rise to a disclosure requirement under Rules 17.15 to 17.21 of the GEM Listing Rules upon the [REDACTED].

[REDACTED] EXPENSES

[REDACTED] expenses represent professional fees, [REDACTED] commission and other fees incurred in connection with the [REDACTED] and the [REDACTED]. 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

FINANCIAL INFORMATION

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 [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].

The Directors would like to emphasise that 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.

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.

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED] undertakings to the [REDACTED]

Undertakings by the Company

The Company has undertaken with the [REDACTED] (for itself and on behalf of all the [REDACTED]) that, and each of the executive Directors and the Controlling Shareholders has undertaken irrevocably and unconditionally with the [REDACTED] (for itself and on behalf of all the [REDACTED]) to procure that:

- (a) except for the issue of the Shares pursuant to the [REDACTED], the [REDACTED], the grant of options under the Share Option Scheme and the [REDACTED] and the issue of Shares on exercise thereof or as otherwise with the [REDACTED] prior written consent, and unless in compliance with the GEM Listing Rules, the Company will not, and will procure none of its subsidiaries will, during the first six-month period commencing on the date by reference to which disclosure of the shareholding of the executive Directors and the Controlling Shareholders in the Company is made in this document and ending on the date which is six months from the [REDACTED] Date (the "**First Six-Month Period**"):
 - (i) offer, accept subscription for, pledge, charge, allot, issue, sell, lend, mortgage, assign, contract to allot, issue or sell, sell any option or contract to purchase, purchase any option or contract to sell, grant or agree to grant any option, right or warrant to purchase or subscribe for, make any short sale, lend or otherwise transfer or dispose of, either directly or indirectly, conditionally or unconditionally, or, as applicable to its subsidiaries only, repurchase, any of its share capital, debt capital or any securities of the Company or any of its subsidiaries or any

[REDACTED]

interest therein (including but not limited to any warrants and securities convertible into or exercisable or exchangeable for or that represent the right to receive, or any warrants or other rights to purchase, any such share capital or securities or interest therein, as applicable); or

- (ii) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of such share capital, debt capital or securities or interest therein as described in paragraph (i) above; or
- (iii) enter into any transaction with the same economic effect as any transaction described in paragraph (i) or (ii) above; or
- (iv) agree or contract to, or publicly announce any intention to enter into, any transaction described in paragraph (i), (ii) or (iii) above,

whether any of the foregoing transactions described in paragraph (i), (ii) or (iii) above is to be settled by delivery of share capital or such other securities, in cash or otherwise; and

- (b) in the event of the Company entering into or agreeing to enter into any of the foregoing transactions in respect of any Share or other securities of the Company or any member of the Group or any interest therein by virtue of the aforesaid exceptions or during the six month period commencing from the expiry of the First Six-Month Period (the "**Second Six-Month Period**"), it will take all reasonable steps to ensure that such action will not create a disorderly or false market in any of the Shares or other securities of the Company.

Undertakings by the Controlling Shareholders

Each of the Controlling Shareholders has jointly and severally undertaken to the [REDACTED] (for itself and on behalf of all the [REDACTED]) that, save as pursuant to the Share Option Scheme and the [REDACTED], he/it will not, and will procure that the relevant registered holder(s) and his/its associates and companies controlled by him/it and any nominee or trustee holding in trust for him/it will not, without the [REDACTED]'s prior written consent and unless in compliance with the GEM Listing Rules:

- (a) at any time during the First Six-Month Period:
 - (i) offer, accept subscription for, sell, pledge, mortgage, charge, contract to sell, sell any option or contract to purchase, purchase any option or contract to sell, grant or agree to grant any option, right or warrant to purchase or subscribe for, make any share sale, lend or otherwise transfer or dispose of, either directly or indirectly, conditionally or unconditionally, any of the share capital of the Company or any securities of the Company or any interest therein (including but not limited to any securities convertible into or exercisable or exchangeable for or that represent the right to receive any such share capital or securities or interest therein);
 - (ii) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of the share capital, debt capital or other securities of the Company or any interest therein;
 - (iii) enter or agree to enter into, conditionally or unconditionally, or effect any transaction with the same economic effect as any of the transactions referred to in paragraph (i) or (ii) above; or

[REDACTED]

- (iv) agree or contract to, or publicly announce any intention to enter into or effect any of the transactions referred to in paragraph (i), (ii) or (iii) above;

whether any of the foregoing transactions described in paragraph (i), (ii) or (iii) above is to be settled by delivery of share capital or such other securities, in cash or otherwise, and or offer to or agree to do any of the foregoing or announce any intention to do so; and

- (b) at any time during the Second Six-Month Period, enter into any of the foregoing transactions in paragraph (a)(i) or (ii) or (iii) above or agree or contract to or publicly announce any intention to enter into any such transactions if, immediately following such transfer or disposal or upon the exercise or enforcement of such options, rights, interests or encumbrances, he/it will cease to be a controlling shareholder (as such term is defined in the GEM Listing Rules) of the Company or would together with the other Controlling Shareholder cease to be, or regarded as, controlling shareholders (as such term is defined in the GEM Listing Rules) of the Company.

Each of the Controlling Shareholders has jointly and severally undertaken to the [REDACTED] (on behalf of all the [REDACTED]) that:

- (x) until expiry of the Second Six-Month Period, in the event that he/it enters into any such transactions referred to in paragraph (a) or (b) above or agrees or contracts to or publicly announces an intention to enter into any such transactions by virtue of the aforesaid exceptions, he/it will take all reasonable steps to ensure that such action not create a disorderly or false market in the Shares or other securities of the Company;
- (y) comply with the requirements of Rule 13.16A of the GEM Listing Rules and with all the restrictions and requirements under the GEM Listing Rules on the sale, transfer or disposal by him/it or by the registered holder controlled by him/it and his/its associates and companies controlled by him/it of any Shares or other securities of the Company; and
- (z) at any time after the date of the [REDACTED] up to and including the date falling twelve (12) months from the [REDACTED] Date, the Controlling Shareholders will:
 - (i) when he/it pledges or charges any Shares or other securities or interests in the securities of the Company in respect of which he/it is the beneficial owner, immediately inform the Company, the Sole Sponsor and the Stock Exchange in writing of any such pledges or charges together with the number of Shares or other securities of the Company and nature of interest so pledged or charged; and
 - (ii) when he/it receives any indication, whether verbal or written, from any such pledgee or chargee that any of the pledged or charged Shares or securities or interests in the securities of the Company will be sold, transferred or disposed of, immediately inform the Company, the Sole Sponsor and the Stock Exchange in writing of any such indication.

The Company has undertaken to the Sole Sponsor that it will, and each of the Controlling Shareholders has jointly and severally undertaken to the Sole Sponsor that he/it will procure the Company to, inform the Stock Exchange as soon as the Company has been informed of the matters mentioned in paragraph (x), (y) or (z), and make a public disclosure of such matters as soon as possible thereafter in accordance with the GEM Listing Rules.

[REDACTED]

[REDACTED] undertakings to the Stock Exchange

Undertakings by the Company

Pursuant to Rule 17.29 of the GEM Listing Rules, the Company undertakes to the Stock Exchange that save as pursuant to the [REDACTED] (including the exercise of the [REDACTED]) and the grant and exercise of the options under the Share Option Scheme, no further Shares or securities convertible into equity securities of the Company (whether or not of a class already listed) will be issued by us, or form the subject of any agreement by us to such an issue, within six months from the date on which the Shares first commence dealings on the GEM (whether or not such issue of Shares or securities will be completed within six months from the commencement of dealings), except for the circumstances permitted pursuant to Rules 17.29(1) to (5) of the GEM Listing Rules.

Undertakings by the Controlling Shareholders

Each of the Controlling Shareholders undertakes to the Stock Exchange that, except for the circumstances permitted pursuant to Rule 13.18 of the GEM Listing Rules, he/it shall not, and shall procure that the relevant registered holder(s) shall not:

- (a) at any time during the First Six-Month Period, dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of any of the Shares in respect of which it or he is shown by this document to be the beneficial owner; and
- (b) at any time during the Second Six-Month Period, dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any of the Shares referred to in paragraph (a) above if, immediately following such disposal or upon the exercise or enforcement of such options, rights, interests or encumbrances, it or he would cease to be the Controlling Shareholder.

Each of the Controlling Shareholders further undertakes to the Stock Exchange and the Company that, within a period commencing from the date by reference to which disclosure of his/its shareholding in the Company is made in this document and ending on the date which is 12 months from the [REDACTED] Date, he/it will:

- (c) in the event that he/it pledges or charges any direct or indirect interest in the Shares pursuant to a pledge or charge in favour of an authorised institution (as defined in the Banking Ordinance (Chapter 155 of the Laws of Hong Kong)) under Rule 13.18(1) of the GEM Listing Rules or pursuant to any right or waiver granted by the Stock Exchange pursuant to Rule 13.18(4) of the GEM Listing Rules, at any time during the First Six-Month Period, inform the Company immediately thereafter, disclosing the details specified in Rules 17.43(1) to (4) of the GEM Listing Rules; and
- (d) having pledged or charged any interest in the Shares under (c) above, inform the Company immediately in the event that he/it becomes aware that the pledgee or charge has disposed of or intends to dispose of such interest and of the number of Shares affected.

The Company shall, upon being informed of any matter under (c) and (d) above, forthwith publish an announcement giving details of the same in accordance with the GEM Listing Rules.

[REDACTED]

[REDACTED]

Commission and expenses

The [REDACTED] will, and the [REDACTED] are expected to, receive an [REDACTED] commission of [REDACTED]% of the aggregate [REDACTED] payable for the [REDACTED] [REDACTED] by them, out of which they shall pay any [REDACTED] commissions. If any of the [REDACTED] is exercised, the [REDACTED] commission will be calculated in the same manner with the [REDACTED] initially available for subscription. In connection with the [REDACTED], the Sole Sponsor will also receive a documentation and advisory fee of HK\$[REDACTED] million (equivalent to approximately US\$[REDACTED] million).

The [REDACTED] commission, documentation and advisory fee, [REDACTED] fees, the Stock Exchange trading fee, the SFC transaction levy, legal and other professional fees together with printing and other expenses relating to the [REDACTED], assuming an [REDACTED] of HK\$[REDACTED] (being the mid-point of the indicative [REDACTED] range) and no [REDACTED] is exercised, are estimated to amount to approximately HK\$[REDACTED] million (equivalent to approximately US\$[REDACTED] million) in total and are payable by the Company.

INDEPENDENCE OF THE SOLE SPONSOR

None of the directors and employees of the Sole Sponsor has any directorship in any member of the Group.

The Sole Sponsor satisfies the independence criteria applicable to sponsors set forth in Rule 6A.07 of the GEM Listing Rules.

SOLE SPONSOR'S, [REDACTED]'S AND [REDACTED]' INTEREST IN THE COMPANY

The Sole Sponsor will receive a documentation fee. The [REDACTED] and the other [REDACTED] will receive an [REDACTED] commission. Particulars of these [REDACTED] commission and expenses are set forth under the paragraph headed "[REDACTED] arrangements and expenses — Commission and expenses" above in this section.

[REDACTED]

The Company has appointed Southwest HK Capital as its compliance adviser pursuant to Rule 6A.19 of the GEM Listing Rules for the period commencing on the [REDACTED] Date and ending on the date on which the Company complies with Rule 18.03 of the GEM Listing Rules in respect of its financial results for the first full year commencing after the [REDACTED] Date.

Save for its interests and obligations under the [REDACTED] and save as disclosed above, neither the Sole Sponsor nor any of its directors, employees and close associates is interested legally or beneficially in the shares of any members of the Group or has any right or option (whether legally enforceable or not) to subscribe for or purchase or to nominate persons to subscribe for or purchase securities in any member of the Group nor any interest in the [REDACTED] or has any other business relationship with the Group.

Save for their interests and obligations under the [REDACTED] and save as disclosed above, none of the Sole Sponsor, the [REDACTED] and the [REDACTED] is interested legally or beneficially in shares of any members of the Group or has any right or option (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for any securities in any member of the Group nor any interest in the [REDACTED].

[REDACTED]

The Directors will ensure that there will be a minimum [REDACTED]% of the total issued Shares held in public hands in accordance with Rule 11.23 of the GEM Listing Rules after completion of the [REDACTED].

STRUCTURE AND CONDITIONS OF THE [REDACTED]

[REDACTED]

STRUCTURE AND CONDITIONS OF THE [REDACTED]

[REDACTED]

STRUCTURE AND CONDITIONS OF THE [REDACTED]

[REDACTED]

STRUCTURE AND CONDITIONS OF THE [REDACTED]

[REDACTED]

STRUCTURE AND CONDITIONS OF THE [REDACTED]

[REDACTED]

STRUCTURE AND CONDITIONS OF THE [REDACTED]

[REDACTED]

STRUCTURE AND CONDITIONS OF THE [REDACTED]

[REDACTED]

HOW TO APPLY FOR THE [REDACTED]

[REDACTED]

HOW TO APPLY FOR THE [REDACTED]

[REDACTED]

HOW TO APPLY FOR THE [REDACTED]

[REDACTED]

HOW TO APPLY FOR THE [REDACTED]

[REDACTED]

HOW TO APPLY FOR THE [REDACTED]

[REDACTED]

HOW TO APPLY FOR THE [REDACTED]

[REDACTED]

HOW TO APPLY FOR THE [REDACTED]

[REDACTED]

HOW TO APPLY FOR THE [REDACTED]

[REDACTED]

HOW TO APPLY FOR THE [REDACTED]

[REDACTED]

HOW TO APPLY FOR THE [REDACTED]

[REDACTED]

HOW TO APPLY FOR THE [REDACTED]

[REDACTED]

HOW TO APPLY FOR THE [REDACTED]

[REDACTED]

HOW TO APPLY FOR THE [REDACTED]

[REDACTED]

HOW TO APPLY FOR THE [REDACTED]

[REDACTED]

HOW TO APPLY FOR THE [REDACTED]

[REDACTED]

HOW TO APPLY FOR THE [REDACTED]

[REDACTED]

HOW TO APPLY FOR THE [REDACTED]

[REDACTED]

HOW TO APPLY FOR THE [REDACTED]

[REDACTED]

The following is the text of a report, prepared for the purpose of incorporation in this document, received from the Company's independent joint reporting accountants, Mazars CPA Limited, Certified Public Accountants, Hong Kong, and Mazars LLP, Public Accountants and Chartered Accountants of Singapore.



[•]

The Directors
Nexion Technologies Limited
Southwest Securities (HK) Capital Limited

Dear Sirs,

We set out below our report on the financial information of Nexion Technologies Limited (the "**Company**") and its subsidiaries (hereinafter collectively referred to as the "**Group**"), which comprises the combined statements of financial position of the Group at 31 December 2014, 2015 and 2016, the statement of financial position of the Company at 31 December 2016, the combined statements of profit or loss and other comprehensive income, the combined statements of changes in equity and the combined statements of cash flows of the Group for each of the years ended 31 December 2014, 2015 and 2016 (the "**Relevant Periods**"), and a summary of significant accounting policies and other explanatory information (the "**Financial Information**"), prepared on the basis of presentation as set out in Note 2 of Section B below, for inclusion in the document of the Company dated [•] (the "**Document**") issued in connection with the initial [REDACTED] of the shares of the Company on the Growth Enterprise Market ("**GEM**") of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**").

The Company was incorporated as an exempted company with limited liability in the Cayman Islands on 22 June 2016. Pursuant to a group reorganisation (the "**Reorganisation**") as detailed in the paragraph headed "Reorganisation" of the section headed "History, Reorganisation and Corporate Structure" of the Document, which was completed on 30 June 2016, the Company became the holding company of the subsidiaries now comprising the Group. Apart from the Reorganisation and certain fund raising activities, the Company has not commenced any significant business or operation since its incorporation. At the date of this report, no audited financial statements have been prepared for the Company since the date of its incorporation.

At the date of this report, the Company has direct/indirect equity interests in its subsidiaries as set out in Note 1 of Section B below. All the entities now comprising the Group are private companies and have adopted 31 December as their financial year end dates. The audited financial statements of the subsidiaries for which there are statutory audit requirements have been prepared in accordance with relevant accounting principles and financial reporting regulations applicable to these entities in the countries in which they were incorporated/established. Details of the statutory auditors of the subsidiaries are set out in Note 1 of Section B below.

APPENDIX I**ACCOUNTANTS' REPORT**

For the purpose of this report, the directors of the Company have prepared the combined financial statements of the Group for the Relevant Periods (the "**Underlying Financial Statements**") in accordance with International Financial Reporting Standards ("**IFRSs**") issued by the International Accounting Standards Board (the "**IASB**"), the disclosure requirements of the Hong Kong Companies Ordinance and the applicable disclosure provisions of the Rules Governing the Listing of Securities on the GEM of the Stock Exchange (the "**GEM Listing Rules**"). The Underlying Financial Statements were audited by us in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants (the "**HKICPA**").

The Financial Information has been prepared by the directors of the Company based on the Underlying Financial Statements, with no adjustment made thereon and in accordance with the basis of presentation as set out in Note 2 of Section B below.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL INFORMATION

The directors of the Company are responsible for the preparation of the Financial Information that gives a true and fair view in accordance with IFRSs issued by the IASB, the disclosure requirements of the Hong Kong Companies Ordinance, the applicable disclosure provisions of the GEM Listing Rules and the basis of presentation as set out in Note 2 of Section B below, and for such internal control as the directors of the Company determine is necessary to enable the preparation of the Financial Information that is free from material misstatement, whether due to fraud or error.

JOINT REPORTING ACCOUNTANTS' RESPONSIBILITY

Our responsibility is to express an opinion on the Financial Information and to report our opinion to you, based on our procedures performed in accordance with Auditing Guideline 3.340 "Prospectus and the Reporting Accountant" issued by the HKICPA. We have not audited any financial statements of the Company, its subsidiaries or the Group in respect of any period subsequent to 31 December 2016.

OPINION

In our opinion, the Financial Information gives, for the purpose of this report and on the basis of presentation as set out in Note 2 of Section B below, a true and fair view of the financial position of the Group at 31 December 2014, 2015 and 2016, the financial position of the Company at 31 December 2016, and of the financial performance and cash flows of the Group for the Relevant Periods.

APPENDIX I

ACCOUNTANTS' REPORT

A. FINANCIAL INFORMATION OF THE GROUP

COMBINED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	<i>Note</i>	Year ended 31 December		
		2014	2015	2016
		<i>US\$'000</i>	<i>US\$'000</i>	<i>US\$'000</i>
Revenue	5	2,443	3,715	5,635
Other income	6	24	13	84
Cost of inventories sold		(495)	(1,423)	(2,122)
Staff costs and related expenses	7	(273)	(452)	(928)
Depreciation and amortisation		(115)	(212)	(316)
Other operating expenses		(213)	(266)	(428)
Expenses for the Initial [REDACTED]		—	—	(514)
Profit before income tax	7	1,371	1,375	1,411
Income tax expenses	10	(8)	(25)	(135)
Profit for the year		1,363	1,350	1,276
Other comprehensive income		—	—	—
Total comprehensive income for the year		<u>1,363</u>	<u>1,350</u>	<u>1,276</u>
Earnings per share, basic and diluted (US\$) .	11	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>

APPENDIX I

ACCOUNTANTS' REPORT

COMBINED STATEMENTS OF FINANCIAL POSITION

		At 31 December		
		2014	2015	2016
		<i>US\$'000</i>	<i>US\$'000</i>	<i>US\$'000</i>
	<i>Note</i>			
Non-current assets				
Property, plant and equipment	13	32	148	103
Intangible assets	14	263	417	471
		<u>295</u>	<u>565</u>	<u>574</u>
Current assets				
Inventories	15	38	44	63
Trade and other receivables	16	1,207	1,608	2,389
Due from a related company	17	—	76	—
Bank balances and cash		790	1,051	3,000
		<u>2,035</u>	<u>2,779</u>	<u>5,452</u>
Current liabilities				
Trade and other payables	18	277	432	494
Due to an ex-director of a subsidiary	19	30	—	—
Income tax payables		11	15	71
		<u>318</u>	<u>447</u>	<u>565</u>
Net current assets		<u>1,717</u>	<u>2,332</u>	<u>4,887</u>
Total assets less current assets		<u>2,012</u>	<u>2,897</u>	<u>5,461</u>
Non-current liabilities				
Deferred tax liabilities	20	2	17	82
NET ASSETS		<u>2,010</u>	<u>2,880</u>	<u>5,379</u>
Capital and reserves				
Share capital	21	—	—	—
Reserves		2,010	2,880	5,379
TOTAL EQUITY		<u>2,010</u>	<u>2,880</u>	<u>5,379</u>

APPENDIX I

ACCOUNTANTS' REPORT

STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	<i>Note</i>	<u>At 31 December</u> <u>2016</u> <i>US\$'000</i>
Non-current assets		
Investment in a subsidiary	22(a)	<u>3,922</u>
Current assets		
Due from a subsidiary	22(b)	<u>1,200</u>
Net current assets		<u>1,200</u>
NET ASSETS		<u><u>5,122</u></u>
Capital and reserves		
Share capital	21	—
Reserves	22(c)	<u>5,122</u>
TOTAL EQUITY		<u><u>5,122</u></u>

APPENDIX I

ACCOUNTANTS' REPORT

COMBINED STATEMENTS OF CHANGES IN EQUITY

	<u>Share capital</u> <i>US\$'000</i>	<u>Share premium</u> <i>US\$'000 (Note 23)</i>	<u>Capital reserve</u> <i>US\$'000 (Note 23)</i>	<u>Accumulated profits</u> <i>US\$'000</i>	<u>Total</u> <i>US\$'000</i>
At 1 January 2014	—	—	627	20	647
Profit for the year and total comprehensive income for the year	—	—	—	1,363	1,363
At 31 December 2014	<u>—</u>	<u>—</u>	<u>627</u>	<u>1,383</u>	<u>2,010</u>
At 1 January 2015	—	—	627	1,383	2,010
Profit for the year and total comprehensive income for the year	—	—	—	1,350	1,350
Transaction with owners					
Contributions and distributions					
Dividends (<i>Note 12</i>)	—	—	—	(480)	(480)
Total transaction with owners	—	—	—	(480)	(480)
At 31 December 2015	<u>—</u>	<u>—</u>	<u>627</u>	<u>2,253</u>	<u>2,880</u>
At 1 January 2016	—	—	627	2,253	2,880
Profit for the year and total comprehensive income for the year	—	—	—	1,276	1,276
Transactions with owners:					
Contributions and distributions					
Issue of share capital (<i>Note 21</i>) . . .	—	1,200	—	—	1,200
Additional capital contribution made by the then shareholders of a subsidiary	—	—	23	—	23
Total transactions with owners	—	1,200	23	—	1,223
At 31 December 2016	<u>—</u>	<u>1,200</u>	<u>650</u>	<u>3,529</u>	<u>5,379</u>

APPENDIX I

ACCOUNTANTS' REPORT

COMBINED STATEMENTS OF CASH FLOWS

	Year ended 31 December		
	2014	2015	2016
	<i>US\$'000</i>	<i>US\$'000</i>	<i>US\$'000</i>
OPERATING ACTIVITIES			
Profit before income tax	1,371	1,375	1,411
Adjustments for:			
Amortisation	98	188	252
Depreciation	17	24	64
Loss on disposal of property, plant and equipment	4	—	—
Cash flows from operations before movements in working capital	1,490	1,587	1,727
Inventories	(34)	(6)	(19)
Trade and other receivables	(820)	(401)	(781)
Due from a related company	—	(76)	76
Trade and other payables	(21)	155	62
Due to an ex-director of a subsidiary	(96)	(30)	—
Cash generated from operations	519	1,229	1,065
Income tax paid	(3)	(6)	(14)
Net cash from operating activities	516	1,223	1,051
INVESTING ACTIVITIES			
Acquisition of property, plant and equipment	(21)	(140)	(19)
Additions to intangible assets	(121)	(342)	(306)
Decrease in pledged bank deposits	60	—	—
Net cash used in investing activities	(82)	(482)	(325)
FINANCING ACTIVITIES			
Issue of share capital	—	—	1,200
Additional capital contribution made by the then shareholders of a subsidiary	—	—	23
Repayment of bank borrowings	(4)	—	—
Dividends paid	—	(480)	—
Net cash (used in) from financing activities	(4)	(480)	1,223
Net increase in cash and cash equivalents	430	261	1,949
Cash and cash equivalents at the beginning of the reporting period	360	790	1,051
Cash and cash equivalents at the end of the reporting period, represented by bank balances and cash	790	1,051	3,000

APPENDIX I

ACCOUNTANTS' REPORT

B. NOTES TO THE FINANCIAL INFORMATION

1. GENERAL INFORMATION AND REORGANISATION

Nexion Technologies Limited (the "**Company**", together with its subsidiaries is hereinafter collectively referred to as the "**Group**") was incorporated as an exempted company with limited liability in the Cayman Islands on 22 June 2016. The address of the Company's registered office is PO Box 309, Ugland House, Grand Cayman, KY1-1104, Cayman Islands. The Company's principal place of business is situated at Unit #08-03, HB Centre I, 12 Tannery Road, Singapore 347722.

The Company is an investment holding company. During the years ended 31 December 2014, 2015 and 2016 (the "**Relevant Periods**"), the Group is principally engaged in provision of cyber infrastructure solutions services and research and development, and provision of cyber security solutions services.

At the date of this report, the immediate holding company of the Company is Alpha Sense Investments Limited ("**Alpha Sense (BVI)**"), which is incorporated in the British Virgin Islands (the "**BVI**"). In the opinion of the management of the Company, the ultimate controlling party is Mr. Foo Moo Teng ("**Mr. Foo**" or the "**Ultimate Controlling Party**").

Pursuant to a group reorganisation (the "**Reorganisation**"), which was completed on 30 June 2016, as detailed in the paragraph headed "Reorganisation" of the section headed "History, Reorganisation and Corporate Structure" in the document of the Company dated [●] (the "**Document**") issued in connection with the initial [REDACTED] of shares of the Company (the "**Initial [REDACTED]**") on the Growth Enterprises Market ("**GEM**") of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**"), the Company became the holding company of the entities now comprising the Group.

At the date of this report, the particulars of the Company's subsidiaries, which are private limited liability companies, of which the Company has direct or indirect interests are as follows:

Name of subsidiary	Place and date of incorporation	Paid-up share capital	Attributable equity interest held by the Company	Principal activities and place of operation
<i>Directly held by the Company</i>				
Nexion Global Investments Limited (" Nexion Global (BVI) ")	The BVI, 20 May 2016	United States dollars (" US\$ ") 10,000	100%	Investment holding, Hong Kong
<i>Indirectly held by the Company</i>				
Nexion (Hong Kong) Limited (" Nexion (Hong Kong) ")	Hong Kong, 31 May 2016	Hong Kong dollars (" HK\$ ") 100	100%	Inactive, Hong Kong
Netsis Technology (BVI) Limited (" Netsis (BVI) ")	The BVI, 31 May 2016	US\$1	100%	Investment holding, Hong Kong
Expert Team (BVI) Limited (" Expert Team (BVI) ")	The BVI, 31 May 2016	US\$1	100%	Investment holding, Hong Kong
Global Expert Team (BVI) Limited (" GET (BVI) ")	The BVI, 31 May 2016	US\$1	100%	Investment holding, Hong Kong
Netsis Technology (S) Pte. Ltd. (" Netsis (Singapore) ")	Singapore, 11 March 2002	Singapore dollars (" SG\$ ") 500,000	100%	Provision of cyber infrastructure solutions, Singapore
Expert Team Pte. Ltd. (" Expert Team (Singapore) ")	Singapore, 15 August 2012	SG\$300,000	100%	Provision of cyber security solutions, Singapore
Global Expert Team Sdn. Bhd. (" GET (Malaysia) ")	Malaysia, 17 February 2015	Malaysian Ringgit (" RM ") 100,000	100%	Provision of cyber security solutions, Malaysia

APPENDIX I

ACCOUNTANTS' REPORT

1. GENERAL INFORMATION AND REORGANISATION (CONTINUED)

All entities comprising the Group have adopted 31 December as their financial period end date.

The financial statements, as prepared in accordance with respective local reporting standards, of the Company's subsidiaries that fall into the Relevant Periods have been audited as follows:

<u>Company</u>	<u>Financial period</u>	<u>Auditors</u>
Netsis (Singapore)	Year ended 31 December 2014 Years ended 31 December 2015 and 2016	Yong Fan Kiong & Co. Mazars LLP
Expert Team (Singapore)	Year ended 31 December 2014 Years ended 31 December 2015 and 2016	Yong Fan Kiong & Co. Mazars LLP
GET (Malaysia)	Period ended 31 December 2015 Year ended 31 December 2016	Mazars (AF: 1954) Mazars (AF: 1954)

The statutory audited financial statements of Nexion (Hong Kong) for the year ended 31 December 2016 have not been issued as they are not yet due for issuance as of the date of this report.

No statutory audited financial statements have been prepared by Nexion Global (BVI), Netsis (BVI), Expert Team (BVI) and GET (BVI) as there is no statutory requirement at their places of incorporation.

2. BASIS OF PRESENTATION

Immediately before and after the Reorganisation, the Company and its subsidiaries now comprising the Group were under common control of the Ultimate Controlling Party. The Group's business is mainly conducted through Netsis (Singapore), Expert Team (Singapore) and GET (Malaysia) while the Company and other entities within the Group have not been involved in any other significant operation prior to the Reorganisation except for the Reorganisation and certain fund raising activities. As the Reorganisation did not result in any change in the ultimate control of and the resources employed by the Group's business so that the Group is regarded as a continuing entity and, therefore, the Reorganisation is considered to be a restructuring of entities and businesses under common control.

Accordingly, for the purpose of this report, the financial information of the Group for the Relevant Periods (the "Financial Information") has been prepared on a combined basis under merger accounting principles, as further explained in the paragraph headed "Merger accounting for business combination involving entities under common control" in Note 3, which presents the combined financial position, combined financial performance, combined changes in equity and combined cash flows of the entities now comprising the Group as if the current group structure had been in existence throughout the Relevant Periods or since their respective date of establishment or incorporation, where applicable.

3. SIGNIFICANT ACCOUNTING POLICIES

Statement of compliance

The Financial Information has been prepared in accordance with International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Board (the "IASB"), which collective term includes all applicable individual IFRSs, International Accounting Standards ("IASs") and Interpretations issued by the IASB. The Financial Information also complies with the disclosure requirements of the Hong Kong Companies Ordinance and the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Growth Enterprise Market ("GEM") of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") (the "GEM Listing Rules").

The IASB has issued a number of new/revised IFRSs during the Relevant Periods. For the purpose of the Financial Information, the Group has consistently adopted all these new/revised IFRSs that are relevant to its operations and are effective during the Relevant Periods.

A summary of the principal accounting policies adopted by the Group in preparing the Financial Information is set out below.

Basis of measurement

The measurement basis used in the preparation of the Financial Information is historical cost.

APPENDIX I

ACCOUNTANTS' REPORT

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of combinations

The Financial Information comprises the financial statements of the Company and all of its subsidiaries for the Relevant Periods. The financial statements of the subsidiaries are prepared for the same reporting period as that of the Company using consistent accounting policies.

All intra-group balances, transactions, incomes and expenses and profits and losses resulting from intra-group transactions are eliminated in full. Unrealised losses are also eliminated unless the transactions provide evidence of an impairment of the asset transferred.

Merger accounting for business combination involving entities under common control

The Financial Information incorporates the financial statements items of the combining entities or businesses in which the common control combination occurs as if they had been combined from the date when the combining entities or businesses first came under the control of the Ultimate Controlling Party.

The net assets of the combining entities or businesses are combined using the existing carrying values. No amount is recognised as consideration for goodwill or excess of acquirer's interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over cost at the time of common control combination. All differences between the cost of acquisition (fair value of consideration paid) and the amounts at which the assets and liabilities, arising from the Reorganisation, are recorded have been recognised directly in equity as part of the capital reserve. The Financial Information includes the results of each of the combining entities or businesses from the date of incorporation/establishment or since the date when the combining entities or businesses first came under the common control, where this is a shorter period, regardless of the date of the common control combination.

Transaction costs, including professional fees, registration fees, costs of furnishing information to shareholders, costs or losses incurred in combining operations of the previously separate businesses, etc., incurred in relation to the common control combination that is to be accounted for by using merger accounting, are recognised as an expense in the period in which they are incurred.

Subsidiaries

A subsidiary is an entity that is controlled by the Group. The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The Group reassesses whether it controls an investee if facts and circumstances indicate that there are changes to one or more of the elements of control.

In the Company's statement of financial position, an investment in a subsidiary is stated at cost less impairment loss, if any. The carrying amount of the investment is reduced to its recoverable amount on an individual basis, if it is higher than the recoverable amount. The results of the subsidiary are accounted for by the Company on the basis of dividends received and receivable.

Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Repairs and maintenance are charged to profit or loss during the period in which they are incurred.

Depreciation is provided to write off the cost less accumulated impairment losses of property, plant and equipment over their estimated useful lives as set out below from the date on which they are available for use and after taking into account their estimated residual values, using the straight-line method. Where parts of an item of property, plant and equipment have different useful lives, the cost of the item is allocated on a reasonable basis and depreciated separately:

Leasehold improvements	3 years
Furniture, fixtures and office equipment	3 years
Computer equipment	3 years

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property, plant and equipment (Continued)

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in profit or loss in the period in which the item is derecognised.

Intangible assets

Research and development costs

Research costs are expensed as incurred. Costs incurred on development activities, which involve the application of research findings to a plan or design for the production of new or substantially improved products and processes, are capitalised if the product or process is technically and commercially feasible and the Group has sufficient resources to complete the development. The expenditure capitalised includes the cost of materials, direct labour and an appropriate proportion of overheads. Other development expenditure is recognised in profit or loss as an expense as incurred. When the asset is available for use, the capitalised development costs are amortised on a straight-line basis over a period of 3 years. For intangible assets yet to be available for use, they are stated at cost less any accumulated impairment losses.

Financial instruments

Recognition and derecognition

Financial assets and financial liabilities are recognised when and only when the Group becomes a party to the contractual provisions of the instruments and on a trade date basis.

A financial asset is derecognised when and only when (i) the Group's contractual rights to future cash flows from the financial asset expire or (ii) the Group transfers the financial asset and either (a) it transfers substantially all the risks and rewards of ownership of the financial asset, or (b) it neither transfers nor retains substantially all the risks and rewards of ownership of the financial asset but it does not retain control of the financial asset.

A financial liability is derecognised when and only when the liability is extinguished, that is, when the obligation specified in the relevant contract is discharged, cancelled or expires.

Classification and measurement

Financial assets or financial liabilities are initially recognised at their fair value plus, in the case of financial assets or financial liabilities not carried at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial assets or financial liabilities.

(1) *Loans and receivables*

Loans and receivables including trade and other receivables, amount due from a related company and bank balances and cash are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are not held for trading. They are measured at amortised cost using the effective interest method, except where receivables are interest-free loans and without any fixed repayment term or the effect of discounting would be insignificant. In such case, the receivables are stated at cost less impairment loss. Amortised cost is calculated by taking into account any discount or premium on acquisition over the period to maturity. Gains and losses arising from derecognition, impairment or through the amortisation process are recognised in profit or loss.

(2) *Financial liabilities*

The Group's financial liabilities represent trade and other payables. All financial liabilities are recognised initially at their fair value and subsequently measured at amortised cost, using effective interest method, unless the effect of discounting would be insignificant, in which case they are stated at cost.

APPENDIX I

ACCOUNTANTS' REPORT

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments (Continued)

Impairment of financial assets

At the end of each reporting period, the Group assesses whether there is objective evidence that financial assets are impaired. The impairment loss of financial assets carried at amortised cost is measured as the difference between the assets' carrying amount and the present value of estimated future cash flow discounted at the financial asset's original effective interest rate. Such impairment loss is reversed in subsequent periods through profit or loss when an increase in the asset's recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to a restriction that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Cash equivalents

For the purpose of the combined statements of cash flows, cash equivalents represent short-term highly liquid investments which are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, net of bank overdrafts (if any).

Revenue recognition

Revenue is recognised when it is probable that the economic benefits will flow to the Group and when the revenue and costs, if applicable, can be measured reliably and on the following bases:

Revenue from cyber infrastructure solutions and cyber security solutions include hardware, software and/or service components. Generally, engagements of this nature are negotiated, priced and concluded as one integrated solution because the provision of consulting, installation and configuration forms an integral part of completing the engagement and therefore, such revenue is recognised upon the customers' acceptance of the integrated solution when the risks and rewards of the ownership transferred.

Maintenance and support service income is recognised on a straight-line basis over the life of the related agreement.

Foreign currency translation

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "**functional currency**"). The Financial Information are presented in US\$ because the Group's transactions are mainly conducted in US\$, which is the functional currency of the operating subsidiaries of the Group, and rounded to the nearest thousands unless otherwise indicated. The Company's functional currency is HK\$.

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

The results and financial position of all the group entities that have a functional currency different from the presentation currency ("**foreign operations**") are translated into the presentation currency as follows:

- assets and liabilities for each statement of financial position presented, are translated at the closing rate at the end of each reporting period;
- income and expenses for each statement of profit or loss and other comprehensive income are translated at average exchange rate;
- all resulting exchange differences arising from the above translation and exchange differences arising from a monetary item that forms part of the Group's net investment in a foreign operation are recognised as a separate component of equity;

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Foreign currency translation (Continued)

- on the disposal of a foreign operation, which includes a disposal of the Group's entire interest in a foreign operation and a disposal involving the loss of control over a subsidiary that includes a foreign operation, the cumulative amount of the exchange differences relating to the foreign operation that is recognised in other comprehensive income and accumulated in the separate component of equity is reclassified from equity to profit or loss when the gain or loss on disposal is recognised;
- on the partial disposal of the Group's interest in a subsidiary that includes a foreign operation which does not result in the Group losing control over the subsidiary, the proportionate share of the cumulative amount of the exchange differences recognised in the separate component of equity is re-attributed to the non-controlling interests in that foreign operation and are not reclassified to profit or loss; and
- on all other partial disposals, the proportionate share of the cumulative amount of exchange differences recognised in the separate component of equity is reclassified to profit or loss.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost, which comprises all costs of purchase and, where applicable, other costs that have been incurred in bringing the inventories to their present location and condition, is calculated using the first in, first out method. Net realisable value represents the estimated selling price in the ordinary course of business less the estimated costs necessary to make the sale.

When inventories are sold, the carrying amount of those inventories is recognised as an expense in the period in which the related revenue is recognised. The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period of the write-down or loss occurs. The amount of any reversal of any write-down of inventories is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

Impairment of other assets

At the end of each reporting period, the Group reviews internal and external sources of information to assess whether there is any indication that its property, plant and equipment, intangible assets and the Company's investment in a subsidiary may be impaired or impairment loss previously recognised no longer exists or may be reduced. If any such indication exists, the recoverable amount of the asset is estimated, based on the higher of its fair value less costs of disposal and value in use. In addition, the Group tests its intangible assets that have indefinite useful lives and intangible assets that are yet to be available for use for impairment by estimating their recoverable amount on an annual basis and whenever there is an indication that those assets may be impaired. If any such indication exists, the recoverable amount of intangible assets not yet available for use is estimated, based on the higher of its fair value less costs of disposal and value in use. Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the smallest group of assets that generates cash flows independently (i.e. a cash-generating unit).

If the recoverable amount of an asset or a cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or cash-generating unit is reduced to its recoverable amount. Impairment losses are recognised as an expense in profit or loss immediately.

A reversal of impairment loss is limited to the carrying amount of the asset or cash-generating unit that would have been determined had no impairment loss been recognised in prior periods. Reversal of impairment loss is recognised as an income in profit or loss immediately.

Government grants

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognised as income over the periods necessary to match the grant on a systematic basis to the costs that it is intended to compensate unless there is no future service or other conditions attached to the grants which would be recognised in the profit or loss when they are approved by and the cash are received from the relevant authorities. Where the grant relates to an asset, the fair value is recognised as a deduction from the carrying amount of the relevant asset and is released to profit or loss over the expected useful life of the relevant asset by equal annual instalments.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

As lessee

Rentals payable under operating leases are charged to profit or loss on a straight-line basis over the term of the relevant lease.

Employee benefits

Short term employee benefits

Salaries, annual bonuses, paid annual leave, contributions to defined contribution retirement plans and the cost of non-monetary benefits are accrued in the period in which the associated services are rendered by employees.

Defined contribution plans

The obligations for contributions to defined contribution retirement scheme are recognised as an expense in profit or loss as incurred. The assets of the scheme are held separately from those of the Group in an independently administered fund.

Taxation

The charge for current income tax is based on the results for the period as adjusted for items that are non-assessable or disallowed. It is calculated using tax rates that have been enacted or substantively enacted by the end of each reporting period.

Deferred tax is provided, using the liability method, on all temporary differences at the end of each reporting period between the tax bases of assets and liabilities and their carrying amounts in the Financial Information. However, any deferred tax arising from initial recognition of goodwill, or other asset or liability in a transaction other than a business combination that at the time of the transaction affects neither the accounting profit nor taxable profit or loss is not recognised.

The deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is recovered or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted at the end of each reporting period.

Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences, tax losses and credits can be utilised.

Related parties

A related party is a person or entity that is related to the Group, that is defined as:

- (a) A person or a close member of that person's family is related to the Group if that person:
 - (i) has control or joint control over the Group;
 - (ii) has significant influence over the Group; or
 - (iii) is a member of the key management personnel of the Group or of the holding company of the Group.
- (b) An entity is related to the Group if any of the following conditions applies:
 - (i) the entity and the Group are members of the same group (which means that each holding company, subsidiary and fellow subsidiary is related to the others).

APPENDIX I**ACCOUNTANTS' REPORT**

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**Related parties (Continued)**

- (ii) one entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
- (iii) both entities are joint ventures of the same third party.
- (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
- (v) The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group. If the Group is itself such a plan, the sponsoring employers are also related to the Group.
- (vi) The entity is controlled or jointly controlled by a person identified in (a).
- (vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a holding company of the entity).
- (viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the holding company of the Group.

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity and include:

- (a) that person's children and spouse or domestic partner;
- (b) children of that person's spouse or domestic partner; and
- (c) dependants of that person or that person's spouse or domestic partner.

In the definition of a related party, an associate includes subsidiaries of the associate and a joint venture includes subsidiaries of the joint venture.

Segment reporting

Operating segments, and the amounts of each segment item reported in the Financial Information, are identified from the financial information provided regularly to the Group's most senior executive management for the purpose of allocating resources to, and assessing the performance of, the Group's various lines of business and geographical locations.

Individual material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of production processes, the type or class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

Critical accounting estimates and judgements

Estimates and assumptions concerning the future and judgements are made by the management in the preparation of the Financial Information. They affect the application of the Group's accounting policies, reported amounts of assets, liabilities, income and expenses, and disclosures made. They are assessed on an on-going basis and are based on experience and relevant factors, including expectations of future events that are believed to be reasonable under the circumstances. Where appropriate, revisions to accounting estimates are recognised in the period of revision and future periods, in case the revision also affects future periods.

APPENDIX I

ACCOUNTANTS' REPORT

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Key sources of estimation uncertainty

Useful lives of property, plant and equipment and intangible assets

The management determines the estimated useful lives of the Group's property, plant and equipment and intangible assets based on the historical experience of the actual useful lives of assets of similar nature and functions. The estimated useful lives could be different as a result of technical innovations which could affect the related depreciation and amortisation charges included in profit or loss.

Impairment of property, plant and equipment and intangible assets

The management determines whether the Group's property, plant and equipment and intangible assets are impaired when an indication of impairment exists or when annual impairment testing is required. This requires an estimation of the recoverable amount of the property, plant and equipment and intangible assets, which is equal to the higher of fair value less costs of disposal or the value in use. Estimating the value in use requires the management to make an estimate of the expected future cash flows from the property, plant and equipment and intangible assets and also to choose a suitable discount rate in order to calculate the present value of those cash flows. Any impairment will be charged to profit or loss.

Impairment of trade and other receivables

The provisioning policy for bad and doubtful debts of the Group is based on the evaluation by management of the collectability of the trade and other receivables. A considerable amount of judgement is required in assessing the ultimate realisation of these receivables, including assessing the current creditworthiness and the past collection history of each debtor. If the financial conditions of these customers were to deteriorate, resulting in an impairment of their ability to make payments, allowance will be required.

Income taxes

The Group is subject to income taxes in several jurisdictions. Significant estimates are required in determining the provision for income taxes. There are transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business, where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impair the current income tax and deferred tax provision in the period in which such determination is made.

Future changes in IFRSs

At the date of approving the Financial Information, the IASB has issued the following new/revised IFRSs that are not yet effective for the Relevant Periods, which the Group has not early adopted.

Amendments to IAS 7	<i>Disclosure Initiative</i> ⁽¹⁾
Amendments to IAS 12	<i>Recognition of Deferred Tax Assets for Unrealised Losses</i> ⁽¹⁾
Clarification to IFRS 12	<i>Disclosure of Interests in Other Entities</i> ⁽¹⁾
Amendments to IAS 40	<i>Transfers of Investment Property</i> ⁽²⁾
Amendments to IFRS 2	<i>Classification and Measurement of Share-based Payment Transaction</i> ⁽²⁾
Amendments to IFRS 4	<i>Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts</i> ⁽²⁾
IFRS 9	<i>Financial Instruments</i> ⁽²⁾
IFRS 15 and Clarifications to IFRS 15	<i>Revenue from Contracts with Customers</i> ⁽²⁾
IFRS Interpretation 22	<i>Foreign Currency Transactions and Advance Consideration</i> ⁽²⁾
Annual Improvements to IAS 28	<i>Investments in Associates and Joint Ventures</i> ⁽²⁾
Annual Improvements to IFRS 1	<i>First-time Adoption of International Financial Reporting Standards</i> ⁽²⁾
IFRS 16	<i>Leases</i> ⁽³⁾
Amendments to IFRS 10 and IAS 28 (2011)	<i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture</i> ⁽⁴⁾

(1) Effective for annual periods beginning on or after 1 January 2017

(2) Effective for annual periods beginning on or after 1 January 2018

(3) Effective for annual periods beginning on or after 1 January 2019

(4) The effective date of the amendments which was originally intended to be effective for annual periods beginning on or after 1 January 2016 has been deferred/removed

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Future changes in IFRSs (Continued)

Except for IFRS 9, IFRS 15 and Clarifications to IFRS 15 and IFRS 16 as set out below, the management of the Group does not anticipate that the adoption of the new/revised IFRSs in future periods will have any material impact on the Group's financial information.

IFRS 9: Financial Instruments

IFRS 9 introduces new requirements for the classification and measurement of financial assets, financial liabilities, general hedge accounting and impairment requirements for financial assets.

Key requirement of IFRS 9 which is relevant to the Group is in relation to the impairment of financial assets, of which IFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under IAS 39. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.

Based on the Group's financial instruments and risk management policies at 31 December 2016, the management of the Group preliminarily anticipate that the application of IFRS 9 in the future may have an impact of the Group's financial assets. In particular, the expected credit loss model may result in early provision of credit losses which are not yet incurred in relation to the Group's financial assets measured at amortised cost.

IFRS 15 and Clarifications to IFRS 15

IFRS 15 establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. IFRS 15 will supersede the current revenue recognition guidance including IAS 18 "Revenue", IAS 11 "Construction contracts" and the related interpretations when it becomes effective. The core principle of IFRS 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.

Specifically, IFRS 15 introduces a 5-step approach to revenue recognition:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation

Under IFRS 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when "**control**" of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added in IFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by IFRS 15.

The management of the Group preliminarily considers that the performance obligations that may be identified under IFRS 15 are similar to the current identification of revenue components under the Group's existing revenue recognition policy developed under IAS 18 and therefore, the adoption of IFRS 15 in the future will have no significant impact on recognition of revenue. However, the application of IFRS 15 in future may result in more disclosures.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Future changes in IFRSs (Continued)

IFRS 16 Leases

IFRS 16 significantly changes the lessee accounting by replacing the dual model under IAS 17 with a single model which requires a lessee to recognise assets and liabilities for the rights and obligations created by leases unless the exemptions apply. Besides, among other changes, it requires enhanced disclosures to be provided by lessees and lessors. Based on the preliminary assessment, the management is of the opinion that the leases of certain properties by the Group which are currently classified as operating leases under IAS 17 will trigger the recognition of right-of-use assets and lease liabilities in accordance with IFRS 16. In subsequent measurement, depreciation (and, if applicable, impairment loss) and interest will be recognised on the right-of-use assets and the lease liabilities respectively, of which the amount in total for each reporting period is not expected to be significantly different from the periodic operating lease expenses recognised under IAS 17. Apart from the effects as outlined above, it is not expected that IFRS 16 will have a material impact on the future financial position, financial performance and cash flows of the Group upon adoption.

As set out in Note 27, at 31 December 2016, the total future minimum lease payments under non-cancellable operating leases of the Group in respect of office premises amounted to approximately US\$96,000. The management of the Company does not expect the adoption of IFRS 16 as compared with the current accounting policy would result in significant impact on the Group's financial performance but it is expected that the Group has to separately recognise the interest expenses on the lease liabilities and the depreciation expense on the right-of-use assets, and that certain portion of the future minimum lease payments under the Group's operating leases will be required to be recognised in the Group's combined statements of financial position as right-of-use assets and lease liabilities. The Group will also be required to remeasure the lease liabilities upon the occurrence of certain events such as a change in the lease term and recognise the amount of the remeasurement of the lease liabilities as an adjustment to the right-of-use assets. In addition, payments for the principal portion of the lease liabilities will be presented within financing activities in the Group's combined statements of cash flows.

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4. SEGMENT INFORMATION

The executive directors have been identified as the chief operating decision-makers. The executive directors review the Group’s internal reports in order to assess performance and allocate resources. Management has determined the operating segments based on these reports.

Based on the products, solutions and services offered by the Group to the customers, the executive directors consider that the operating segments of the Group comprise (i) cyber infrastructure solutions and (ii) cyber security solutions.

The measure used for reporting segment results is “**Adjusted EBITDA**” (i.e. “adjusted earnings before interest, taxes, depreciation and amortisation”). To arrive at the Adjusted EBITDA, the Group’s earnings before interest, taxes, depreciation and amortisation are further adjusted for items not specifically attributed to individual segments, such as expenses for the Initial [REDACTED], directors’ and auditors’ remuneration and other head office or corporate administrative costs.

No analysis of the Group’s assets and liabilities by operating segments is presented as it is not regularly provided to the chief operating decision makers for review.

In addition, the Group’s place of domicile is Singapore, where the central management and control is located.

The segment information provided to the executive directors for the reportable segments for the Relevant Periods is as follows:

	Cyber infrastructure solutions	Cyber security solutions	Total
	<i>US\$’000</i>	<i>US\$’000</i>	<i>US\$’000</i>
Year ended 31 December 2014			
Revenue from external customers and reportable segment revenue	<u>922</u>	<u>1,521</u>	<u>2,443</u>
Reportable segment results (Adjusted EBITDA)	<u>327</u>	<u>1,369</u>	<u>1,696</u>
Depreciation and amortisation	<u>2</u>	<u>113</u>	<u>115</u>
Year ended 31 December 2015			
Revenue from external customers and reportable segment revenue	<u>2,117</u>	<u>1,598</u>	<u>3,715</u>
Reportable segment results (Adjusted EBITDA)	<u>837</u>	<u>1,108</u>	<u>1,945</u>
Depreciation and amortisation	<u>4</u>	<u>208</u>	<u>212</u>
Year ended 31 December 2016			
Revenue from external customers and reportable segment revenue	<u>3,567</u>	<u>2,068</u>	<u>5,635</u>
Reportable segment results (Adjusted EBITDA)	<u>891</u>	<u>1,985</u>	<u>2,876</u>
Depreciation and amortisation	<u>39</u>	<u>277</u>	<u>316</u>

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4. SEGMENT INFORMATION (CONTINUED)

Reconciliation of reportable segment results

	Year ended 31 December		
	2014	2015	2016
	US\$'000	US\$'000	US\$'000
Reportable segment results			
(Adjusted EBITDA)	1,696	1,945	2,876
Interest income	—	—	3
Depreciation and amortisation	(115)	(212)	(316)
Unallocated expenses	(210)	(358)	(1,152)
Profit before income tax	1,371	1,375	1,411
Income tax expenses	(8)	(25)	(135)
Profit for the year	<u>1,363</u>	<u>1,350</u>	<u>1,276</u>

Information about geographical areas

The following table sets out information about the geographical location of (i) the Group's revenue from external customers and (ii) the Group's property, plant and equipment and intangible assets ("**Specified Non-current Assets**"). The geographical location of revenue is based on the location of end users. The geographical location of the specified non-current assets is based on the physical location of the assets (in the case of property, plant and equipment, the location of operation to which they are located, in the case of intangible assets, the location of operations).

(a) Revenue from external customers

	Year ended 31 December		
	2014	2015	2016
	US\$'000	US\$'000	US\$'000
Germany	50	—	—
Hong Kong	4	4	5
Indonesia	314	213	66
Laos	224	30	20
Malaysia	664	660	676
Myanmar	808	1,148	221
Philippines	—	86	1,830
Romania	—	—	2
Singapore	104	846	1,280
South Korea	275	—	176
Taiwan	—	198	578
Thailand	—	530	732
United States	—	—	3
Vietnam	—	—	46
	<u>2,443</u>	<u>3,715</u>	<u>5,635</u>

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4. SEGMENT INFORMATION (CONTINUED)

Information about geographical areas (Continued)

(b) Specified Non-current Assets

	At 31 December		
	2014	2015	2016
	US\$'000	US\$'000	US\$'000
Malaysia	—	64	144
Singapore	295	501	430
	<u>295</u>	<u>565</u>	<u>574</u>

Information about major customers

Revenue from customers individually contributing over 10% of the total revenue of the Group for the Relevant Periods is as follows:

	Year ended 31 December		
	2014	2015	2016
	US\$'000	US\$'000	US\$'000
Customer I	709	524	Note
Customer II	657	Note	—
Customer III	275	—	Note
Customer IV	—	434	Note
Customer V	—	—	1,815
Customer VI	—	Note	578

Note: The customer did not contribute over 10% of the total revenue of the Group for the relevant year.

5. REVENUE

	Year ended 31 December		
	2014	2015	2016
	US\$'000	US\$'000	US\$'000
Cyber infrastructure solutions	879	2,007	3,199
Cyber security solutions	1,521	1,592	2,068
Maintenance and support service income	43	116	368
	<u>2,443</u>	<u>3,715</u>	<u>5,635</u>

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6. OTHER INCOME

	Year ended 31 December		
	2014	2015	2016
	US\$'000	US\$'000	US\$'000
Interest income	—	—	3
Government grants	21	11	74
Exchange gain, net	1	—	6
Others	2	2	1
	<u>24</u>	<u>13</u>	<u>84</u>

7. PROFIT BEFORE INCOME TAX

This is stated after charging (crediting):

	Year ended 31 December		
	2014	2015	2016
	US\$'000	US\$'000	US\$'000
Staff costs and related expenses (including directors' remuneration):			
Salaries and other benefits	353	681	1,106
Contributions to defined contribution plans	26	59	91
	<u>379</u>	<u>740</u>	<u>1,197</u>
Less: Staff costs capitalised as "Intangible Assets"	<u>(106)</u>	<u>(288)</u>	<u>(269)</u>
	<u>273</u>	<u>452</u>	<u>928</u>
Auditors' remuneration	11	7	16
Amortisation of intangible assets	98	188	252
Depreciation of property, plant and equipment	17	24	64
Exchange loss (gain), net	(1)	11	(6)
Loss on disposal of property, plant and equipment	4	—	—
Operating lease payments on premises (<i>Note</i>)	31	31	57
Research and development expenses	87	78	102
	<u>87</u>	<u>78</u>	<u>102</u>

Note: The operating lease payments capitalised as "Intangible Assets", amounted to nil, approximately US\$15,000 and US\$24,000 for the years ended 31 December 2014, 2015 and 2016, respectively.

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ACCOUNTANTS' REPORT

8. DIRECTORS' EMOLUMENTS

The Company was incorporated in the Cayman Islands on 22 June 2016 and Mr. Foo and Mr. Edgardo Osillada Gonzales II ("Mr. Gonzales") were appointed as executive directors of the Company on 22 June 2016. Mr. Park Jee Ho, Ms. Lim Joo Seng and Mr. Chan Ming Kit were appointed as independent non-executive directors of the Company on [●].

Certain directors of the Company received remuneration from the entities now comprising the Group during the Relevant Periods for their appointment as employees of these entities. The aggregate amounts of remuneration received and receivable by the directors of the Company during the Relevant Periods are set out below.

Year ended 31 December 2014

	Directors' fees	Salaries and allowances	Discretionary bonus	Contributions to defined contribution plans	Total
	<i>US\$'000</i>	<i>US\$'000</i>	<i>US\$'000</i>	<i>US\$'000</i>	<i>US\$'000</i>
Executive directors					
Mr. Foo	—	50	—	8	58
Mr. Gonzales	—	62	5	—	67
	<u>—</u>	<u>112</u>	<u>5</u>	<u>8</u>	<u>125</u>

Year ended 31 December 2015

	Directors' fees	Salaries and allowances	Discretionary bonus	Contributions to defined contribution plans	Total
	<i>US\$'000</i>	<i>US\$'000</i>	<i>US\$'000</i>	<i>US\$'000</i>	<i>US\$'000</i>
Executive directors					
Mr. Foo	—	74	10	14	98
Mr. Gonzales	—	57	18	—	75
	<u>—</u>	<u>131</u>	<u>28</u>	<u>14</u>	<u>173</u>

Year ended 31 December 2016

	Directors' fees	Salaries and allowances	Discretionary bonus	Contributions to defined contribution plans	Total
	<i>US\$'000</i>	<i>US\$'000</i>	<i>US\$'000</i>	<i>US\$'000</i>	<i>US\$'000</i>
Executive directors					
Mr. Foo	—	96	158	16	270
Mr. Gonzales	—	60	31	—	91
	<u>—</u>	<u>156</u>	<u>189</u>	<u>16</u>	<u>361</u>

During the Relevant Periods, no emoluments were paid by the Group to any of these directors as an inducement to join or upon joining the Group, or as a compensation for loss of office. There was no arrangement under which a director waived or agreed to waive any remuneration during the Relevant Periods.

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9. FIVE HIGHEST PAID INDIVIDUALS

An analysis of the five highest paid individuals during the Relevant Periods is as follows:

	Number of individuals		
	Year ended 31 December		
	2014	2015	2016
Director	2	2	2
Non-director	3	3	3
	<u>5</u>	<u>5</u>	<u>5</u>

Details of the remuneration of the above highest paid non-director individuals are as follows:

	Year ended 31 December		
	2014	2015	2016
	US\$'000	US\$'000	US\$'000
Salaries and allowances	87	155	175
Discretionary bonus	—	6	9
Contributions to defined contribution plans	10	13	18
	<u>97</u>	<u>174</u>	<u>202</u>

The number of these non-director individuals whose emoluments fell within the following emoluments band is as follows:

	Year ended 31 December		
	2014	2015	2016
	Nil to HK\$1,000,000	<u>3</u>	<u>3</u>

During the Relevant Periods, no remuneration was paid by the Group to any of these highest paid non-director individuals as an inducement to join or upon joining the Group, or as a compensation for loss of office. There was no arrangement under which any of these highest paid non-director individuals waived or has agreed to waive any emoluments during the Relevant Periods.

10. INCOME TAX EXPENSES

	Year ended 31 December		
	2014	2015	2016
	US\$'000	US\$'000	US\$'000
Current tax			
Singapore corporate income tax ("Singapore CIT")	8	10	70
Deferred tax	—	15	65
Total income tax expenses for the year	<u>8</u>	<u>25</u>	<u>135</u>

No provision for Hong Kong profits tax has been made as the Group had no assessable profits arising in or derived from Hong Kong for the Relevant Periods. The group entities established in the Cayman Islands and the BVI are exempted from income tax.

Singapore CIT is calculated at 17% of the estimated assessable profits with corporate income tax ("CIT") rebate of 30%, capped at SG\$30,000 for the year ended 31 December 2014 and 50%, capped at SG\$20,000 and SG\$25,000 for the years ended 31 December 2015 and 2016, respectively. Singapore incorporated companies can also enjoy 75% tax exemption on the first SG\$10,000 of normal chargeable income and a further 50% tax exemption on the next SG\$290,000 of normal chargeable income during the Relevant Periods.

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10. INCOME TAX EXPENSES (CONTINUED)

In addition, the Singapore incorporated companies can enjoy tax deductions/allowances of 400% (comprising a 300% "enhanced allowance", subject to a cap, and a 100% "base allowance") on their capital expenditure incurred on qualifying research and development activities and acquisition of qualifying information technology equipment under the "Productivity and Innovation Credit" scheme launched by the Singapore government for each of the years ended 31 December 2014, 2015 and 2016.

Malaysia CIT is calculated at 25%, 25% and 24% of the estimated assessable profits for the years ended 31 December 2014, 2015 and 2016, respectively. GET (Malaysia) enjoys tax rate of 20% on the first RM500,000 and remaining balance of the estimated assessable profits at tax rate of 25% for the years ended 31 December 2014 and 2015 and 19% on the first RM500,000 and remaining balance of the estimated assessable profits at tax rate of 24% for the year ended 31 December 2016.

GET (Malaysia) has obtained the pioneer status effective from November 2015. A pioneer status company is eligible for exemption from income tax on eligible activities and products for five years and subject to submitting a formal request to the Malaysia 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 5-year tax relief period ends.

Reconciliation of income tax expenses

	Year ended 31 December		
	2014	2015	2016
	<i>US\$'000</i>	<i>US\$'000</i>	<i>US\$'000</i>
Profit before income tax	<u>1,371</u>	<u>1,375</u>	<u>1,411</u>
Tax calculated at domestic tax rates applicable to profit in the respective tax jurisdictions	233	234	312
Non-deductible expenses	18	37	110
Tax exempt revenue	(13)	(16)	(26)
Tax rebates	(3)	(3)	(14)
Tax incentives			
— Pioneer status	—	—	(162)
— Research and development expenditures and computer equipment	(228)	(255)	(104)
Others	<u>1</u>	<u>28</u>	<u>19</u>
Income tax expenses	<u>8</u>	<u>25</u>	<u>135</u>

11. EARNINGS PER SHARE

No earnings per share information is presented as its inclusion, for the purpose of the Financial Information, is not considered meaningful.

12. DIVIDENDS

	Year ended 31 December		
	2014	2015	2016
	<i>US\$'000</i>	<i>US\$'000</i>	<i>US\$'000</i>
Dividends declared and paid to the owners of the entities now comprising the Group	<u>—</u>	<u>480</u>	<u>—</u>

No dividends per share information is presented as its inclusion, for the purpose of the Financial Information, is not considered meaningful.

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13. PROPERTY, PLANT AND EQUIPMENT

	<u>Leasehold improvements</u> <i>US\$'000</i>	<u>Furniture, fixtures and office equipment</u> <i>US\$'000</i>	<u>Computer equipment</u> <i>US\$'000</i>	<u>Total</u> <i>US\$'000</i>
Reconciliation of carrying amount				
— Year ended 31 December 2014				
At 1 January 2014	1	1	30	32
Additions	—	—	21	21
Depreciation	(1)	—	(16)	(17)
Disposal	—	—	(4)	(4)
At 31 December 2014	<u>—</u>	<u>1</u>	<u>31</u>	<u>32</u>
Reconciliation of carrying amount				
— Year ended 31 December 2015				
At 1 January 2015	—	1	31	32
Additions	16	9	115	140
Depreciation	(2)	(1)	(21)	(24)
At 31 December 2015	<u>14</u>	<u>9</u>	<u>125</u>	<u>148</u>
Reconciliation of carrying amount				
— Year ended 31 December 2016				
At 1 January 2016	14	9	125	148
Additions	—	1	18	19
Depreciation	(5)	(3)	(56)	(64)
At 31 December 2016	<u>9</u>	<u>7</u>	<u>87</u>	<u>103</u>
At 31 December 2014				
Cost	4	7	131	142
Accumulated depreciation	(4)	(6)	(100)	(110)
Net book value	<u>—</u>	<u>1</u>	<u>31</u>	<u>32</u>
At 31 December 2015				
Cost	20	16	246	282
Accumulated depreciation	(6)	(7)	(121)	(134)
Net book value	<u>14</u>	<u>9</u>	<u>125</u>	<u>148</u>
At 31 December 2016				
Cost	20	15	259	294
Accumulated depreciation	(11)	(8)	(172)	(191)
Net book value	<u>9</u>	<u>7</u>	<u>87</u>	<u>103</u>

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14. INTANGIBLE ASSETS

	Internally developed technologies
	<i>US\$'000</i>
Reconciliation of carrying amount — Year ended 31 December 2014	
At 1 January 2014	240
Additions	121
Amortisation	<u>(98)</u>
At 31 December 2014	<u>263</u>
Reconciliation of carrying amount — Year ended 31 December 2015	
At 1 January 2015	263
Additions	342
Amortisation	<u>(188)</u>
At 31 December 2015	<u>417</u>
Reconciliation of carrying amount — Year ended 31 December 2016	
At 1 January 2016	417
Additions	306
Amortisation	<u>(252)</u>
At 31 December 2016	<u>471</u>
At 31 December 2014	
Cost	378
Accumulated amortisation	<u>(115)</u>
Net book value	<u>263</u>
At 31 December 2015	
Cost	720
Accumulated amortisation	<u>(303)</u>
Net book value	<u>417</u>
At 31 December 2016	
Cost	1,026
Accumulated amortisation	<u>(555)</u>
Net book value	<u>471</u>

Development costs represented costs incurred at the development phase of certain new technologies, which are capitalised and amortised (if applicable) in accordance with the accounting policies set out in Note 3.

The carrying amount of intangible assets yet to be available for use at 31 December 2014, 2015 and 2016 were nil, approximately US\$77,000 and US\$142,000, respectively.

The Group carried out annual impairment test for intangible assets yet to be available for use and intangible assets already in use where an indicator of impairment appears by comparing their recoverable amounts to their carrying amounts at the end of each reporting period.

The recoverable amount of intangible assets yet to be available for use was assessed on the basis of value in use. These assessments used pre-tax cash flow projections based on a three-year financial budget approved by the management. The estimated revenue and costs for each individual intangible asset yet to be available for use within the three-year period were based on management expectation. Projected cash flows are discounted at a suitable pre-tax discount rate to reflect the specific risks involved over the forecasted period.

At 31 December 2014, 2015 and 2016, the management is of the view that (i) there is no impairment indication for the intangible assets already in use and (ii) the intangible assets yet to be available for use were not impaired as their recoverable amounts exceed their carrying amounts.

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ACCOUNTANTS' REPORT

15. INVENTORIES

	At 31 December		
	2014	2015	2016
	US\$'000	US\$'000	US\$'000
Computer hardwares for reselling	38	44	63

16. TRADE AND OTHER RECEIVABLES

	Note	At 31 December		
		2014	2015	2016
		US\$'000	US\$'000	US\$'000
Trade receivables	16(a)	932	1,513	1,715
Other receivables				
Prepayments	(i)	250	57	643
Deposits and other receivables		25	38	31
		275	95	674
		1,207	1,608	2,389

(i) It included prepaid expenses for the Initial [REDACTED] of nil, nil and approximately US\$559,000 at 31 December 2014, 2015 and 2016, respectively.

(a) The Group normally grants credit terms up to 30 days, from the date of issuance of invoices, to its customers and specific progress billing arrangement with the last instalment paid up to 6 months after delivery maybe agreed with individual customers as approved by the management on a case by case basis. The ageing analysis of trade receivables based on invoice date at the end of each reporting period is as follows:

	At 31 December		
	2014	2015	2016
	US\$'000	US\$'000	US\$'000
Within 30 days	409	987	1,227
31 to 60 days	40	433	460
61 to 90 days	18	5	13
Over 90 days	465	88	15
	932	1,513	1,715

At the end of each reporting period, the ageing analysis of the trade receivables by due date is as follows:

	At 31 December		
	2014	2015	2016
		US\$'000	US\$'000
Not yet due	609	1,137	1,607
Past due:			
With 30 days	40	283	80
31 to 60 days	18	5	13
61 to 90 days	76	—	—
Over 90 days	189	88	15
	323	376	108
	932	1,513	1,715

Before accepting any new customer, the Group assesses the potential customer's credit quality and defines credit limits by customer. The majority of the Group's trade receivables that are past due but not impaired have good credit quality with reference to respective settlement history.

APPENDIX I

ACCOUNTANTS' REPORT

16. TRADE AND OTHER RECEIVABLES (CONTINUED)

The Group's trade receivables which are past due at the end of each reporting period but which the Group has not impaired as there has not been any significant changes in credit quality of customers and the management believes that the amounts are fully recoverable.

Receivables that were neither past due nor impaired relate to a wide range of customers for whom there was no history of default. The Group does not hold any collateral over the trade receivables.

17. DUE FROM A RELATED COMPANY

The amount due from a related company is non-trade in nature, unsecured, interest-free and repayable on demand. No provision has been made for the non-repayment of the amount due.

Name of related company	Nature of related-entity connection	Greatest outstanding amount							
		At 31 December			Year ended 31 December				
		2014	2015	2016	2014	2015	2016		
		US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
Global Expert Team Holdings Sdn. Bhd.	Common shareholder and director	—	76	—	—	76	76		

18. TRADE AND OTHER PAYABLES

	Note	At 31 December		
		2014	2015	2016
		US\$'000	US\$'000	US\$'000
Trade payables	18(a)	68	125	265
Other payables				
Accruals and other payables		80	86	48
Receipt in advance		129	221	181
		209	307	229
		277	432	494

(a) Trade payables

At the end of each reporting period, the ageing analysis of the trade payables based on invoice date is as follows:

	At 31 December			
	2014	2015	2016	
		US\$'000	US\$'000	US\$'000
Within 30 days	68	110	261	
31 to 60 days	—	—	—	
61 to 90 days	—	11	1	
Over 90 days	—	4	3	
	68	125	265	

19. DUE TO AN EX-DIRECTOR OF A SUBSIDIARY

The amount due to an ex-director of a subsidiary is non-trade in nature, unsecured, interest-free and repayable on demand.

APPENDIX I

ACCOUNTANTS' REPORT

20. DEFERRED TAX

The movement in the Group's deferred tax liabilities for the Relevant Periods was as follows:

	At 31 December		
	2014	2015	2016
	US\$'000	US\$'000	US\$'000
At the beginning of the reporting period	2	2	17
Charge to profit or loss	—	15	65
At the end of the reporting period	2	17	82

Recognised deferred tax assets and liabilities at the end of each reporting period represent the following:

	Assets			Liabilities		
	2014	2015	2016	2014	2015	2016
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
Depreciation allowance	—	—	—	(2)	(17)	(16)
Intangible assets	—	—	—	—	—	(92)
Tax losses	—	—	26	—	—	—
Offsetting	—	—	26	(2)	(17)	(108)
	—	—	(26)	—	—	26
Net deferred tax liabilities	—	—	—	(2)	(17)	(82)

The unused tax losses have no expiry date under current tax legislation.

21. SHARE CAPITAL

	Note	Number of shares	HK\$	Equivalent to US\$
Ordinary share of HK\$0.01 each				
Authorised				
On 22 June 2016 (date of incorporation) and 31 December 2016		38,000,000	380,000	48,718
Issued and fully paid:				
At incorporation	(i)	1	0.01	—
Issuance of shares on 28 June 2016	(ii)	4,999	49.99	6.41
Issuance of shares on 30 June 2016	(iii)	80,000	800.00	102.56
Issuance of shares on 30 June 2016	(iv)	15,000	150.00	19.23
At 31 December 2016		100,000	1,000.00	128.20

The Company was incorporated as an exempted company with limited liability in the Cayman Islands on 22 June 2016 with an authorised share capital of HK\$380,000 divided into 38,000,000 ordinary shares of HK\$0.01 each.

Notes:

- (i) Upon incorporation, one share was allotted and issued to the initial subscriber at par value which was subsequently transferred to Alpha Sense (BVI) on the same day.
- (ii) On 28 June 2016, the Company issued and allotted 4,999 new shares at par value with a total consideration of HK\$49.99. Among the 4,999 new shares, 3,564 shares were issued and allotted to Alpha Sense (BVI), 551 shares were issued and allotted to Cyber Pioneer Investments Limited ("Cyber Pioneer (BVI)") and 884 shares were issued and allotted to Future Way Investments Limited ("Future Way (BVI)").

APPENDIX I

ACCOUNTANTS' REPORT

21. SHARE CAPITAL (CONTINUED)

- (iii) On 30 June 2016, the Company issued and allotted 80,000 new shares at total consideration of approximately US\$5.4 million under a share swap agreement in exchange of 10,000 shares of Nexion Global (BVI). Among the 80,000 new shares, 57,032 shares were issued and allotted to Alpha Sense (BVI), 8,816 shares were issued and allotted to Cyber Pioneer (BVI) and 14,152 shares were issued and allotted to Future Way (BVI). Due to the fact that the share swap is only a step of the Reorganisation, the shares of the Company as issued were recorded at par value.
- (iv) On 30 June 2016, the Company issued and allotted 15,000 new shares at HK\$624 per share to Vantage Network Global Limited at a total consideration of HK\$9,360,000 (equivalent to approximately US\$1,200,000).

Pursuant to the Reorganisation completed on 30 June 2016, the Company became the holding company of the entities now comprising the Group. Further details of the changes in authorised and issued capital of the Company since its incorporation are set out in the paragraph headed "Reorganisation" of the section headed "History, Reorganisation and Corporate Structure" of the Document.

22. FINANCIAL INFORMATION OF THE COMPANY

(a) Investment in a subsidiary

Investment in a subsidiary represents 100% of the issued capital of Nexion Global (BVI).

(b) Due from a subsidiary

The amount due is unsecured, interest-free and repayable on demand.

(c) Movements of the reserves

The movements of reserves from 22 June 2016 (date of incorporation) to 31 December 2016 are set out below:

		<u>Share premium</u>	<u>Capital reserve</u>	<u>Total</u>
	<i>Note</i>	<i>US\$'000</i> <i>(Note 23)</i>	<i>US\$'000</i> <i>(Note 23)</i>	<i>US\$'000</i>
At 22 June 2016 (date of incorporation)		—	—	—
Transactions with owners				
<i>Contributions and distributions</i>				
Share premium arising from issue of share capital	21(iv)	1,200	—	1,200
Capital reserve arising from issue of share capital under a share swap agreement	21(iii)	—	<u>3,922</u>	<u>3,922</u>
Total transactions with owners		<u>1,200</u>	<u>3,922</u>	<u>5,122</u>
At 31 December 2016		<u>1,200</u>	<u>3,922</u>	<u>5,122</u>

Certain corporate administrative costs of the Company and expenses for the Initial [REDACTED] were borne by the subsidiaries of the Company without recharge.

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ACCOUNTANTS' REPORT

23. RESERVES

Share premium

It represents the excess of the net proceeds from issuance of the Company's shares over its par value. Under the law of the Cayman Islands and the Company's Articles of Association, it is distributable to the Company's shareholders provided that the Company is able to pay its debts as they fall due in the ordinary course of business.

Capital reserve

For the combined statements of financial position of the Group, it represents the aggregate amount of the issued and paid-up share capital of the entities now comprising the Group before completion of the Reorganisation less consideration paid to acquire the relevant interests (if any) upon completion of the Reorganisation.

For the statement of financial position of the Company, it represents the combined net assets value of Nexion Global (BVI) and its subsidiaries upon the execution of share swap, which was acquired by the Company by way of allotment of the Company's share through share swap, less the nominal value of the Company's share issued.

24. RELATED/CONNECTED PARTIES TRANSACTIONS

In addition to the transactions/information disclosed elsewhere in the Financial Information, during the Relevant Periods, the Group had the following transactions with related/connected parties:

(a) Revenue earned

Relationship	Nature of transaction	Year ended 31 December		
		2014 HK\$'000	2015 US\$'000	2016 US\$'000
A connected party	Provision of cyber security solutions and maintenance and support service	194	5	—

A key management personnel of the Group, minority shareholder of the Company and a director of the Company's subsidiary, Mr. Chan Kok Liang Frankie, had 49% shareholding interest in the connected party prior to May 2015. The connected party acts as a channel partner of the Group and the products and services are ultimately provided to an independent third party. In the opinion of the management, the transactions are conducted under normal commercial terms that are fair and reasonable and in the best interests of the Group.

(b) Remuneration for key management personnel (including directors) of the Group

	Year ended 31 December		
	2014 US\$'000	2015 US\$'000	2016 US\$'000
Salaries and allowances	162	292	515
Contributions to defined contribution retirement schemes	10	29	36
	<u>172</u>	<u>321</u>	<u>551</u>

Further details of the directors' remuneration are set out in Note 8.

(c) Personal guarantee issued

The Ultimate Controlling Party has provided an unlimited personal guarantee in respect of the bank loan obtained by Netsis (Singapore) from a bank in Singapore with utilised amount of US\$4,000 at 31 December 2013. The bank loan was fully repaid in January 2014.

APPENDIX I

ACCOUNTANTS' REPORT

25. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments comprise amounts due from related parties and bank balances and cash. The main purpose of these financial instruments is to raise and maintain finance for the Group's operations. The Group has various other financial instruments such as trade and other receivables/payables which arise directly from its business activities.

The main risks arising from the Group's financial instruments are credit risk, currency risk and liquidity risk. The Group does not have any written risk management policies and guidelines. However, the management generally adopts conservative strategies on its risk management and limits the Group's exposure to these risks to a minimum level as follows:

Credit risk

Credit risk refers to the risk that debtors will default on their obligations to repay the amounts due to the Group, resulting in a loss to the Group. The Group's credit risk is mainly attributable to trade and other receivables, amount due from related company and bank balances and cash. The Group limits its exposure to credit risk by selecting the counterparties with reference to their past credit history and/or market reputation. The Group's maximum exposure to the credit risk is summarised as follows:

	At 31 December		
	2014	2015	2016
	<i>US\$'000</i>	<i>US\$'000</i>	<i>US\$'000</i>
Trade and other receivables	957	1,551	1,746
Due from a related company	—	76	—
Bank balances and cash	790	1,051	3,000
	<u>1,747</u>	<u>2,678</u>	<u>4,746</u>

The Group trades with recognised and creditworthy third parties. The receivable balances are monitored on an ongoing basis by senior management and the Group's exposure to bad debts is not significant.

The management considers the credit risk in respect of bank balances and cash is minimal because the counterparties are authorised financial institutions with high credit ratings.

In order to minimise the credit risk, the management of the Group closely monitors the credit limits granted to individual customers and implements appropriate monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual debtors at the end of each reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the management of the Group considers that the Group's credit risk is significantly reduced.

At 31 December 2014, 2015 and 2016, the Group had a concentration of credit risk as approximately 33%, 23% and 42%, respectively, of the total trade receivables was due from the Group's largest trade debtor and approximately 94%, 77% and 86%, respectively, of the total trade receivables was due from the Group's five largest trade debtors.

Foreign currency risk

During the Relevant Periods, the Group had a minimal exposure to foreign currency risk as most of its business transactions, assets and liabilities were principally denominated in the functional currency of the operating subsidiaries of the Group, i.e. US\$.

At 31 December 2014, 2015 and 2016, the Group does not have a foreign currency hedging policy in respect of its foreign currency assets and liabilities. The Group will closely monitor its foreign currency exposure and will consider using hedging instruments in respect of significant foreign currency exposure as and when appropriate.

APPENDIX I

ACCOUNTANTS' REPORT

25. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Liquidity risk

The Group's objective is to maintain a balance between continuity of funding and flexibility. The Group has no specific policy for managing its liquidity. The remaining undiscounted contractual maturity profile of the Group's non-derivative financial liabilities, which are all interest-free, at the end of each reporting period, based on the earliest date on which the Group is required to settle, is within one year or repayable on demand.

Fair value

The carrying amount of the financial assets and liability carried at amortised cost in the Financial Information approximate their fair values due to the relative short-term maturity of these financial instruments.

26. CAPITAL MANAGEMENT

The objectives of the Group's capital management are to safeguard the Group's ability to continue as a going concern and to provide returns for equity owners. The Group manages its capital structure and makes adjustments, including payment of dividends to equity owners, call for additional capital from equity owners or sale of assets to reduce debts. No changes were made in the objectives, policies or processes during the Relevant Periods.

27. OPERATING LEASE COMMITMENTS

The Group leases a number of properties under operating leases, which typically run for an initial period of 1 to 2 years. None of the leases includes contingent rentals.

At the end of each reporting period, the Group had total future minimum lease payments under non-cancellable operating leases, which are payable as follows:

	At 31 December		
	2014	2015	2016
	<i>US\$'000</i>	<i>US\$'000</i>	<i>US\$'000</i>
Within one year	28	83	81
In the second to fifth years inclusive	90	126	15
	<u>118</u>	<u>209</u>	<u>96</u>

28. EVENTS AFTER THE REPORTING PERIOD

Subsequent to 31 December 2016, the Group has the following subsequent events:

- (i) Pursuant to the resolution of the shareholders passed on [●], inter- alia, the authorised share capital of the Company was increased from HK\$380,000 to HK\$[REDACTED] by the creation of an additional 5,962,000,000 shares of HK\$0.01 each and the [REDACTED] (as defined below) was conditionally approved.
- (ii) Pursuant to the resolutions in writing of the Company's shareholders passed on [●], subject to the share premium account of the Company being credited as a result of the [REDACTED] of the Company's shares, the directors of the Company were authorised to allot and issue a total of [REDACTED] shares of HK\$0.01 each to the existing shareholders, credited as fully paid at par by way of capitalisation of the sum of HK\$[REDACTED] standing to be credit of the share premium account of the Company ("the [REDACTED]") and the shares to be allotted and issued pursuant to this resolution shall carry the same rights as all shares in issue (save for the right to participate in the [REDACTED]).

C. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared in accordance with IFRSs and/or other applicable financial reporting standards for the Company or any of its subsidiaries in respect of any period subsequent to 31 December 2016.

Yours faithfully,

Mazars CPA Limited
Certified Public Accountants
42nd Floor, Central Plaza
18 Harbour Road, Wanchai
Hong Kong

Mazars LLP
*Public Accountants and Chartered
Accountants of Singapore*
135 Cecil Street
#10-01 MYP Plaza
Singapore 069536

APPENDIX II UNAUDITED PRO FORMA FINANCIAL INFORMATION

The information set forth in this appendix does not form part of the Accountants' Report prepared by Mazars CPA Limited, Certified Public Accountants, Hong Kong, and Mazars LLP, Public Accountants and Chartered Accountants of Singapore, the joint reporting accountants of the Company, as set forth in Appendix I to this document, and is included herein for information purposes only. The unaudited pro forma financial information should be read in conjunction with the section headed "Financial Information" in this document and the Accountants' Report set forth in Appendix I to this document.

A. UNAUDITED PRO FORMA STATEMENT OF ADJUSTED COMBINED NET TANGIBLE ASSETS

The unaudited pro forma statement of adjusted combined net tangible assets of the Group is prepared in accordance with Rule 7.31 of the GEM Listing Rules and with reference to Accounting Guideline 7 "Preparation of Pro Forma Financial Information for inclusion in Investment Circulars" issued by the Hong Kong Institute of Certified Public Accountants for illustrative purposes only, and is set out below to illustrate the effect of the [REDACTED] on the combined net tangible assets of the Group attributable to the owners of the Company at 31 December 2016 as if the [REDACTED] had taken place on that date and is prepared based on the audited combined net tangible assets of the Group attributable to the owners of the Company at 31 December 2016 derived from the Accountants' Report, as set out in Appendix I to this document and adjusted as indicated below.

This unaudited pro forma statement of adjusted combined net tangible assets of the Group has been prepared for illustrative purposes only and because of its hypothetical nature, it may not give a true picture of the financial position of the Group at 31 December 2016 or at any future dates following the [REDACTED].

	Audited combined net tangible assets attributable to the owners of the Company at 31 December 2016		Estimated [REDACTED] from the [REDACTED]		Unaudited pro forma adjusted combined net tangible assets attributable to the owners of the Company		Unaudited pro forma adjusted combined net tangible assets attributable to the owners of the Company per Share	
	(Note 1) US\$'000	(Note 5) HK\$'000	(Note 2, 5) US\$'000	(Note 2) HK\$'000	(Note 5) US\$'000	(Note 5) HK\$'000	(Note 3) US\$	(Note 5) HK\$
Based on the [REDACTED] of HK\$[REDACTED] per [REDACTED]	4,908	38,282	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Based on the [REDACTED] of HK\$[REDACTED] per [REDACTED]	4,908	38,282	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]

APPENDIX II**UNAUDITED PRO FORMA FINANCIAL INFORMATION**

NOTES TO THE UNAUDITED PRO FORMA STATEMENT OF ADJUSTED COMBINED NET TANGIBLE ASSETS

1. The audited combined net tangible assets of the Group attributable to the owners of the Company as at 31 December 2016 is based on the audited combined net assets attributable to the owners of the Company as at 31 December 2016 of approximately US\$5,379,000 with an adjustment for the intangible assets at 31 December 2016 of approximately US\$471,000, extracted from the combined financial information included in the Accountants' Report as set out in Appendix I to this document.
2. The estimated [REDACTED] from the [REDACTED] are based on [REDACTED] new Shares and the indicative [REDACTED] of HK\$[REDACTED] and HK\$[REDACTED] per [REDACTED], respectively, after deduction of relevant estimated [REDACTED] commissions and fees and other related expenses payable by the Company excluding approximately US\$[REDACTED] [REDACTED]-related expenses which has been accounted for prior to 31 December 2016. The estimated [REDACTED] have not taken into account any Shares which may be allotted and issued pursuant to the exercise of the [REDACTED] or any Shares which may be allotted and issued or repurchased by the Company pursuant to the general mandates given to the Directors.
3. The calculation of the pro forma adjusted combined net tangible assets of the Group attributable to the owners of the Company per Share is based on [REDACTED] Shares expected to be in issue after the completion of the [REDACTED] and the [REDACTED]. It has not taken into account any Shares which may be allotted and issued pursuant to the exercise of the [REDACTED] or any Shares which may be allotted and issued or repurchased by the Company pursuant to the general mandates given to the Directors.
4. No adjustment has been made to reflect any trading result or other transactions of the Group entered into subsequent to 31 December 2016.
5. These amounts are converted from US dollars to Hong Kong dollars or Hong Kong dollars to US dollars at an exchange rate of US\$1 to HK\$7.8. No representation is made that US dollars/Hong Kong dollars amount have been, could have been or may be converted to Hong Kong dollars/US dollars at that rate or at all.

APPENDIX II**UNAUDITED PRO FORMA FINANCIAL INFORMATION**

The following is the text of a report received from the independent joint reporting accountants of the Company, Mazars CPA Limited, Certified Public Accountants, Hong Kong and Mazars LLP, Public Accountants and Chartered Accountants of Singapore, in respect of the Group's unaudited pro forma financial information prepared for the purpose of incorporation in this document.

B. ASSURANCE REPORT FROM THE INDEPENDENT REPORTING ACCOUNTANTS ON THE UNAUDITED PRO FORMA STATEMENT OF ADJUSTED COMBINED NET TANGIBLE ASSETS OF THE GROUP



[•]

The Directors
Nexion Technologies Limited
Southwest Securities (HK) Capital Limited

Dear Sirs,

We have completed our assurance engagement to report on the compilation of unaudited pro forma financial information of Nexion Technologies Limited (the "**Company**") and its subsidiaries (hereinafter collectively referred to as the "**Group**") prepared by the directors of the Company (the "**Directors**"). The unaudited pro forma financial information consists of the unaudited pro forma statement of adjusted combined net tangible assets attributable to the owners of the Company at 31 December 2016 and related notes as set out on pages II-1 to II-2 of Appendix II to the document issued by the Company dated [•] (the "**Document**"). The applicable criteria on the basis of which the Directors have compiled the unaudited pro forma financial information are described on pages II-1 to II-2 of Appendix II to the Document.

The unaudited pro forma financial information has been compiled by the Directors to illustrate the impact of the proposed [REDACTED] of the Company's shares on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited by the way of [REDACTED] on the Group's financial position at 31 December 2016 as if the event had had taken place at 31 December 2016. As part of this process, information about the Group's financial position at 31 December 2016 has been extracted by the Directors from the Group's financial information for the year ended 31 December 2016, on which an accountants' report set out in Appendix I to the Document has been published.

Directors' responsibility for the unaudited pro forma financial information

The Directors are responsible for compiling the unaudited pro forma financial information in accordance with paragraph 7.31 of the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited (the "**GEM Listing Rules**") and with reference to Accounting Guideline 7 "Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars" ("**AG 7**") issued by the Hong Kong Institute of Certified Public Accountants (the "**HKICPA**").

APPENDIX II

UNAUDITED PRO FORMA FINANCIAL INFORMATION

Reporting accountants' 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 HKICPA, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

We apply Hong Kong Standard on Quality Control 1 "Quality Control for Firms That Perform Audits and Reviews of Historical Financial Information, and Other Assurance and Related Services Engagements" issued by the HKICPA and accordingly maintain 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' responsibilities

Our responsibility is to express an opinion, as required by paragraph 7.31(7) of the GEM Listing Rules, on the unaudited pro forma financial information and to report our opinion to you. We did not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the unaudited pro forma financial information beyond that owed to those to whom those report were addressed by us at the date of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements ("HKSAE") 3420 "Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus" issued by the HKICPA. This standard requires that the reporting accountants plan and perform procedures to obtain reasonable assurance about whether the Directors have compiled, in all material respects, the unaudited pro forma financial information in accordance with paragraph 7.31 of the GEM Listing Rules and with reference to AG 7.

For purpose of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the unaudited pro forma financial information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the unaudited pro forma financial information.

The purpose of unaudited pro forma financial information included in a document is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the Group as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the event or transaction at 31 December 2016 would have been as presented.

A reasonable assurance engagement to report on whether the unaudited pro forma financial information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the Directors in the compilation of the unaudited pro forma financial information provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

- the related pro forma adjustments give appropriate effect to those criteria; and
- the unaudited pro forma financial information reflects the proper application of those adjustments to the unadjusted financial information.

APPENDIX II UNAUDITED PRO FORMA FINANCIAL INFORMATION

The procedures selected depend on the reporting accountants' judgement, having regard to the reporting accountants' understanding of the nature of the Group, the event or transaction in respect of which the unaudited pro forma financial information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the unaudited pro forma financial information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion:

- (a) the unaudited pro forma financial information has been properly compiled on the basis stated;
- (b) such basis is consistent with the accounting policies of the Group; and
- (c) the adjustments are appropriate for the purposes of the unaudited pro forma financial information as disclosed pursuant to paragraph 7.31(1) of the GEM Listing Rules.

Yours faithfully,

Mazars CPA Limited
Certified Public Accountants
42nd Floor, Central Plaza
18 Harbour Road, Wanchai
Hong Kong

Mazars LLP
*Public Accountants and Chartered
Accountants of Singapore*
135 Cecil Street
#10-01 MYP Plaza
Singapore 069536

**APPENDIX III SUMMARY OF THE CONSTITUTION OF THE COMPANY
AND CAYMAN COMPANY LAW**

SUMMARY OF THE CONSTITUTION OF THE COMPANY

1 Memorandum of Association

The Memorandum of the Company was conditionally adopted on [●] and states, *inter alia*, that the liability of the members of the Company is limited, that the objects for which the Company is established are unrestricted and the Company shall have full power and authority to carry out any object not prohibited by the Cayman Company Law or any other law of the Cayman Islands.

The Memorandum is available for inspection at the address specified in Appendix V in the section headed "Documents available for inspection".

2 Articles of Association

The Articles of the Company were conditionally adopted on [●] and include provisions to the following effect:

2.1 Classes of Shares

The share capital of the Company consists of ordinary shares. The capital of the Company at the date of adoption of the Articles is HK\$10,000,000 divided into 1,000,000,000 shares of HK\$0.01 each.

2.2 Directors

(a) *Power to allot and issue Shares*

Subject to the provisions of the Cayman Company Law and the Memorandum and Articles of Association, the unissued shares in the Company (whether forming part of its original or any increased capital) shall be at the disposal of the Directors, who may offer, allot, grant options over or otherwise dispose of them to such persons, at such times and for such consideration, and upon such terms, as the Directors shall determine.

Subject to the provisions of the Articles and to any direction that may be given by the Company in general meeting and without prejudice to any special rights conferred on the holders of any existing shares or attaching to any class of shares, any share may be issued with or have attached thereto such preferred, deferred, qualified or other special rights or restrictions, whether in regard to dividend, voting, return of capital or otherwise, and to such persons at such times and for such consideration as the Directors may determine. Subject to the Cayman Company Law and to any special rights conferred on any shareholders or attaching to any class of shares, any share may, with the sanction of a special resolution, be issued on terms that it is, or at the option of the Company or the holder thereof, liable to be redeemed.

(b) *Power to dispose of the assets of the Company or any subsidiary*

The management of the business of the Company shall be vested in the Directors who, in addition to the powers and authorities by the Articles expressly conferred upon them, may exercise all such powers and do all such acts and things as may be exercised or done or approved by the Company and are not by the Articles or the Cayman Company Law expressly directed or required to be exercised or done

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by the Company in general meeting, but subject nevertheless to the provisions of the Cayman Company Law and of the Articles and to any regulation from time to time made by the Company in general meeting not being inconsistent with such provisions or the Articles of Association, provided that no regulation so made shall invalidate any prior act of the Directors which would have been valid if such regulation had not been made.

(c) *Compensation or payment for loss of office*

Payment to any Director or past Director of any sum by way of compensation for loss of office or as consideration for or in connection with his retirement from office (not being a payment to which the Director is contractually entitled) must first be approved by the Company in general meeting.

(d) *Loans to Directors*

There are provisions in the Articles prohibiting the making of loans to Directors or their respective close associates which are equivalent to the restrictions imposed by the Companies Ordinance.

(e) *Financial assistance to purchase Shares*

Subject to all applicable laws, the Company may give financial assistance to Directors and employees of the Company, its subsidiaries or any holding company or any subsidiary of such holding company in order that they may buy shares in the Company or any such subsidiary or holding company. Further, subject to all applicable laws, the Company may give financial assistance to a trustee for the acquisition of shares in the Company or shares in any such subsidiary or holding company to be held for the benefit of employees of the Company, its subsidiaries, any holding company of the Company or any subsidiary of any such holding company (including salaried Directors).

(f) *Disclosure of interest in contracts with the Company or any of its subsidiaries*

No Director or proposed Director shall be disqualified by his office from contracting with the Company either as vendor, purchaser or otherwise nor shall any such contract or any contract or arrangement entered into by or on behalf of the Company with any person, company or partnership of or in which any Director shall be a member or otherwise interested be capable on that account of being avoided, nor shall any Director so contracting or being any member or so interested be liable to account to the Company for any profit so realised by any such contract or arrangement by reason only of such Director holding that office or the fiduciary relationship thereby established, provided that such Director shall, if his interest in such contract or arrangement is material, declare the nature of his interest at the earliest meeting of the board of Directors at which it is practicable for him to do so, either specifically or by way of a general notice stating that, by reason of the facts specified in the notice, he is to be regarded as interested in any contracts of a specified description which may be made by the Company.

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A Director shall not be entitled to vote on (nor shall be counted in the quorum in relation to) any resolution of the Directors in respect of any contract or arrangement or any other proposal in which the Director or any of his close associates (or, if required by the Listing Rules, his other associates) has any material interest, and if he shall do so his vote shall not be counted (nor is he to be counted in the quorum for the resolution), but this prohibition shall not apply to any of the following matters, namely:

- (i) the giving to such Director or any of his close associates of any security or indemnity in respect of money lent or obligations incurred or undertaken by him or any of them at the request of or for the benefit of the Company or any of its subsidiaries;
- (ii) the giving of any security or indemnity to a third party in respect of a debt or obligation of the Company or any of its subsidiaries for which the Director or any of his close associates has himself/themselves assumed responsibility in whole or in part and whether alone or jointly under a guarantee or indemnity or by the giving of security;
- (iii) any proposal concerning an offer of shares, debentures or other securities of or by the Company or any other company which the Company may promote or be interested in for subscription or purchase where the Director or any of his close associates is/are or is/are to be interested as a participant in the [REDACTED] or sub-[REDACTED] of the offer;
- (iv) any proposal or arrangement concerning the benefit of employees of the Company or any of its subsidiaries including:
 - (A) the adoption, modification or operation of any employees' share scheme or any share incentive scheme or share option scheme under which the Director or any of his close associates may benefit; or
 - (B) the adoption, modification or operation of a pension or provident fund or retirement, death or disability benefits scheme which relates both to Directors, their close associates and employees of the Company or any of its subsidiaries and does not provide in respect of any Director or any of his close associates, as such any privilege or advantage not generally accorded to the class of persons to which such scheme or fund relates; and
- (v) any contract or arrangement in which the Director or any of his close associates is/are interested in the same manner as other holders of shares or debentures or other securities of the Company by virtue only of his/their interest in shares or debentures or other securities of the Company.
- (g) *Remuneration*

The Directors shall be entitled to receive by way of remuneration for their services such sum as shall from time to time be determined by the Directors, or the Company in general meeting, as the case may be, such sum (unless otherwise directed by the resolution by which it is determined) to be divided amongst the Directors in such proportions and in such manner as they may agree, or failing agreement, equally, except that in such event any Director holding office for less than the whole of the relevant period in respect of which the remuneration is paid shall only

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rank in such division in proportion to the time during such period for which he has held office. Such remuneration shall be in addition to any other remuneration to which a Director who holds any salaried employment or office in the Company may be entitled by reason of such employment or office.

The Directors shall also be entitled to be paid all expenses, including travel expenses, reasonably incurred by them in or in connection with the performance of their duties as Directors including their expenses of travelling to and from board meetings, committee meetings or general meetings or otherwise incurred whilst engaged on the business of the Company or in the discharge of their duties as Directors.

The Directors may grant special remuneration to any Director who shall perform any special or extra services at the request of the Company. Such special remuneration may be made payable to such Director in addition to or in substitution for his ordinary remuneration as a Director, and may be made payable by way of salary, commission or participation in profits or otherwise as may be agreed.

The remuneration of an executive Director or a Director appointed to any other office in the management of the Company shall from time to time be fixed by the Directors and may be by way of salary, commission or participation in profits or otherwise or by all or any of those modes and with such other benefits (including share option and/or pension and/or gratuity and/or other benefits on retirement) and allowances as the Directors may from time to time decide. Such remuneration shall be in addition to such remuneration as the recipient may be entitled to receive as a Director.

(h) *Retirement, appointment and removal*

The Directors shall have power at any time and from time to time to appoint any person to be a Director, either to fill a casual vacancy or as an addition to the existing Directors. Any Director so appointed shall hold office only until the next general meeting of the Company and shall then be eligible for re-election at that meeting.

The Company may by ordinary resolution remove any Director (including a Managing Director or other executive Director) before the expiration of his period of office notwithstanding anything in the Articles or in any agreement between the Company and such Director (but without prejudice to any claim for compensation or damages payable to him in respect of the termination of his appointment as Director or of any other appointment of office as a result of the termination of this appointment as Director). The Company may by ordinary resolution appoint another person in his place. Any Director so appointed shall hold office during such time only as the Director in whose place he is appointed would have held the same if he had not been removed. The Company may also by ordinary resolution elect any person to be a Director, either to fill a casual vacancy or as an addition to the existing Directors. Any Director so appointed shall hold office only until the next following general meeting of the Company and shall then be eligible for re-election but shall not be taken into account in determining the Directors who are to retire by rotation at such meeting. No person shall, unless recommended by the Directors, be eligible for election to the office of Director at any general meeting unless, during the period, which shall be at least seven days, commencing no earlier than the day after the despatch of the notice of the meeting appointed for such election and ending no later than seven days prior to the date of such meeting, there has been given to the Secretary of the Company

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notice in writing by a member of the Company (not being the person to be proposed) entitled to attend and vote at the meeting for which such notice is given of his intention to propose such person for election and also notice in writing signed by the person to be proposed of his willingness to be elected.

There is no shareholding qualification for Directors nor is there any specified age limit for Directors.

The office of a Director shall be vacated:

- (i) if he resigns his office by notice in writing to the Company at its registered office or its principal office in Hong Kong;
- (ii) if an order is made by any competent court or official on the grounds that he is or may be suffering from mental disorder or is otherwise incapable of managing his affairs and the Directors resolve that his office be vacated;
- (iii) if, without leave, he is absent from meetings of the Directors (unless an alternate Director appointed by him attends) for 12 consecutive months, and the Directors resolve that his office be vacated;
- (iv) if he becomes bankrupt or has a receiving order made against him or suspends payment or compounds with his creditors generally;
- (v) if he ceases to be or is prohibited from being a Director by law or by virtue of any provision in the Articles of Association;
- (vi) if he is removed from office by notice in writing served upon him signed by not less than three-fourths in number (or, if that is not a round number, the nearest lower round number) of the Directors (including himself) for the time being then in office; or
- (vii) if he shall be removed from office by an ordinary resolution of the members of the Company under the Articles of Association.

At every annual general meeting of the Company one-third of the Directors for the time being, or, if their number is not three or a multiple of three, then the number nearest to, but not less than, one-third, shall retire from office by rotation, provided that every Director (including those appointed for a specific term) shall be subject to retirement by rotation at least once every three years. A retiring Director shall retain office until the close of the meeting at which he retires and shall be eligible for re-election thereat. The Company at any annual general meeting at which any Directors retire may fill the vacated office by electing a like number of persons to be Directors.

(i) *Borrowing powers*

The Directors may from time to time at their discretion exercise all the powers of the Company to raise or borrow or to secure the payment of any sum or sums of money for the purposes of the Company and to mortgage or charge its undertaking, property and assets (present and future) and uncalled capital or any part thereof.

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(j) *Proceedings of the Board*

The Directors may meet together for the despatch of business, adjourn and otherwise regulate their meetings and proceedings as they think fit in any part of the world. Questions arising at any meeting shall be determined by a majority of votes. In the case of an equality of votes, the chairman of the meeting shall have a second or casting vote.

2.3 Alteration to constitutional documents

No alteration or amendment to the Memorandum or Articles may be made except by special resolution.

2.4 Variation of rights of existing shares or classes of shares

If at any time the share capital of the Company is divided into different classes of shares, all or any of the rights attached to any class of shares for the time being issued (unless otherwise provided for in the terms of issue of the shares of that class) may, subject to the provisions of the Cayman Company Law, be varied or abrogated either with the consent in writing of the holders of not less than three-fourths in nominal value of the issued shares of that class or with the sanction of a special resolution passed at a separate meeting of the holders of the shares of that class. To every such separate meeting all the provisions of the Articles relating to general meetings shall *mutatis mutandis* apply, but so that the quorum for the purposes of any such separate meeting and of any adjournment thereof shall be a person or persons together holding (or representing by proxy or duly authorised representative) at the date of the relevant meeting not less than one-third in nominal value of the issued shares of that class.

The special rights conferred upon the holders of shares of any class shall not, unless otherwise expressly provided in the rights attaching to or the terms of issue of such shares, be deemed to be varied by the creation or issue of further shares ranking *pari passu* therewith.

2.5 Alteration of capital

The Company may, from time to time, whether or not all the shares for the time being authorised shall have been issued and whether or not all the shares for the time being issued shall have been fully paid up, by ordinary resolution, increase its share capital by the creation of new shares, such new capital to be of such amount and to be divided into shares of such respective amounts as the resolution shall prescribe.

The Company may from time to time by ordinary resolution:

- (a) consolidate and divide all or any of its share capital into shares of a larger amount than its existing shares. On any consolidation of fully paid shares and division into shares of larger amount, the Directors may settle any difficulty which may arise as they think expedient and in particular (but without prejudice to the generality of the foregoing) may as between the holders of shares to be consolidated determine which particular shares are to be consolidated into each consolidated share, and if it shall happen that any person shall become entitled to fractions of a consolidated share or shares, such fractions may be sold by some person appointed by the Directors for that purpose and the person so appointed may transfer the shares so sold to the purchaser thereof and the

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validity of such transfer shall not be questioned, and so that the [REDACTED] of such sale (after deduction of the expenses of such sale) may either be distributed among the persons who would otherwise be entitled to a fraction or fractions of a consolidated share or shares rateably in accordance with their rights and interests or may be paid to the Company for the Company's benefit;

- (b) cancel any shares which at the date of the passing of the resolution have not been taken or agreed to be taken by any person, and diminish the amount of its share capital by the amount of the shares so cancelled subject to the provisions of the Cayman Company Law; and
- (c) sub-divide its shares or any of them into shares of smaller amount than is fixed by the Memorandum of Association, subject nevertheless to the provisions of the Cayman Company Law, and so that the resolution whereby any share is subdivided may determine that, as between the holders of the shares resulting from such sub-division, one or more of the shares may have any such preferred or other special rights, over, or may have such deferred rights or be subject to any such restrictions as compared with the others as the Company has power to attach to unissued or new shares.

The Company may by special resolution reduce its share capital or any capital redemption reserve in any manner authorised and subject to any conditions prescribed by the Cayman Company Law.

2.6 *Special resolution — majority required*

A "special resolution" is defined in the Articles to have the meaning ascribed thereto in the Cayman Company Law, for which purpose, the requisite majority shall be not less than three-fourths of the votes of such members of the Company as, being entitled to do so, vote in person or, in the case of corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting of which notice specifying the intention to propose the resolution as a special resolution has been duly given and includes a special resolution approved in writing by all of the members of the Company entitled to vote at a general meeting of the Company in one or more instruments each signed by one or more of such members, and the effective date of the special resolution so adopted shall be the date on which the instrument or the last of such instruments (if more than one) is executed.

In contrast, an "ordinary resolution" is defined in the Articles to mean a resolution passed by a simple majority of the votes of such members of the Company as, being entitled to do so, vote in person or, in the case of corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting held in accordance with the Articles and includes an ordinary resolution approved in writing by all the members of the Company aforesaid.

2.7 *Voting rights*

Subject to any special rights, privileges or restrictions as to voting for the time being attached to any class or classes of shares, at any general meeting on a poll every member present in person (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy shall have one vote for each share registered in his name in the register of members of the Company.

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Where any member is, under the Listing Rules, required to abstain from voting on any particular resolution or restricted to voting only for or only against any particular resolution, any votes cast by or on behalf of such member in contravention of such requirement or restriction shall not be counted.

In the case of joint registered holders of any share, any one of such persons may vote at any meeting, either personally or by proxy, in respect of such share as if he were solely entitled thereto; but if more than one of such joint holders be present at any meeting personally or by proxy, that one of the said persons so present being the most or, as the case may be, the more senior shall alone be entitled to vote in respect of the relevant joint holding and, for this purpose, seniority shall be determined by reference to the order in which the names of the joint holders stand on the register in respect of the relevant joint holding.

A member of the Company in respect of whom an order has been made by any competent court or official on the grounds that he is or may be suffering from mental disorder or is otherwise incapable of managing his affairs may vote by any person authorised in such circumstances to do so and such person may vote by proxy.

Save as expressly provided in the Articles or as otherwise determined by the Directors, no person other than a member of the Company duly registered and who shall have paid all sums for the time being due from him payable to the Company in respect of his shares shall be entitled to be present or to vote (save as proxy for another member of the Company), or to be reckoned in a quorum, either personally or by proxy at any general meeting.

At any general meeting a resolution put to the vote of the meeting shall be decided by way of a poll save that the chairman of the meeting may allow a resolution which relates purely to a procedural or administrative matter as prescribed under the Listing Rules to be voted on by a show of hands.

If a recognised clearing house (or its nominee(s)) is a member of the Company it may authorise such person or persons as it thinks fit to act as its proxy(ies) or representative(s) at any general meeting of the Company or at any general meeting of any class of members of the Company provided that, if more than one person is so authorised, the authorisation shall specify the number and class of shares in respect of which each such person is so authorised. A person authorised pursuant to this provision shall be entitled to exercise the same rights and powers on behalf of the recognised clearing house (or its nominee(s)) which he represents as that recognised clearing house (or its nominee(s)) could exercise as if it were an individual member of the Company holding the number and class of shares specified in such authorisation, including, where a show of hands is allowed, the right to vote individually on a show of hands.

2.8 Annual general meetings

The Company shall hold a general meeting as its annual general meeting each year, within a period of not more than 15 months after the holding of the last preceding annual general meeting (or such longer period as the Stock Exchange may authorise). The annual general meeting shall be specified as such in the notices calling it.

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2.9 *Accounts and audit*

The Directors shall cause to be kept such books of account as are necessary to give a true and fair view of the state of the Company's affairs and to show and explain its transactions and otherwise in accordance with the Cayman Company Law.

The Directors shall from time to time determine whether, and to what extent, and at what times and places and under what conditions or regulations, the accounts and books of the Company, or any of them, shall be open to the inspection of members of the Company (other than officers of the Company) and no such member shall have any right of inspecting any accounts or books or documents of the Company except as conferred by the Cayman Company Law or any other relevant law or regulation or as authorised by the Directors or by the Company in general meeting.

The Directors shall, commencing with the first annual general meeting, cause to be prepared and to be laid before the members of the Company at every annual general meeting a profit and loss account for the period, in the case of the first account, since the incorporation of the Company and, in any other case, since the preceding account, together with a balance sheet as at the date to which the profit and loss account is made up and a Director's report with respect to the profit or loss of the Company for the period covered by the profit and loss account and the state of the Company's affairs as at the end of such period, an auditor's report on such accounts and such other reports and accounts as may be required by law. Copies of those documents to be laid before the members of the Company at an annual general meeting shall not less than 21 days before the date of the meeting, be sent in the manner in which notices may be served by the Company as provided in the Articles to every member of the Company and every holder of debentures of the Company provided that the Company shall not be required to send copies of those documents to any person of whose address the Company is not aware or to more than one of the joint holders of any shares or debentures.

The Company shall at every annual general meeting appoint an auditor or auditors of the Company who shall hold office until the next annual general meeting. The remuneration of the auditors shall be fixed by the Company at the annual general meeting at which they are appointed provided that in respect of any particular year the Company in general meeting may delegate the fixing of such remuneration to the Directors.

2.10 *Notice of meetings and business to be conducted thereat*

An annual general meeting shall be called by not less than 21 days' notice in writing and any extraordinary general meeting shall be called by not less than 14 days' notice in writing. The notice shall be exclusive of the day on which it is served or deemed to be served and of the day for which it is given, and shall specify the time, place and agenda of the meeting, particulars of the resolutions and the general nature of the business to be considered at the meeting. The notice convening an annual general meeting shall specify the meeting as such, and the notice convening a meeting to pass a special resolution shall specify the intention to propose the resolution as a special resolution. Notice of every general meeting shall be given to the auditors and all members of the Company (other than those who, under the provisions of the Articles or the terms of issue of the shares they hold, are not entitled to receive such notice from the Company).

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Notwithstanding that a meeting of the Company is called by shorter notice than that mentioned above, it shall be deemed to have been duly called if it is so agreed:

- (a) in the case of a meeting called as an annual general meeting, by all members of the Company entitled to attend and vote thereat or their proxies; and
- (b) in the case of any other meeting, by a majority in number of the members having a right to attend and vote at the meeting, being a majority together holding not less than 95% in nominal value of the shares giving that right.

2.11 *Transfer of shares*

Transfers of shares may be effected by an instrument of transfer in the usual common form or in such other form as the Directors may approve which is consistent with the standard form of transfer as prescribed by the Stock Exchange.

The instrument of transfer shall be executed by or on behalf of the transferor and, unless the Directors otherwise determine, the transferee, and the transferor shall be deemed to remain the holder of the share until the name of the transferee is entered in the register of members of the Company in respect thereof. All instruments of transfer shall be retained by the Company.

The Directors may refuse to register any transfer of any share which is not fully paid up or on which the Company has a lien. The Directors may also decline to register any transfer of any shares unless:

- (a) the instrument of transfer is lodged with the Company accompanied by the certificate for the shares to which it relates (which shall upon the registration of the transfer be cancelled) and such other evidence as the Directors may reasonably require to show the right of the transferor to make the transfer;
- (b) the instrument of transfer is in respect of only one class of shares;
- (c) the instrument of transfer is properly stamped (in circumstances where stamping is required);
- (d) in the case of a transfer to joint holders, the number of joint holders to whom the share is to be transferred does not exceed four;
- (e) the shares concerned are free of any lien in favour of the Company; and
- (f) a fee of such amount not exceeding the maximum amount as the Stock Exchange may from time to time determine to be payable (or such lesser sum as the Directors may from time to time require) is paid to the Company in respect thereof.

If the Directors refuse to register a transfer of any share they shall, within two months after the date on which the transfer was lodged with the Company, send to each of the transferor and the transferee notice of such refusal.

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The registration of transfers may, on 10 business days' notice (or on 6 business days' notice in the case of a rights issue) being given by advertisement published on the Stock Exchange's website, or, subject to the Listing Rules, by electronic communication in the manner in which notices may be served by the Company by electronic means as provided in the Articles or by advertisement published in the newspapers, be suspended and the register of members of the Company closed at such times for such periods as the Directors may from time to time determine, provided that the registration of transfers shall not be suspended or the register closed for more than 30 days in any year (or such longer period as the members of the Company may by ordinary resolution determine provided that such period shall not be extended beyond 60 days in any year).

2.12 Power of the Company to purchase its own shares

The Company is empowered by the Cayman Company Law and the Articles to purchase its own shares subject to certain restrictions and the Directors may only exercise this power on behalf of the Company subject to the authority of its members in general meeting as to the manner in which they do so and to any applicable requirements imposed from time to time by the Stock Exchange and the Securities and Futures Commission of Hong Kong. Shares which have been repurchased will be treated as cancelled upon the repurchase.

2.13 Power of any subsidiary of the Company to own shares

There are no provisions in the Articles relating to the ownership of shares by a subsidiary.

2.14 Dividends and other methods of distribution

Subject to the Cayman Company Law and Articles of Association, the Company in general meeting may declare dividends in any currency but no dividends shall exceed the amount recommended by the Directors. No dividend may be declared or paid other than out of profits and reserves of the Company lawfully available for distribution, including share premium.

Unless and to the extent that the rights attached to any shares or the terms of issue thereof otherwise provide, all dividends shall (as regards any shares not fully paid throughout the period in respect of which the dividend is paid) be apportioned and paid pro rata according to the amounts paid up on the shares during any portion or portions of the period in respect of which the dividend is paid. For these purposes no amount paid up on a share in advance of calls shall be treated as paid up on the share.

The Directors may from time to time pay to the members of the Company such interim dividends as appear to the Directors to be justified by the profits of the Company. The Directors may also pay half-yearly or at other intervals to be selected by them at a fixed rate if they are of the opinion that the profits available for distribution justify the payment.

The Directors may retain any dividends or other monies payable on or in respect of a share upon which the Company has a lien, and may apply the same in or towards satisfaction of the debts, liabilities or engagements in respect of which the lien exists. The Directors may also deduct from any dividend or other monies payable to any member of the Company all sums of money (if any) presently payable by him to the Company on account of calls, instalments or otherwise.

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No dividend shall carry interest against the Company.

Whenever the Directors or the Company in general meeting have resolved that a dividend be paid or declared on the share capital of the Company, the Directors may further resolve: (a) that such dividend be satisfied wholly or in part in the form of an allotment of shares credited as fully paid up on the basis that the shares so allotted are to be of the same class as the class already held by the allottee, provided that the members of the Company entitled thereto will be entitled to elect to receive such dividend (or part thereof) in cash in lieu of such allotment; or (b) that the members of the Company entitled to such dividend will be entitled to elect to receive an allotment of shares credited as fully paid up in lieu of the whole or such part of the dividend as the Directors may think fit on the basis that the shares so allotted are to be of the same class as the class already held by the allottee. The Company may upon the recommendation of the Directors by ordinary resolution resolve in respect of any one particular dividend of the Company that notwithstanding the foregoing a dividend may be satisfied wholly in the form of an allotment of shares credited as fully paid without offering any right to members of the Company to elect to receive such dividend in cash in lieu of such allotment.

Any dividend, interest or other sum payable in cash to a holder of shares may be paid by cheque or warrant sent through the post addressed to the registered address of the member of the Company entitled, or in the case of joint holders, to the registered address of the person whose name stands first in the register of members of the Company in respect of the joint holding or to such person and to such address as the holder or joint holders may in writing direct. Every cheque or warrant so sent shall be made payable to the order of the holder or, in the case of joint holders, to the order of the holder whose name stands first on the register of members of the Company in respect of such shares, and shall be sent at his or their risk and the payment of any such cheque or warrant by the bank on which it is drawn shall operate as a good discharge to the Company in respect of the dividend and/or bonus represented thereby, notwithstanding that it may subsequently appear that the same has been stolen or that any endorsement thereon has been forged. The Company may cease sending such cheques for dividend entitlements or dividend warrants by post if such cheques or warrants have been left uncashed on two consecutive occasions. However, the Company may exercise its power to cease sending cheques for dividend entitlements or dividend warrants after the first occasion on which such a cheque or warrant is returned undelivered. Any one of two or more joint holders may give effectual receipts for any dividends or other monies payable or property distributable in respect of the shares held by such joint holders.

Any dividend unclaimed for one year after having been declared may be invested or otherwise made use of by the board for the benefit of the Company until claimed and the Company shall not be constituted a trustee in respect thereof. Any dividend unclaimed for six years from the date of declaration of such dividend may be forfeited by the Directors and shall revert to the Company.

The Directors may, with the sanction of the members of the Company in general meeting, direct that any dividend be satisfied wholly or in part by the distribution of specific assets of any kind, and in particular of paid up shares, debentures or warrants to subscribe securities of any other company, and where any difficulty arises in regard to such distribution the Directors may settle it as they think expedient, and in particular may disregard fractional entitlements, round the same up or down or provide that the same shall accrue to the benefit of the Company, and may fix the value for distribution of such specific

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assets and may determine that cash payments shall be made to any members of the Company upon the footing of the value so fixed in order to adjust the rights of all parties, and may vest any such specific assets in trustees as may seem expedient to the Directors.

2.15 Proxies

Any member of the Company entitled to attend and vote at a meeting of the Company shall be entitled to appoint another person who must be an individual as his proxy to attend and vote instead of him and a proxy so appointed shall have the same right as the member to speak at the meeting. A proxy need not be a member of the Company.

Instruments of proxy shall be in common form or in such other form as the Directors may from time to time approve provided that it shall enable a member to instruct his proxy to vote in favour of or against (or in default of instructions or in the event of conflicting instructions, to exercise his discretion in respect of) each resolution to be proposed at the meeting to which the form of proxy relates. The instrument of proxy shall be deemed to confer authority to vote on any amendment of a resolution put to the meeting for which it is given as the proxy thinks fit. The instrument of proxy shall, unless the contrary is stated therein, be valid as well for any adjournment of the meeting as for the meeting to which it relates provided that the meeting was originally held within 12 months from such date.

The instrument appointing a proxy shall be in writing under the hand of the appointor or his attorney authorised in writing or if the appointor is a corporation either under its seal or under the hand of an officer, attorney or other person authorised to sign the same.

The instrument appointing a proxy and (if required by the Directors) the power of attorney or other authority (if any) under which it is signed, or a notarially certified copy of such power or authority, shall be delivered at the registered office of the Company (or at such other place as may be specified in the notice convening the meeting or in any notice of any adjournment or, in either case, in any document sent therewith) not less than 48 hours before the time appointed for holding the meeting or adjourned meeting at which the person named in the instrument proposes to vote or, in the case of a poll taken subsequently to the date of a meeting or adjourned meeting, not less than 48 hours before the time appointed for the taking of the poll and in default the instrument of proxy shall not be treated as valid. No instrument appointing a proxy shall be valid after the expiration of 12 months from the date named in it as the date of its execution. Delivery of any instrument appointing a proxy shall not preclude a member of the Company from attending and voting in person at the meeting or poll concerned and, in such event, the instrument appointing a proxy shall be deemed to be revoked.

2.16 Calls on shares and forfeiture of shares

The Directors may from time to time make calls upon the members of the Company in respect of any monies unpaid on their shares (whether on account of the nominal amount of the shares or by way of premium or otherwise) and not by the conditions of allotment thereof made payable at fixed times and each member of the Company shall (subject to the Company serving upon him at least 14 days' notice specifying the time and place of payment and to whom such payment shall be made) pay to the person at the time and place so specified the amount called on his shares. A call may be revoked or postponed as the Directors may determine. A person upon whom a call is made shall remain liable on such call notwithstanding the subsequent transfer of the shares in respect of which the call was made.

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A call may be made payable either in one sum or by instalments and shall be deemed to have been made at the time when the resolution of the Directors authorising the call was passed. The joint holders of a share shall be jointly and severally liable to pay all calls and instalments due in respect of such share or other monies due in respect thereof.

If a sum called in respect of a share shall not be paid before or on the day appointed for payment thereof, the person from whom the sum is due shall pay interest on the sum from the day appointed for payment thereof to the time of actual payment at such rate, not exceeding 15% per annum, as the Directors may determine, but the Directors shall be at liberty to waive payment of such interest wholly or in part.

If any call or instalment of a call remains unpaid on any share after the day appointed for payment thereof, the Directors may at any time during such time as any part thereof remains unpaid serve a notice on the holder of such shares requiring payment of so much of the call or instalment as is unpaid together with any interest which may be accrued and which may still accrue up to the date of actual payment.

The notice shall name a further day (not being less than 14 days from the date of service of the notice) on or before which, and the place where, the payment required by the notice is to be made, and shall state that in the event of non-payment at or before the time and at the place appointed, the shares in respect of which such call was made or instalment is unpaid will be liable to be forfeited.

If the requirements of such notice are not complied with, any share in respect of which such notice has been given may at any time thereafter, before payment of all calls or instalments and interest due in respect thereof has been made, be forfeited by a resolution of the Directors to that effect. Such forfeiture shall include all dividends and bonuses declared in respect of the forfeited shares and not actually paid before the forfeiture. A forfeited share shall be deemed to be the property of the Company and may be re-allotted, sold or otherwise disposed of.

A person whose shares have been forfeited shall cease to be a member of the Company in respect of the forfeited shares but shall, notwithstanding the forfeiture, remain liable to pay to the Company all monies which at the date of forfeiture were payable by him to the Company in respect of the shares, together with (if the Directors shall in their discretion so require) interest thereon at such rate not exceeding 15% per annum as the Directors may prescribe from the date of forfeiture until payment, and the Directors may enforce payment thereof without being under any obligation to make any allowance for the value of the shares forfeited, at the date of forfeiture.

2.17 Inspection of register of members

The register of members of the Company shall be kept in such manner as to show at all times the members of the Company for the time being and the shares respectively held by them. The register may, on 10 business days' notice (or on 6 business days' notice in the case of a rights issue) being given by advertisement published on the Stock Exchange's website, or, subject to the Listing Rules, by electronic communication in the manner in which notices may be served by the Company by electronic means as provided in the Articles or by advertisement published in the newspapers, be closed at such times and for such periods as the Directors may from time to time determine either generally or in respect of any class of shares, provided that the register shall not be closed for more than

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30 days in any year (or such longer period as the members of the Company may by ordinary resolution determine provided that such period shall not be extended beyond 60 days in any year).

Any register of members kept in Hong Kong shall during normal business hours (subject to such reasonable restrictions as the Directors may impose) be open to inspection by any member of the Company without charge and by any other person on payment of a fee of such amount not exceeding the maximum amount as may from time to time be permitted under the Listing Rules as the Directors may determine for each inspection.

2.18 Quorum for meetings and separate class meetings

No business shall be transacted at any general meeting unless a quorum is present when the meeting proceeds to business, but the absence of a quorum shall not preclude the appointment, choice or election of a chairman which shall not be treated as part of the business of the meeting.

Two members of the Company present in person or by proxy shall be a quorum provided always that if the Company has only one member of record the quorum shall be that one member present in person or by proxy.

A corporation being a member of the Company shall be deemed for the purpose of the Articles to be present in person if represented by its duly authorised representative being the person appointed by resolution of the directors or other governing body of such corporation or by power of attorney to act as its representative at the relevant general meeting of the Company or at any relevant general meeting of any class of members of the Company.

The quorum for a separate general meeting of the holders of a separate class of shares of the Company is described in paragraph 2.4 above.

2.19 Rights of minorities in relation to fraud or oppression

There are no provisions in the Articles concerning the rights of minority shareholders in relation to fraud or oppression.

2.20 Procedure on liquidation

If the Company shall be wound up, and the assets available for distribution amongst the members of the Company as such shall be insufficient to repay the whole of the paid-up capital, such assets shall be distributed so that, as nearly as may be, the losses shall be borne by the members of the Company in proportion to the capital paid up, or which ought to have been paid up, at the commencement of the winding up on the shares held by them respectively. If in a winding up the assets available for distribution amongst the members of the Company shall be more than sufficient to repay the whole of the capital paid up at the commencement of the winding up, the excess shall be distributed amongst the members of the Company in proportion to the capital paid up at the commencement of the winding up on the shares held by them respectively. The foregoing is without prejudice to the rights of the holders of shares issued upon special terms and conditions.

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If the Company shall be wound up, the liquidator may with the sanction of a special resolution of the Company and any other sanction required by the Cayman Company Law, divide amongst the members of the Company in specie or kind the whole or any part of the assets of the Company (whether they shall consist of property of the same kind or not) and may, for such purpose, set such value as he deems fair upon any property to be divided as aforesaid and may determine how such division shall be carried out as between the members or different classes of members of the Company. The liquidator may, with the like sanction, vest the whole or any part of such assets in trustees upon such trusts for the benefit of the members of the Company as the liquidator, with the like sanction and subject to the Cayman Company Law, shall think fit, but so that no member of the Company shall be compelled to accept any assets, shares or other securities in respect of which there is a liability.

2.21 Untraceable members

The Company shall be entitled to sell any shares of a member of the Company or the shares to which a person is entitled by virtue of transmission on death or bankruptcy or operation of law if: (a) all cheques or warrants, not being less than three in number, for any sums payable in cash to the holder of such shares have remained uncashed for a period of 12 years; (b) the Company has not during that time or before the expiry of the three month period referred to in (d) below received any indication of the whereabouts or existence of the member; (c) during the 12 year period, at least three dividends in respect of the shares in question have become payable and no dividend during that period has been claimed by the member; and (d) upon expiry of the 12 year period, the Company has caused an advertisement to be published in the newspapers or subject to the Listing Rules, by electronic communication in the manner in which notices may be served by the Company by electronic means as provided in the Articles of Association, giving notice of its intention to sell such shares and a period of three months has elapsed since such advertisement and the Stock Exchange has been notified of such intention. The [REDACTED] of any such sale shall belong to the Company and upon receipt by the Company of such [REDACTED] it shall become indebted to the former member for an amount equal to such [REDACTED].

SUMMARY OF CAYMAN COMPANY LAW AND TAXATION

1 Introduction

The Cayman Company Law is derived, to a large extent, from the older Companies Acts of England, although there are significant differences between the Cayman Company Law and the current Companies Act of England. Set out below is a summary of certain provisions of the Cayman Company Law, although this does not purport to contain all applicable qualifications and exceptions or to be a complete review of all matters of corporate law and taxation which may differ from equivalent provisions in jurisdictions with which interested parties may be more familiar.

2 Incorporation

The Company was incorporated in the Cayman Islands as an exempted company with limited liability on 22 June 2016 under the Cayman Company Law. As such, its operations must be conducted mainly outside the Cayman Islands. The Company is required to file an annual return each year with the Registrar of Companies of the Cayman Islands and pay a fee which is based on the size of its authorised share capital.

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3 Share Capital

The Cayman Company Law permits a company to issue ordinary shares, preference shares, redeemable shares or any combination thereof.

The Cayman Company Law provides that where a company issues shares at a premium, whether for cash or otherwise, a sum equal to the aggregate amount of the value of the premia on those shares shall be transferred to an account called the "share premium account". At the option of a company, these provisions may not apply to premia on shares of that company allotted pursuant to any arrangement in consideration of the acquisition or cancellation of shares in any other company and issued at a premium. The Cayman Company Law provides that the share premium account may be applied by a company, subject to the provisions, if any, of its memorandum and articles of association, in such manner as the company may from time to time determine including, but without limitation:

- (a) paying distributions or dividends to members;
- (b) paying up unissued shares of the company to be issued to members as fully paid bonus shares;
- (c) in the redemption and repurchase of shares (subject to the provisions of section 37 of the Cayman Company Law);
- (d) writing-off the preliminary expenses of the company;
- (e) writing-off the expenses of, or the commission paid or discount allowed on, any issue of shares or debentures of the company; and
- (f) providing for the premium payable on redemption or purchase of any shares or debentures of the company.

No distribution or dividend may be paid to members out of the share premium account unless immediately following the date on which the distribution or dividend is proposed to be paid the company will be able to pay its debts as they fall due in the ordinary course of business.

The Cayman Company Law provides that, subject to confirmation by the Grand Court of the Cayman Islands, a company limited by shares or a company limited by guarantee and having a share capital may, if so authorised by its articles of association, by special resolution reduce its share capital in any way.

Subject to the detailed provisions of the Cayman Company Law, a company limited by shares or a company limited by guarantee and having a share capital may, if so authorised by its articles of association, issue shares which are to be redeemed or are liable to be redeemed at the option of the company or a shareholder. In addition, such a company may, if authorised to do so by its articles of association, purchase its own shares, including any redeemable shares. The manner of such a purchase must be authorised either by the articles of association or by an ordinary resolution of the company. The articles of association may provide that the manner of purchase may be determined by the directors of the company. At no time may a company redeem or purchase its shares unless they are fully paid. A company may not redeem or purchase any of its shares if, as a result of the redemption or purchase, there would no longer be any member of the company holding shares. A payment out of capital by a company for the

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redemption or purchase of its own shares is not lawful unless immediately following the date on which the payment is proposed to be made, the company shall be able to pay its debts as they fall due in the ordinary course of business.

There is no statutory restriction in the Cayman Islands on the provision of financial assistance by a company for the purchase of, or subscription for, its own or its holding company's shares. Accordingly, a company may provide financial assistance if the directors of the company consider, in discharging their duties of care and to act in good faith, for a proper purpose and in the interests of the company, that such assistance can properly be given. Such assistance should be on an arm's-length basis.

4 Dividends and Distributions

With the exception of section 34 of the Cayman Company Law, there are no statutory provisions relating to the payment of dividends. Based upon English case law which is likely to be persuasive in the Cayman Islands in this area, dividends may be paid only out of profits. In addition, section 34 of the Cayman Company Law permits, subject to a solvency test and the provisions, if any, of the company's memorandum and articles of association, the payment of dividends and distributions out of the share premium account (see paragraph 3 above for details).

5 Shareholders' Suits

The Cayman Islands courts can be expected to follow English case law precedents. The rule in *Foss v. Harbottle* (and the exceptions thereto which permit a minority shareholder to commence a class action against or derivative actions in the name of the company to challenge (a) an act which is *ultra vires* the company or illegal, (b) an act which constitutes a fraud against the minority where the wrongdoers are themselves in control of the company, and (c) an action which requires a resolution with a qualified (or special) majority which has not been obtained) has been applied and followed by the courts in the Cayman Islands.

6 Protection of Minorities

In the case of a company (not being a bank) having a share capital divided into shares, the Grand Court of the Cayman Islands may, on the application of members holding not less than one-fifth of the shares of the company in issue, appoint an inspector to examine into the affairs of the company and to report thereon in such manner as the Grand Court shall direct.

Any shareholder of a company may petition the Grand Court of the Cayman Islands which may make a winding up order if the court is of the opinion that it is just and equitable that the company should be wound up.

Claims against a company by its shareholders must, as a general rule, be based on the general laws of contract or tort applicable in the Cayman Islands or their individual rights as shareholders as established by the company's memorandum and articles of association.

The English common law rule that the majority will not be permitted to commit a fraud on the minority has been applied and followed by the courts of the Cayman Islands.

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7 Disposal of Assets

The Cayman Company Law contains no specific restrictions on the powers of directors to dispose of assets of a company. As a matter of general law, in the exercise of those powers, the directors must discharge their duties of care and to act in good faith, for a proper purpose and in the interests of the company.

8 Accounting and Auditing Requirements

The Cayman Company Law requires that a company shall cause to be kept proper books of account with respect to:

- (a) all sums of money received and expended by the company and the matters in respect of which the receipt and expenditure takes place;
- (b) all sales and purchases of goods by the company; and
- (c) the assets and liabilities of the company.

Proper books of account shall not be deemed to be kept if there are not kept such books as are necessary to give a true and fair view of the state of the company's affairs and to explain its transactions.

9 Register of Members

An exempted company may, subject to the provisions of its articles of association, maintain its principal register of members and any branch registers at such locations, whether within or outside the Cayman Islands, as its directors may from time to time think fit. There is no requirement under the Cayman Company Law for an exempted company to make any returns of members to the Registrar of Companies of the Cayman Islands. The names and addresses of the members are, accordingly, not a matter of public record and are not available for public inspection.

10 Inspection of Books and Records

Members of a company will have no general right under the Cayman Company Law to inspect or obtain copies of the register of members or corporate records of the company. They will, however, have such rights as may be set out in the company's articles of association.

11 Special Resolutions

The Cayman Company Law provides that a resolution is a special resolution when it has been passed by a majority of at least two-thirds of such members as, being entitled to do so, vote in person or, where proxies are allowed, by proxy at a general meeting of which notice specifying the intention to propose the resolution as a special resolution has been duly given, except that a company may in its articles of association specify that the required majority shall be a number greater than two-thirds, and may additionally so provide that such majority (being not less than two-thirds) may differ as between matters required to be approved by a special resolution. Written resolutions signed by all the members entitled to vote for the time being of the company may take effect as special resolutions if this is authorised by the articles of association of the company.

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12 Subsidiary Owning Shares in Parent

The Cayman Company Law does not prohibit a Cayman Islands company acquiring and holding shares in its parent company provided its objects so permit. The directors of any subsidiary making such acquisition must discharge their duties of care and to act in good faith, for a proper purpose and in the interests of the subsidiary.

13 Mergers and Consolidations

The Cayman Company Law permits mergers and consolidations between Cayman Islands companies and between Cayman Islands companies and non-Cayman Islands companies. For these purposes, (a) "merger" means the merging of two or more constituent companies and the vesting of their undertaking, property and liabilities in one of such companies as the surviving company, and (b) "consolidation" means the combination of two or more constituent companies into a consolidated company and the vesting of the undertaking, property and liabilities of such companies to the consolidated company. In order to effect such a merger or consolidation, the directors of each constituent company must approve a written plan of merger or consolidation, which must then be authorised by (a) a special resolution of each constituent company and (b) such other authorisation, if any, as may be specified in such constituent company's articles of association. The written plan of merger or consolidation must be filed with the Registrar of Companies of the Cayman Islands together with a declaration as to the solvency of the consolidated or surviving company, a list of the assets and liabilities of each constituent company and an undertaking that a copy of the certificate of merger or consolidation will be given to the members and creditors of each constituent company and that notification of the merger or consolidation will be published in the Cayman Islands Gazette. Dissenting shareholders have the right to be paid the fair value of their shares (which, if not agreed between the parties, will be determined by the Cayman Islands court) if they follow the required procedures, subject to certain exceptions. Court approval is not required for a merger or consolidation which is effected in compliance with these statutory procedures.

14 Reconstructions

There are statutory provisions which facilitate reconstructions and amalgamations approved by a majority in number representing 75% in value of shareholders or creditors, depending on the circumstances, as are present at a meeting called for such purpose and thereafter sanctioned by the Grand Court of the Cayman Islands. Whilst a dissenting shareholder would have the right to express to the Grand Court his view that the transaction for which approval is sought would not provide the shareholders with a fair value for their shares, the Grand Court is unlikely to disapprove the transaction on that ground alone in the absence of evidence of fraud or bad faith on behalf of management and if the transaction were approved and consummated the dissenting shareholder would have no rights comparable to the appraisal rights (i.e. the right to receive payment in cash for the judicially determined value of his shares) ordinarily available, for example, to dissenting shareholders of US corporations.

15 Take-overs

Where an offer is made by a company for the shares of another company and, within four months of the offer, the holders of not less than 90% of the shares which are the subject of the offer accept, the offeror may at any time within two months after the expiration of the said four months, by notice require the dissenting shareholders to transfer their shares on the terms of the offer. A dissenting shareholder may apply to the Grand Court of the Cayman Islands within one month of the notice objecting to the transfer. The burden is on the dissenting shareholder to

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show that the Grand Court should exercise its discretion, which it will be unlikely to do unless there is evidence of fraud or bad faith or collusion as between the offeror and the holders of the shares who have accepted the offer as a means of unfairly forcing out minority shareholders.

16 Indemnification

Cayman Islands law does not limit the extent to which a company's articles of association may provide for indemnification of officers and directors, except to the extent any such provision may be held by the Cayman Islands courts to be contrary to public policy (e.g. for purporting to provide indemnification against the consequences of committing a crime).

17 Liquidation

A company may be placed in liquidation compulsorily by an order of the court, or voluntarily (a) by a special resolution of its members if the company is solvent, or (b) by an ordinary resolution of its members if the company is insolvent. The liquidator's duties are to collect the assets of the company (including the amount (if any) due from the contributories (shareholders)), settle the list of creditors and discharge the company's liability to them, rateably if insufficient assets exist to discharge the liabilities in full, and to settle the list of contributories and divide the surplus assets (if any) amongst them in accordance with the rights attaching to the shares.

18 Stamp Duty on Transfers

No stamp duty is payable in the Cayman Islands on transfers of shares of Cayman Islands companies except those which hold interests in land in the Cayman Islands.

19 Taxation

The Cayman Islands currently levy no taxes on individuals or corporations based upon profits, income, gains or appreciations and there is no taxation in the nature of inheritance tax or estate duty. There are no other taxes likely to be material to the Company levied by the Government of the Cayman Islands save certain stamp duties which may be applicable, from time to time, on certain instruments executed in or brought within the jurisdiction of the Cayman Islands. The Cayman Islands are not party to any double tax treaties that are applicable to any payments made by or to the Company.

20 Exchange Control

There are no exchange control regulations or currency restrictions in the Cayman Islands.

21 General

Maples and Calder (Hong Kong) LLP, the Company's legal advisers on Cayman Islands law, have sent to the Company a letter of advice summarising aspects of Cayman Islands company law. This letter, together with a copy of the Cayman Company Law, is available for inspection as referred to in the section headed "Documents available for inspection" in Appendix V. Any person wishing to have a detailed summary of Cayman Islands company law or advice on the differences between it and the laws of any jurisdiction with which he/she is more familiar is recommended to seek independent legal advice.

APPENDIX IV

STATUTORY AND GENERAL INFORMATION

A. FURTHER INFORMATION ABOUT THE GROUP

1. Incorporation of the Company

The Company was incorporated in the Cayman Islands under the Cayman Company Law as an exempted company with limited liability on 22 June 2016. The Company has established its principal place of business in Hong Kong at Unit 09, 16/F, Wellborne Commercial Centre, 8 Java Road, North Point, Hong Kong and was registered as a non-Hong Kong company under Part 16 of the Companies Ordinance on 11 August 2016. In connection with such registration, Mr. Yeung Kwong Wai (楊光偉) has been appointed as the authorised representative of the Company for acceptance of service of process and notices on behalf of the Company in Hong Kong.

As the Company was incorporated in the Cayman Islands, its operations are subject to the Cayman Company Law and its constitution, which comprises the Memorandum and Articles. A summary of certain provisions of the Company's constitution and relevant aspects of the Cayman Company Law is set out in Appendix III to this document.

2. Changes in the share capital of the Company

The following sets out the changes in the Company's share capital since the date of incorporation:

- (a) As at the date of incorporation, the authorised share capital of the Company was HK\$380,000 divided into 38,000,000 shares of HK\$0.01 each, of which one subscriber share was allotted and issued to the subscriber, which was then transferred to Alpha Sense (BVI) on the same day.
- (b) On 28 June 2016, 3,564 Shares were allotted and issued to Alpha Sense (BVI) at par value credited as fully paid; 551 Shares were allotted and issued to Cyber Pioneer (BVI) at par value credited as fully paid; and 884 Shares were allotted and issued to Future Way (BVI) at par value credited as fully paid.
- (c) On 30 June 2016, 57,032 Shares were issued and allotted to Alpha Sense (BVI), 8,816 Shares were issued and allotted to Cyber Pioneer (BVI), and 14,152 Shares were issued and allotted to Future Way (BVI) pursuant to a share swap agreement dated 30 June 2016 entered into between (i) Mr. Foo (ii) Mr. Hoo and (iii) Mr. Chan, Nexion Global (BVI) and the Company.
- (d) Pursuant to a share subscription agreement dated 30 June 2016 entered into among Vantage Network (BVI), Alpha Sense (BVI), Cyber Pioneer (BVI), Future Way (BVI) and the Company, 15,000 Shares were issued and allotted to Vantage Network (BVI) for an aggregate subscription price of US\$1,200,000 (or its equivalent in Hong Kong dollars of HK\$9,360,000).
- (e) 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 authorised share capital of the Company will be HK\$[REDACTED] divided into [REDACTED] Shares of HK\$0.01 each, of which [REDACTED] Shares will be allotted and issued, fully paid or credited as fully paid and [REDACTED] Shares will remain unissued.

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Other than any Shares which may be issued pursuant to the exercise of the [REDACTED], the options when may be granted under the Share Option Scheme and/ or the exercise of the general mandate referred to in the paragraph headed "— A. Further information about the Group — 3. Resolutions in writing of the Shareholders" in this Appendix, the Directors at present have no intention to issue to any party any of the authorised but unissued capital of the Company, and without the prior approval of the Shareholders in general meeting, no issue of Shares will be made which would effectively alter the control of the Company.

Save as disclosed in this document, there has been no other alterations in the share capital of the Company since its incorporation.

3. Resolutions in writing of the Shareholders

Pursuant to the written resolutions passed by the Shareholders on [●] 2017, it was resolved that:

- (a) the Memorandum and the Articles were conditionally approved and adopted to take effect upon the [REDACTED];
- (b) conditional on all the conditions set out in the section headed "Structure and conditions of the [REDACTED]" in this document being fulfilled:
 - (i) the [REDACTED] was approved and the Directors were authorised to effect the same and to allot and issue the [REDACTED];
 - (ii) conditional upon the share premium account of the Company being credited as a result of the [REDACTED], the Directors were authorised to capitalise the amount of HK\$[REDACTED] from the amount standing to the credit of the share premium account of the Company to pay up in full at par [REDACTED] Shares for allotment and issue to the person(s) whose name(s) appears on the register of members of the Company at the close of business on [●] 2017, pro-rata to its/their then existing shareholdings in the Company;
 - (iii) the rules of the Share Option Scheme, the principal terms of which are set out in the paragraph headed "D. Share Option Scheme" in this Appendix, were approved and adopted and the Directors or any committee of the Board were authorised, subject to the terms and conditions of the Share Option Scheme, to implement the Share Option Scheme, to grant options to subscribe for Shares thereunder and to allot, issue and deal with the Shares pursuant to the exercise of options that may be granted under the Share Option Scheme and to take all such steps as may be necessary, desirable or expedient to implement the Share Option Scheme;
 - (iv) a general conditional mandate was given to the Directors to exercise all the powers of the Company to allot, issue and deal with (otherwise than by way of rights issue or an issue of shares upon the exercise of any subscription or conversion rights attached to any warrants or any securities which are convertible into Shares or pursuant to the exercise of any options which may be granted under the Share Option Scheme, any other option scheme or similar arrangement for the time being adopted for the grant or issue to officers and/or employees of the Company and/or any of its subsidiaries or any other person of share or rights to acquire Shares or any script dividend

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STATUTORY AND GENERAL INFORMATION

schemes or similar arrangements providing for the allotment and issue of Shares in lieu of the whole or part of a dividend on Shares in accordance with the Articles or a specific authority granted by the Shareholders in general meeting) Shares with a total nominal value not exceeding (i) 20.0% of the aggregate of the total nominal value of the share capital of the Company in issue immediately following 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) and (ii) the aggregate nominal value of Shares repurchased under the Repurchase Mandate as defined in paragraph (d) below. Such mandate to remain in effect until whichever is the earliest of:

- (i) the conclusion of the next annual general meeting of the Company;
 - (ii) the expiration of the period within which the next annual general meeting of the Company is required by the Articles or any applicable laws of the Cayman Islands to be held; or
 - (iii) the passing of an ordinary resolution of the Shareholders in general meeting revoking, varying or renewing such mandate;
- (v) a general unconditional mandate (the "**Repurchase Mandate**") was given to the Directors authorising them to exercise all powers of the Company to repurchase on the Stock Exchange or on any other stock exchange on which the Shares may be listed and which is recognised by the SFC and the Stock Exchange for this purpose such number of Shares with a total nominal value not exceeding 10.0% of the aggregate of the total nominal value of the share capital of the Company in issue immediately following completion of the [REDACTED] and the [REDACTED], such mandate to remain in effect until whichever is the earliest on:
- (i) the conclusion of the next annual general meeting of the Company;
 - (ii) the expiration of the period within which the next annual general meeting of the Company is required by the Articles or applicable laws of the Cayman Islands to be held; or
 - (iii) the passing of an ordinary resolution of the Shareholders in general meeting, revoking, varying or renewing such mandate;
- (vi) the Repurchase Mandate was extended by the addition to the aggregate nominal value of the share capital of the Company which may be allotted or agreed conditionally or unconditionally to be allotted by the Directors pursuant to such general mandate of an amount representing the aggregate nominal value of the share capital of the Company repurchased by the Company pursuant to the Repurchase Mandate provided that such extended amount shall not exceed 10.0% of the aggregate of the total nominal value of the share capital of the Company in issue immediately following 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).

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4. Reorganisation

The companies comprising the Group underwent a Reorganisation in preparation for the [REDACTED], details of which are set out in the section headed “History, Reorganisation and Corporate Structure” in this document. Following the Reorganisation, the Company became the holding company of the Group.

A diagram showing the Group structure after the Reorganisation and immediately upon 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) is set out in the section headed “History, Reorganisation and Corporate Structure” in this document.

5. Changes in share capital of the subsidiaries

The subsidiaries of the Company are referred to in the Accountants’ Report, the text of which is set out in Appendix I to this document. Save as disclosed in the section headed “History, Reorganisation and Corporate Structure” in this document, there has been no alteration in the share capital of the subsidiary within two years immediately preceding the date of this document.

6. Repurchase by the Company of its own securities

This paragraph includes information required by the Stock Exchange to be included in this document concerning the repurchase by the Company of its own securities.

(a) *Provisions of the GEM Listing Rules*

The GEM Listing Rules permit companies with a primary [REDACTED] on the Stock Exchange to repurchase their securities on the Stock Exchange subject to certain restrictions, the most important of which are summarised below:

(i) *Shareholders’ approval*

All proposed repurchases of securities (which must be fully paid up in the case of shares) by a company listed on the Stock Exchange must be approved in advance by an ordinary resolution of the shareholders in a general meeting, either by way of general mandate or by specific approval of a particular transaction.

Note: Pursuant to the resolutions in writing passed by the Shareholders on [●] 2017, the Repurchase Mandate was granted to the Directors authorising the repurchase by the Company on the Stock Exchange, or on any other stock exchange on which the securities of the Company may be listed and which is recognised by the SFC and the Stock Exchange for this purpose, of Shares with an aggregate nominal value not exceeding 10.0% of the aggregate nominal amount of the share capital of the Company in issue immediately following completion of the [REDACTED] and the [REDACTED], at any time until (aa) the conclusion of the next annual general meeting of the Company; (bb) the expiration of the period within which the next annual general meeting of the Company is required by any applicable law of the Cayman Islands or the Memorandum and Articles to be held; or (cc) when such mandate is revoked or varied or renewed by an ordinary resolution of the Shareholders in general meeting, whichever is the earliest.

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(ii) *Source of funds*

Any repurchases must be financed out of funds legally available for such purpose in accordance with the Memorandum and Articles and any applicable laws of the Cayman Islands. A listed company is prohibited from repurchasing its own securities on the Stock Exchange for a consideration other than cash or for settlement otherwise than in accordance with the trading rules of the Stock Exchange from time to time.

(b) *Exercise of the Repurchase Mandate*

Exercise in full of the Repurchase Mandate, on the basis of [REDACTED] Shares in issue immediately after completion of the Capitalisation and the [REDACTED] (without taking into account of any Shares which may be issued upon the exercise of the [REDACTED] and the options which may be granted under the Share Option Scheme), could accordingly result in up to [REDACTED] Shares being repurchased by the Company during the course of the period prior to the earliest of:

- (i) the conclusion of the next annual general meeting of the Company;
- (ii) the expiration of the period within which the next annual general meeting of the Company is required by the Articles and the applicable laws and regulations of the Cayman Islands to be held; or
- (iii) the revocation, variation or renewal of the Repurchase Mandate by ordinary resolution of the Shareholders in general meeting.

(c) *Reasons for repurchases*

Repurchases of Shares will only be made when the Directors believe that such a repurchase will benefit the Company and the Shareholders. Such repurchases may, depending on market conditions and funding arrangements at the time, lead to an enhancement of the net asset value of the Company and/or earnings per Share.

(d) *Funding of repurchases*

In repurchasing Shares, the Company may only apply funds legally available for such purpose in accordance with the Memorandum, the Articles and the applicable laws and regulations of the Cayman Islands.

Pursuant to the Repurchase Mandate, any repurchase of Shares will be made out of funds of the Company legally permitted to be utilised in this connection, including profits of the Company, share premium or the proceeds from a fresh issue of Shares made for the purpose of the repurchase or, if authorised by the Articles and subject to the Cayman Company Law, out of capital and, in the case of any premium payable on the repurchase, out of the profits of the Company or from sums standing to the credit of the share premium account of the Company or, if authorised by the Articles and subject to the Cayman Company Law, out of capital of the Company.

The Company may not repurchase securities on the Stock Exchange for a consideration other than cash or for settlement otherwise than in accordance with the trading rules of the Stock Exchange from time to time.

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(e) *General*

There might be a material adverse impact on the working capital or gearing position of the Company (as compared with the position disclosed in this document) in the event that the Repurchase Mandate is exercised in full. However, the Directors do not propose to exercise the Repurchase Mandate to such extent as would, in the circumstances, have a material adverse effect on the working capital requirements of the Company or on its gearing levels which in the opinion of the Directors are from time to time appropriate for the Company.

None of the Directors nor, to the best of their knowledge having made all reasonable enquiries, any of their close associates (as defined in the GEM Listing Rules) currently intends to sell any Shares to the Company.

The Directors have undertaken to the Stock Exchange that, so far as the same may be applicable, they will exercise the Repurchase Mandate in accordance with the GEM Listing Rules, the Memorandum, the Articles and the applicable laws of the Cayman Islands.

No connected person (as defined in the GEM Listing Rules) of the Company has notified the Company that he or she has a present intention to sell any Shares to the Company, or has undertaken not to do so, in the event that the Repurchase Mandate is exercised.

If as a result of a repurchase of Shares, a Shareholder's proportionate interest in the voting rights of the Company is increased, such increase will be treated as an acquisition for the purpose of the Codes on Takeovers and Mergers and Share Repurchases of Hong Kong (the "**Code**"). As a result, a Shareholder, or a group of Shareholders acting in concert (within the meaning under the Code), depending on the level of increase in the interests of the Shareholder(s), could obtain or consolidate control of the Company and become(s) obliged to make a mandatory offer in accordance with Rule 26 of the Code. Save as aforesaid, the Directors are not aware of any consequence which would arise under the Code due to any repurchase made pursuant to the Repurchase Mandate immediately after the [REDACTED].

B. FURTHER INFORMATION ABOUT THE GROUP'S BUSINESS

1. Summary of material contracts

The following contracts (not being contracts entered into the ordinary course of business of the Group) had been entered into by members of the Group within the two years immediately preceding the date of this document and are or may be material:

- (a) the sale and purchase agreement dated 30 June 2016 and entered into by Mr. Foo, Mr. Chan, Mr. Hoo, Expert Team (BVI) and Nexion Global (BVI) in relation to the transfer of an aggregate of 96,000 Shares of Expert Team (Singapore), being the entire issued share capital in Expert Team (Singapore) from Mr. Foo, Mr. Chan and Mr. Hoo to Expert Team (BVI) for an aggregate consideration of US\$973,611 which was settled by way of allotment and issue of a total of 1,800 shares in Nexion Global (BVI) to Mr. Foo, Mr. Chan and Mr. Hoo;

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- (b) the sale and purchase agreement dated 30 June 2016 by Mr. Foo, Nexion Global (BVI) and Netsis (BVI) in relation to the transfer of 500,000 Shares of Netsis (Singapore), being the entire issued share capital in Netsis (Singapore) from Mr. Foo to Netsis (BVI) for a consideration of US\$1,900,506 which was settled by way of allotment and issue of 3,516 Shares in Nexion Global (BVI) to Mr. Foo;
- (c) the sale and purchase agreement dated 30 June 2016 and entered into by Mr. Foo, Mr. Chan, Mr. Hoo, GET (BVI) and Nexion Global (BVI) in relation to the transfer of an aggregate of 100,000 shares of GET (Malaysia), being the entire issued share capital in GET (Malaysia) from Mr. Foo, Mr. Chan and Mr. Hoo to GET (BVI) for an aggregate consideration of US\$2,531,082 which was settled by way of allotment and issue of a total of 4,683 Shares in Nexion Global (BVI) to Mr. Foo, Mr. Chan and Mr. Hoo;
- (d) the share swap agreement dated 30 June 2016 and entered into by Mr. Foo, Mr. Hoo, Mr. Chan, Nexion Global (BVI) and the Company in relation to the acquisition of an aggregate of 10,000 shares of Nexion Global (BVI), being the entire issued share capital in Nexion Global (BVI) by the Company for an aggregate consideration of US\$5,405,199 which was settled by way of allotment and issue of a total of 80,000 Shares to Alpha Sense (BVI), Cyber Pioneer (BVI) and Future Way (BVI);
- (e) the share subscription agreement dated 30 June 2016 and entered into among Vantage Network (BVI), Alpha Sense (BVI), Cyber Pioneer (BVI), Future Way (BVI) and the Company in relation to the subscription of 15,000 Shares 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) on 30 June 2016.
- (f) the Deed of Indemnity;
- (g) the Deeds of Non-Competition; and
- (h) the [REDACTED].

2. Intellectual property rights of the Group

(i) Trademark

As at the Latest Practicable Date, the Group has registered the following trademark which is material in relation to its business:

<u>Trademark</u>	<u>Registered Owner</u>	<u>Place of registration</u>	<u>Trade Mark number</u>	<u>Class</u>	<u>Date of registration</u>	<u>Expiry Date</u>
	Nexion (Hong Kong)	Hong Kong	303814614	35, 38, 42 (Note 1)	22 June 2016	21 June 2026

Note:

- 1. Class 35: Advertising; business management; business administration; office functions
- Class 38: Telecommunications
- Class 42: Scientific and technological services and research and design relating thereto; industrial analysis and research services; design and development of computer and software

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(ii) Patent

As at the Latest Practicable Date, the Group has applied for the grant of the following patents which are material in relation to the Group's business:

No.	Patent	Applicant	Place of registration	Application number	Application date	Status
(a)	Systems and methods for intercepting, filtering and blocking content from internet in real time	Expert Team (Singapore)	Singapore	10201407948Y	28 November 2014	Pending
(b)	Systems and methods for intercepting, filtering and blocking content from internet in real time	Expert Team (Singapore)	International patent application under the PCT	PCT/SG2015/050473	26 November 2015	Pending
(c)	System and method for detecting, intercepting and taking over control of multiple rogue drones simultaneously . . .	GET (Malaysia)	International patent application under the PCT	PCT/SG2016/050434	5 September 2016	Pending
(d)	Mechanism in decoding and reconstructing network packets in real time	Expert Team (Singapore)	International patent application under the PCT	PCT/SG2016/050464	22 September 2016	Pending

(iii) Domain name

As at the Latest Practicable Date, the Group has registered the following domain names:

No.	Domain name	Registrant	Commencement Date	Expiry date
(a)	www.netsis.com.sg	Netsis (Singapore)	18 March 2002	18 March 2018
(b)	www.expert-team.net	Expert Team (Singapore)	15 August 2012	15 August 2018
(c)	www.globalexpertteam.com . . .	GET (Malaysia)	15 March 2015	15 March 2018
(d)	www.nexion.com.hk	Nexion (Hong Kong)	23 June 2016	22 June 2017

Save for the aforesaid, as at the Latest Practicable Date, there were no other trade or service marks, patents and intellectual property rights which were material in relation to the Group's business.

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C. FURTHER INFORMATION ABOUT THE DIRECTORS AND SUBSTANTIAL SHAREHOLDERS

1. Directors

(a) Disclosure of interests of the Directors

So far as the Directors are aware, immediately following completion of the [REDACTED] and the [REDACTED] (taking no account of any shares which may be taken up under the [REDACTED] or 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 interests or short positions of each of the Directors and the chief executives of the Company in the Shares, underlying Shares and the debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which, once the Shares are listed, will have 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 he is taken or deemed to have taken under such provisions of the SFO) or which will be required, pursuant to section 352 of the SFO, to be entered in the register required to be kept therein or which, once the Shares are listed, or which will be required pursuant to Chapter 5 of the GEM Listing Rules to be notified to the Company and the Stock Exchange are set out as follows:

<u>Name</u>	<u>Long/short position</u>	<u>Capacity/Type of interest</u>	<u>Number of Shares</u>	<u>Approximate percentage of shareholding</u>
Mr. Foo (Note 1) . .	Long Position	Interest in a controlled corporation	[REDACTED] Shares	[REDACTED]%

Note:

(1) These Shares are registered in the name of Alpha Sense (BVI), which was held as to 100% by Mr. Foo.

(b) Particulars of service contracts

Each of the executive Directors has entered into a service contract with the Company for a term of three years commencing from the [REDACTED] Date, which may be terminated by not less than three months' notice in writing served by either party on the other and is subject to termination provisions therein and provisions on retirement by rotation of the Directors as set out in the Articles. Particulars of the service agreements of the Directors are in all material respects the same. The salary of the executive Directors is subject to review each year. In addition, each of the executive Directors is also entitled to bonus as determined by the Board based on the recommendations made by the remuneration committee.

Pursuant to the letters of appointment between the Company and the independent non-executive Directors, the independent non-executive Directors have been appointed for a term of three years commencing from the [REDACTED] Date which may be terminated by either party by giving three months' written notice.

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Save as disclosed above, none of the Directors has entered or proposed to enter into any service contract/letter of appointment with the Company or any of the subsidiaries (other than contracts expiring or determinable by the Group within one year without the payment of compensation (other than statutory compensation)).

(c) Directors' remuneration

For the years ended 31 December 2015 and 2016, the aggregate emoluments paid and benefits in kind granted by the Group to the Directors were approximately US\$173,000 and US\$361,000, respectively. Further information in respect of the Directors' remuneration is set out in note 8 of section B of the Accountants' Report set out in Appendix I to this document.

An aggregate sum of approximately US\$218,000 will be paid to the Directors as remuneration and benefits in kind by the Group for the year ending 31 December 2017 under the arrangements in force at the date of this document excluding discretionary bonus.

2. Substantial Shareholders

So far as the Directors are aware, immediately following the completion of the [REDACTED] and the [REDACTED] (taking no account of any Shares which may be taken up under the [REDACTED] or 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 following persons (not being a Director or chief executive of the Company) who will have or be deemed or taken to have an interest and/or short position in the Shares or the underlying Shares which would fall to be disclosed under the provisions of Divisions 2 and 3 of Part XV of the SFO are as follows:

<u>Name</u>	<u>Long/ short position</u>	<u>Capacity/Type of interest</u>	<u>Number of Shares</u>	<u>Approximate percentage of shareholding</u>
Alpha Sense (BVI) (Note 1)	Long position	Beneficial interests	[REDACTED]	[REDACTED]%
Mr. Foo (Note 1)	Long position	Interest in a controlled corporation	[REDACTED]	[REDACTED]%
Future Way (BVI) (Note 2)	Long position	Beneficial interests	[REDACTED]	[REDACTED]%
Mr. Hoo (Note 2)	Long position	Interest in a controlled corporation	[REDACTED]	[REDACTED]%
Vantage Network (BVI) (Note 3)	Long position	Beneficial interests	[REDACTED]	[REDACTED]%
Vast Mega Limited (Note 3)	Long position	Interest in a controlled corporation	[REDACTED]	[REDACTED]%
China Smartpay Group Holdings Limited (Note 3)	Long position	Interest in a controlled corporation	[REDACTED]	[REDACTED]%
Cyber Pioneer (BVI) (Note 4)	Long position	Beneficial interests	[REDACTED]	[REDACTED]%
Mr. Chan (Note 4)	Long position	Interest in a controlled corporation	[REDACTED]	[REDACTED]%

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Notes:

1. Alpha Sense (BVI) is an investment holding company incorporated in the BVI and is held as to 100% by Mr. Foo. By virtue of the SFO, Mr. Foo is deemed to be interested in the Shares held by Alpha Sense (BVI).
2. Future Way (BVI) is an investment holding company incorporated in the BVI and is held as to 100% by Mr. Hoo. By virtue of the SFO, Mr. Hoo is deemed to be interested in the Shares held by Future Way (BVI).
3. Vantage Network (BVI) is an investment holding company incorporated in the BVI and is held as to 100% by Vast Mega Limited, an investment holding company incorporated in the BVI which is in turn held as to 100% by China Smartpay Group Holdings Limited (Stock Code: 8325), a company listed on the GEM Board of the Stock Exchange since 28 August 2009. By virtue of the SFO, China Smartpay Group Holdings Limited and Vast Mega Limited are deemed to be interested in the Shares held by Vantage Network (BVI).
4. Cyber Pioneer (BVI) is an investment holding company incorporated in the BVI and is held as to 100% by Mr. Chan. By virtue of the SFO, Mr. Chan is deemed to be interested in the Shares held by Cyber Pioneer (BVI).

3. Related party transactions

The Group entered into certain related party transactions within the two years immediately preceding the date of this document as mentioned in note 24 of the Accountants' Report set out in Appendix I to this document.

4. Disclaimers

Save as disclosed in this document:

- (a) none of the Directors or chief executive of the Company has any interests or short positions in the Shares, underlying Shares or the debentures of the Company or any of its associated corporations (within the meaning of the SFO) which will have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO or which will be required, pursuant to section 352 of the SFO, to be entered into the register referred to therein, or which will be required to be notified to the Company and the Stock Exchange pursuant to Chapter 5 of the GEM Listing Rules once the Shares are listed;
- (b) none of the Directors or experts referred to under the paragraph headed "— E. Other Information — 8. Consents of experts" in this Appendix has any direct or indirect interest in the promotion of the Company, or in any assets which have within the two years immediately preceding the date of this document 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;
- (c) none of the Directors is materially interested in any contract or arrangement subsisting at the date of this document which is significant in relation to the business of the Group taken as a whole;
- (d) without taking into account of any Shares which may be taken up under the [REDACTED] or any Shares which may be issued upon the exercise of the [REDACTED] and the options which may be granted under the Share Option Scheme, none of the Directors knows of any person (not being a director or chief executive of the Company) who will, immediately following completion of the

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[REDACTED] and the [REDACTED], have an interest or short position in the Shares, underlying Shares or the debentures 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 or be interested, directly or indirectly, in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of the Group; and

- (e) none of the experts referred to under the paragraph headed “— E. Other Information — 8. Consents of experts” in this Appendix has any shareholding in any member of the Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

D. SHARE OPTION SCHEME

For the purpose of this section only, unless the context otherwise requires, the following words shall have the following meanings:

“Adoption Date”	the date on which the Share Option Scheme was conditionally adopted by written resolutions of all the Shareholders;
“Associate”	has the meaning ascribed to it under the GEM Listing Rules;
“Auditors”	the auditors of the Company for the time being;
“Board”	the board of directors of the Company for the time being or a duly authorised committee thereof;
“Business Day”	any day (excluding a Saturday and Sunday) on which banks are generally open for business in Hong Kong;
“Company”	Nexion Technologies Limited, a company incorporated in the Cayman Islands with limited liability on 22 June 2016, the securities of which are proposed to be listed on the Growth Enterprise Market of the Stock Exchange;
“connected person”	has the meaning ascribed to it under the GEM Listing Rules;
“Date of Grant”	in respect of an Option, the Business Day on which the Board resolves to make an Offer, or the grant of an Option to a Participant, whether or not the Offer is subject to Shareholders’ approval on the terms of the Share Option Scheme;
“GEM Listing Rules”	the Rules Governing the Listing of Securities on the Growth Enterprise Market of the Stock Exchange;

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“Grantee”	any Participant who accepts an Offer in accordance with the terms of the Share Option Scheme, or (where the context so permits) a person entitled to any such Option in consequence of the death of the original Grantee, or the personal representative of such person;
“Group”	the Company and the Subsidiaries;
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong;
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China;
“Individual Limit”	the meaning ascribed thereto in paragraph (a)(v)(cc);
“[REDACTED]”	the date on which dealings in the Shares first commence on the Growth Enterprise Market of the Stock Exchange;
“Offer”	the offer of the grant of an Option;
“Option”	an option to subscribe for Shares pursuant to the Share Option Scheme and for the time being subsisting;
“Option Period”	in respect of any particular Option, the period to be determined and notified by the Board to the Grantee at the time of making an Offer which shall not expire later than 10 years from the Date of Grant;
“Participants”	directors (including executive Directors, non-executive Directors and independent non-executive Directors) and employees of the Group and any advisors, consultants, distributors, contractors, suppliers, agents, customers, partners, joint venture business partners, promoters or service providers of any member of the Group who the Board considers, in its sole discretion, have contributed or will contribute to the Group;
“Scheme Limit”	has the meaning ascribed to it in paragraph (a)(v)(ee);
“Scheme Mandate Limit”	has the meaning ascribed to it in paragraph (a)(v)(aa);
“Shareholder(s)”	holder(s) of the Shares;
“Shares”	the shares of par value of HK\$0.01 each in the share capital of the Company or, if there has been a sub-division, reduction, consolidation, reclassification or reconstruction of the share capital of the Company, the shares forming part of the ordinary equity share capital of the Company or such nominal amount as shall result from any such sub-division, reduction, consolidation, reclassification or reconstruction;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;

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"Subscription Price"	the price per Share at which a Grantee may subscribe for Shares on the exercise of an Option pursuant to paragraph (iv) below;
"Subsidiary"	a company which is for the time being and from time to time a subsidiary (within the meaning of the Companies Ordinance (Chapter 622 of the Laws of Hong Kong) of the Company, whether incorporated in Hong Kong or elsewhere and "Subsidiaries" shall be construed accordingly;
"Supplementary Guidance"	supplementary guidance on Rule 23.03(13) of the GEM Listing Rules issued by the Stock Exchange dated 5 September 2005; and
"%"	per cent.

(a) Summary of terms

The Share Option Scheme contains the following terms:

(i) Purpose

The purpose of the Share Option Scheme is to reward Participants who have contributed to the Group and to encourage Participants to work towards enhancing the value of the Company and its Shares for the benefit of the Company and the Shareholders as a whole.

(ii) Who may join

The Directors may, at their discretion, invite Participants to take up Options at a price calculated in accordance with paragraph (iv) below. An Offer shall remain open for acceptance by the Participant concerned for a period of 28 days from the Date of Grant provided that no such Offer shall be open for acceptance after the expiry of the Option Period or after the Share Option Scheme is terminated or after the Participant has ceased to be a Participant. An Offer is deemed to be accepted when the Company receives from the Grantee the Offer letter signed by the Grantee specifying the number of Shares in respect of which the Offer is accepted, and a remittance to the Company of HK\$1.00 as consideration for the grant of Option. Such remittance is not refundable in any circumstances. The Offer shall specify the terms on which the Option is granted. Such terms may at the discretion of the Board, include, among other things, (aa) the minimum period for which an Option must be held before it can be exercised; and/or (bb) a performance target that must be reached before the Option can be exercised in whole or in part; and (cc) any other terms, all of which may be imposed (or not imposed) either on a case-by-case basis or generally.

Any Offer may be accepted in respect of less than the number of Shares in respect of which it is offered provided that it is accepted in respect of a whole board lot for dealing in Shares on the Stock Exchange or an integral multiple thereof. To the extent that the Offer is not accepted within 28 days from the date on which the letter containing the Offer is delivered to that Participant in the manner indicated above, it shall be deemed to have been irrevocably declined.

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No Offer shall be made to, nor shall any Offer be capable of acceptance by, any Participant at a time when the Participant would or might be prohibited from dealing in the Shares by the GEM Listing Rules or by any other applicable rules, regulations or law.

The Directors may or may not set performance targets that must be achieved before the options can be exercised, but no such performance targets are presently prescribed under the Share Option Scheme.

The rules of the Share Option Scheme enable the Directors to determine the terms and conditions of any option based in each case on relevant factors as they consider appropriate. The Directors believe that the authority given to them under the Share Option Scheme to set any minimum holding period and/or performance targets as conditions in any option granted and the requirement for a minimum subscription price as well as the selection criteria prescribed by the rules of the Share Option Scheme will serve to protect the value of the Company and any of its subsidiaries as well as to achieve the purpose of the Share Option Scheme.

(iii) *Grant of Options to connected persons or any of their associates*

Any grant of Options to any Director, chief executive or substantial shareholder (as such term is defined in the GEM Listing Rules) of the Company, or any of their respective associates under the Share Option Scheme or any other share option schemes of the Company or any of its Subsidiaries shall be subject to the prior approval of the independent non-executive Directors (excluding independent non-executive Directors who are the proposed Grantees of the Options in question). Where any grant of Options to a substantial shareholder or an independent non-executive Director, or any of their respective associates, would result in the Shares issued and to be issued upon exercise of all Options already granted and to be granted (including Options exercised, cancelled or outstanding) to such person in the 12 month period up to and including the date of such grant:

- (aa) representing in aggregate over 0.1% of the Shares in issue on the date of such grant; and
- (bb) having an aggregate value, based on the closing price of the Shares as stated in the daily quotations sheets issued by the Stock Exchange on the Date of Grant, in excess of HK\$5 million,

such further grant of Options shall be subject to prior approval by resolution of the Shareholders (voting by way of poll). The Company shall send a circular to the Shareholders in accordance with the GEM Listing Rules and all connected persons of the Company shall abstain from voting in favour of the resolutions at such general meeting of the Shareholders.

(iv) *Subscription Price*

The Subscription Price shall be determined by the Board in its absolute discretion but in any event shall not be less than the higher of:

- (aa) the closing price of the Shares as stated in the daily quotations sheets issued by the Stock Exchange on the Date of Grant which must be a Business Day;

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- (bb) the average closing price of the Shares as stated in the daily quotations sheets issued by the Stock Exchange for the five Business Days immediately preceding the Date of Grant; and
- (cc) the nominal value of the Shares.

(v) *Maximum number of Shares*

- (aa) The maximum number of Shares which may be issued upon exercise of all Options to be granted under the Share Option Scheme and any other share option schemes of the Company shall not, in the absence of Shareholders' approval, in aggregate exceed 10% in nominal amount of the aggregate of Shares in issue on the [REDACTED] Date (the "**Scheme Mandate Limit**"). Options lapsed in accordance with the terms of the Share Option Scheme and (as the case may be) such other share option schemes of the Company will not be counted for the purpose of calculating the Scheme Mandate Limit.

The Company may renew the Scheme Mandate Limit at any time subject to prior Shareholders' approval but in any event, the total number of Shares which may be issued upon exercise of all Options to be granted under the Share Option Scheme and any other share option schemes of the Company under the limit as refreshed must not exceed 10% of the Shares in issue as at the date of the Shareholders' approval of the renewed limit. Options previously granted under the Share Option Scheme and any other share option schemes of the Company (including those outstanding, cancelled, lapsed in accordance with the terms or exercised options) will not be counted for the purpose of calculating the limit as renewed.

- (bb) Notwithstanding the foregoing, the Company may grant Options beyond the Scheme Mandate Limit to Participants if:
 - (a) separate Shareholders' approval has been obtained for granting Options beyond the Scheme Mandate Limit to Participants specifically identified by the Company before such Shareholders' approval is sought; and
 - (b) the Company, in connection with the seeking of such separate Shareholders' approval, has first sent a circular to Shareholders containing such information as may be required by the GEM Listing Rules then prevailing to be included in such circular.
- (cc) Subject to paragraph (dd) below, the maximum number of Shares issued and to be issued upon exercise of the Options granted to each Grantee under the Share Option Scheme (including both exercised and outstanding Options) in any 12-month period shall not (when aggregated with any Shares subject to options granted during such period under any other share option scheme(s) of the Company other than those options granted pursuant to specific approval by the Shareholders in a general meeting) exceed 1% of the Shares in issue for the time being (the "**Individual Limit**").

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- (dd) Where any further grant of Options to a Participant would result in the Shares issued and to be issued upon exercise of all Options granted and to be granted to such person (including exercised, cancelled and outstanding Options) in the 12-month period up to and including the date of such further grant representing in aggregate over 1% of the Shares in issue, such further grant must be separately approved by Shareholders in general meeting with such Participant and his/her associates abstaining from voting. the Company must send a circular to the Shareholders disclosing the identity of the Participant in question, the number and terms of the Options to be granted (and Options previously granted to such Participant) and such other information required under the GEM Listing Rules.
- (ee) At any time, the maximum number of Shares which may be issued upon exercise of all Options which then have been granted and have yet to be exercised under the Share Option Scheme and any other share option schemes of the Company shall not, in the absence of Shareholders' approval, in aggregate exceed 30% of the Shares in issue from time to time (the "**Scheme Limit**").

(vi) *Time of exercise of option*

An Option may be exercised in accordance with the terms of the Share Option Scheme at any time during the Option Period. After the expiration of the Option Period, no further Options shall be offered or granted but the provisions of the Share Option Scheme shall remain in full force and effect in all other respects. Options granted during the life of the Share Option Scheme shall continue to be exercisable in accordance with their terms of grant after the end of the ten-year period.

(vii) *Rights are personal to grantees*

An Option is personal to the Grantee and shall not be assignable or transferable and no Grantee shall in any way sell, transfer, charge, mortgage, encumber or create any interest in favour of any other person over or in relation to any Option.

(aa) *Rights on termination of employment by dismissal*

- (i) If the Grantee ceases to be a Participant by reason of the termination of his employment or directorship on the grounds of serious misconduct, or appears either to be unable to pay or to have no reasonable prospect of being able to pay his debts or has committed any act of bankruptcy or, has become insolvent or has made any arrangements or compromise with his creditors generally, or has been convicted of any criminal offence involving his integrity or honesty or on any other grounds on which an employer would be entitled to terminate his employment summarily, his Option will lapse automatically and not be exercisable (to the extent not already exercised) on or after the date of termination of his employment. To the extent that the Grantee has exercised the Option in whole or in part pursuant to paragraph (xxiii) below, but the Shares have not been allotted to him, the Grantee shall be deemed not to have so exercised such Option and the Company shall return to the Grantee the amount of the Subscription Price for the Shares received by the Company in respect of the purported exercise of such Option.

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- (ii) If the Grantee who is an employee or a Director or another member of the Group ceases to be a Participant for any reason other than his death or termination of his employment or directorship on one or more of the grounds specified in paragraph (viii)(aa)(1) above, the Option shall lapse (to the extent not already exercised) on the date of cessation or termination of his employment (which date shall be the Grantee's last actual working day with the Company or the relevant Subsidiary whether salary is paid in lieu of notice or not) and shall on that day cease to be exercisable.

(bb) Rights on death

If the Grantee ceases to be a Participant by reason of his death before exercising his Option in full and none of the events which would be a ground for termination of his employment as described in paragraph (viii)(aa)(1) above have arisen, his personal representative(s) may exercise the Option up to the Grantee's entitlement as at the date of death (to the extent not already exercised) within a period of 12 months following the date of his death provided that where any of the events set out in paragraphs (x), (xi), (xii) and (xiii) occurs prior to his death or within such period of six months following his death, then his personal representative(s) may so exercise the Option only within such of the various periods set out in such paragraphs provided further that if within a period of three years prior to the Grantee's death, the Grantee had committed any of the acts specified in paragraph (vii)(aa)(1) which would have entitled the Company to terminate his employment prior to his death, the Board may at any time forthwith terminate the Option (to the extent not already exercised) by written notice to the Grantee's legal personal representative(s) and/or to the extent the Option has been exercised in whole or in part by his legal personal representative(s), but Shares have not been allotted, he shall be deemed not to have so exercised such Option and the Company shall return to him the amount of the Subscription Price for the Share received by the Company in respect of the purported exercise of such Option.

(viii) Effect of alterations to share capital

In the event of an alteration in the capital structure of the Company, whilst any Option remains exercisable, by way of capitalisation of profits or reserves, bonus issue, rights issue, open offer, subdivision or, consolidation of shares, or reduction of the share capital of the Company in accordance with legal requirements and requirements of the Stock Exchange (other than any alteration in the capital structure of the Company as a result of an issue of Shares as consideration in a transaction to which the Company is a party), such corresponding adjustments (if any) shall be made to:

- (aa) the number or nominal amount of Shares subject to the Option so far as unexercised; or

- (bb) the Subscription Price,

or any combination thereof, provided that:

- (i) any such adjustments give a Grantee the same proportion of the equity capital of the Company as that to which that Grantee was previously entitled; and

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- (ii) notwithstanding paragraph (ix)(1) above, any adjustments as a result of an issue of securities with a price-dilutive element, such as a rights issue, open offer or capitalisation issue shall be made in accordance with the provisions of Chapter 23 of the GEM Listing Rules and the notes thereto and the supplementary guidance on the interpretation of the GEM Listing Rules issued by the Stock Exchange from time to time (including the Supplemental Guidance attached to all issuers relating to share option schemes).

but no such adjustments shall be made to the extent that a Share would be issued at less than its nominal value. In respect of any such adjustments, an independent financial advisor or auditor must confirm to the Directors in writing that the adjustments are in their opinion fair and reasonable.

(ix) *Rights on a general offer by way of takeover*

In the event of a general offer by way of takeover (other than by way of scheme of arrangement) being made to all the Shareholders (or all such Shareholders other than the offeror and/or any person controlled by the offeror and/or any person acting in association or concert with the offeror) and such offer becomes or is declared unconditional prior to the expiry date of the relevant Option, the Company shall forthwith notify all the Grantees and any Grantee (or his legal personal representative) shall be entitled to exercise the Option in full (to the extent not already exercised) or to the extent as notified by the Company at any time within such period as shall be notified by the Company.

(x) *Rights on a general offer by way of scheme of arrangement*

In the event of a general offer by way of scheme of arrangement being made to all the Shareholders and has been approved by the necessary number of Shareholders at the requisite meetings, the Company shall forthwith notify all the Grantees and any Grantee (or his legal personal representative) may at any time thereafter, (but before such time as shall be notified by the Company) exercise the Option either to its full extent or to the extent notified by the Company.

(xi) *Rights on winding up*

In the event a notice is given by the Company to the Shareholders to convene a Shareholders' meeting to consider and, if thought fit, approve a resolution to voluntarily wind up the Company, the Company shall forthwith give notice thereof to all Grantees and any Grantee (or his legal personal representative) may at any time thereafter (but before such time as shall be notified by the Company) exercise the Option either to its full extent or to the extent notified by the Company, and the Company shall as soon as possible and in any event no later than three days prior to the date of the proposed Shareholders' meeting, allot and issue and register in the name of the Grantee such number of Shares to the Grantee which fall to be issued on such exercise.

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(xii) Rights on a compromise or arrangement

In the event a compromise or arrangement (other than a scheme of arrangement) between the Company and its members or creditors is proposed in connection with a scheme for the reconstruction or amalgamation of the Company, the Company shall give notice to all the Grantees on the same date as it gives notice of the meeting to its members or creditors to consider such a compromise or arrangement, and any Grantee (or his legal personal representative) may at any time thereafter (but before such time as shall be notified by the Company) exercise the Option either to its full extent or to the extent notified by the Company and the Company shall as soon as possible and in any event no later than three days prior to the date of the proposed Shareholders' meeting, allot and issue and register in the name of the Grantee such number of Shares which fall to be issued on such exercise.

(xiii) Rights of Grantee ceasing to be Participant

In the event of a Grantee who is not an employee or a director of the Company or another member of the Group ceasing to be a Participant as and when determined by the Board by resolution for any reason other than his death the Board may by written notice to such Grantee within one month from the date of such cessation determine the period within which the Option (or such remaining part thereof) shall be exercisable following the date of such cessation.

(xiv) Ranking of Shares

The Shares to be allotted upon the exercise of an Option shall be subject to all the provisions of the Memorandum and Articles for the time being in force and shall carry the same rights as the existing fully paid Shares in issue on the date on which these Shares are allotted on exercise of the Option and accordingly shall entitle the holders to participate in all dividend or other distributions paid or made after the date on which the Shares are allotted other than any dividends or distributions previously declared or recommended or resolved to be paid or made if the record date thereof shall be on or before the date on which the Shares are allotted.

(xv) Period of the Share Option Scheme

The Share Option Scheme was adopted for a period of ten years commencing from the Adoption Date. The Company may, by ordinary resolution in a general meeting or, the Board, on such date as the Board determines, terminate the Share Option Scheme at any time without prejudice to the exercise of Options granted prior to such termination.

(xvi) Alterations to the Share Option Scheme

Those specific provisions of the Share Option Scheme which relate to the matters set out in Rule 23.03 of the GEM Listing Rules cannot be altered to the advantage of Participants, and changes to the authority of the Board in relation to any alteration of the terms of the Share Option Scheme shall not be made, in either case, without the prior approval of Shareholders in general meeting. Any alterations to the terms and conditions of the Share Option Scheme which are of a material nature, or any change to the terms of Options granted, must be approved by the Shareholders in general meeting, except where the alterations take effect automatically under the existing terms of the Share Option Scheme. The Share Option Scheme so altered must comply with Chapter 23 of the GEM Listing Rules.

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(xvii) Conditions of the Share Option Scheme

The Share Option Scheme shall take effect subject to:

- (aa) the passing of the resolution by the Shareholders to approve and adopt the Share Option Scheme and to authorise the Board to grant Options thereunder and to allot and issue Shares pursuant to the exercise of any Options;
- (bb) the Listing Division (as defined in the GEM Listing Rules) of the Stock Exchange granting approval of the [REDACTED] of and permission to deal in the Shares which fall to be issued pursuant to the exercise of Options; and
- (cc) the commencement of trading of the Shares on the Growth Enterprise Market of the Stock Exchange.

(xviii) Lapse of Option

An Option shall lapse automatically and shall not be exercisable, to the extent not already exercised, on the earliest of:

- (aa) the expiry of the Option Period;
- (bb) the expiry of the periods referred to in paragraphs (viii)(aa), (viii)(bb), (x), (xi), (xii), (xiii) and (xiv) above respectively;
- (cc) the expiry of the period referred to in paragraph (x) above, subject to any court of competent jurisdiction not making an order to prohibit the offeror from acquiring the remaining Shares in the Offer, the relevant period within which Options may be exercised shall not begin to run until the discharge of the order in question or unless the Offer lapses or is withdrawn before that date;
- (dd) subject to the scheme of arrangement becoming effective, the expiry of the period referred to in paragraph (xi) above;
- (ee) the date of commencement of the winding-up of the Company;
- (ff) the date on which the Grantee ceases to be a Participant as referred to in paragraph (viii)(aa)(1) above;
- (gg) the date on which the Grantee commits a breach by selling, transferring, charging, mortgaging, encumbering or creating any interest in favour of any third party over or in relation to any Option; and
- (hh) subject to paragraph (viii)(aa)(2) above, the date the Grantee ceases to be a Participant for any other reason.

(xix) Termination of the Share Option Scheme

The Company by ordinary resolution in general meeting or the Board may at any time terminate the Share Option Scheme and in such event no further Options may be granted but in all other respects the Share Option Scheme shall remain in full force

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and effect in respect of Options which are granted during the life of the Share Option Scheme and which remain unexpired immediately prior to termination of the operation of the Share Option Scheme.

(xx) Restriction on grant of Option

In addition, a grant of Options may not be made after inside information has come to its knowledge until such inside information has been published in the newspapers or in such other manner as prescribed by the GEM Listing Rules. In particular, during the period commencing one month immediately preceding the earlier of:

- (aa) the date of the board meeting of the Company (as such date is first notified to the Stock Exchange in accordance with the GEM Listing Rules) for the approval of the Company's results for any year, half-year, quarterly or, any other interim period (whether or not required under the GEM Listing Rules); and
- (bb) the deadline for the Company to publish an announcement of its results for any year or half-year under the GEM Listing Rules, or quarterly or any other interim period (whether or not required under the GEM Listing Rules);

and ending on the date of the results announcement, no Option may be granted.

(xxi) Cancellation

Any Options granted but not exercised may be cancelled if the Participant so agrees and new Options may be granted to the Grantee provided that such new Options fall within the limits prescribed by paragraph (v), excluding the cancelled Options, and are otherwise granted in accordance with the terms of the Share Option Scheme.

(xxii) Exercise of Options

- (aa) An Option may, subject to the provisions of paragraph (v), be exercised in whole or in part (but if in part only, in respect of a board lot in which the Shares are traded on the Stock Exchange from time to time or an integral multiple thereof) in the manner set out in paragraphs (vi), (viii), (x), (xi), (xii), (xiii) and (xiv) by the Grantee (or, as the case may be, his legal personal representative(s)) by giving notice in writing to the Company stating that the Option is thereby exercised and the number of Shares in respect of which it is exercised. Each such notice must be accompanied by a remittance for the full amount of the Subscription Price multiplied by the number of Shares in respect of which the notice is given. Within ten (10) Business Days after receipt of the notice and the remittance of the full amount of the relevant aggregate Subscription Price and, where appropriate, receipt of the Auditors' certificate or the certificate from the independent financial adviser to the Company pursuant to paragraph (v), the Company shall accordingly allot and issue the relevant number of Shares to the Grantee (or, as the case may be, his legal personal representative(s)) credited as fully paid and issue to the Grantee (or, as the case may be, his legal personal representative(s)) share certificates in respect of the Shares so allotted.

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- (bb) The exercise of any Option shall be subject to the members of the Company in general meeting approving any necessary increase in the authorised share capital of the Company. Subject thereto the Board shall make available sufficient authorised but unissued share capital of the Company to meet subsisting requirements on the exercise of Options.
- (cc) The Options do not carry any right to vote in general meeting of the Company, or any right, dividend, transfer or any other rights, including those arising on the liquidation of the Company.
- (dd) No Grantee shall enjoy any of the rights of a shareholder by virtue of the grant of an Option pursuant to the Share Option Scheme, unless and until Shares are actually issued to the Grantee pursuant to exercise of such Option.

(b) Present status of the Share Option Scheme

As at the Latest Practicable Date, no option had been granted or agreed to be granted pursuant to the Share Option Scheme.

E. OTHER INFORMATION

1. Estate duty, tax and other indemnities

The Controlling Shareholders (collectively, the "Indemnifiers") have entered into the Deed of Indemnity with and in favour of the Company (for itself and as trustee for each of the present subsidiaries) (being the material contract referred to in item (iv) of the section headed "Summary of material contracts" in this Appendix) to provide indemnities on a joint and several basis in respect of, among other matters, Hong Kong estate duty which might be payable by any member of the Group, by reason of any transfer of property (within the meaning of Section 35 of the Estate Duty Ordinance, Chapter 111 of the Laws of Hong Kong), to any member of the Group on or before the date on which the [REDACTED] becomes unconditional (the "Effective Date").

The Deed of Indemnity also contain, amongst other things, indemnities given by the Indemnifiers in respect of taxation resulting from income, profits or gains earned, accrued or received as well as any property claim to which the Company may be subject on or before the Effective Date which might be payable by any member of the Group.

The Directors have been advised that no material liability for estate duty is likely to fall on the Company or any of its subsidiaries under the laws of the Cayman Islands, the BVI or Hong Kong, being jurisdictions in which one or more of the companies comprising the Group were incorporated.

2. Litigation

As at the Latest Practicable Date, neither the Company nor any of the subsidiaries was engaged in any litigation or arbitration of material importance and no litigation or claims of material importance was known to the Directors to be pending or threatened against the Company or any of the subsidiaries.

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3. Sole Sponsor

The Sole Sponsor has made an application for and on behalf of the Company to the Stock Exchange for the [REDACTED] of, and permission to deal in, the Shares in issue and to be issued as mentioned in this document, including any [REDACTED] and any Shares falling to be issued pursuant to the [REDACTED] or pursuant to the exercise of the [REDACTED] and the options which may be granted under the Share Option Scheme.

Neither the Sole Sponsor nor any of its associates has accrued any material benefit as a result of the successful outcome of the [REDACTED], other than the following:

- (a) by way of sponsorship, financial advisory and documentation fee to be paid to the Sole Sponsor for acting as the sole sponsor of the [REDACTED]; and
- (b) by way of the compliance advisory fee to be paid to Southwest HK Capital as the Company's compliance adviser pursuant to the requirements under Rule 6A.19 of the GEM Listing Rules.

No director or employee of the Sole Sponsor who is involved in providing advice to the Company has or may have, as a result of the [REDACTED], any interest in any class of securities of the Company or any of its subsidiaries. None of the directors and employees of the Sole Sponsor has any directorship in the Company or any other companies comprising the Group. The Sole Sponsor is independent from the Group under Rule 6A.07 of the GEM Listing Rules.

4. Preliminary expenses

The preliminary expenses of the Company are approximately US\$6,450 and have been paid by the Company.

5. Sole Sponsor's fees

The Sole Sponsor's fees of the Company are approximately HK\$[REDACTED] (equivalent to approximately US\$[REDACTED]) and are payable by the Company.

6. Promoter

The Company does not have any promoter for the purpose of the GEM Listing Rules.

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7. Qualifications of experts

The following are the qualifications of the experts who have been given opinion or advice which are contained in this document:

<u>Name</u>	<u>Qualification</u>
Southwest HK Capital	Licensed corporation under the SFO to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities as defined in the SFO
Mazars CPA Limited	Certified Public Accountants of Hong Kong
Mazars LLP	Public Accountants and Chartered Accountants of Singapore
China Insights Consultancy Limited	Industry consultant
Virtus Law LLP	Legal advisers as to Singapore laws
David Lai & Tan	Legal advisers as to Malaysian laws
Maples and Calder (Hong Kong) LLP	Legal advisers as to Cayman Islands laws
DLA Piper UK LLP	Legal advisers advising on International Sanctions
Harry Elias Partnership LLP	Legal advisers advising on the Singapore Private Security Industry Act

8. Consents of experts

Each of experts referred to in "7. Qualification of experts" has given and has not withdrawn its/his written consent to the issue of this document with the inclusion of its report and/or letters and/or and/or valuation certificates and/or legal opinion (as the case may be) and the references to their name included herein in the form and context in which they are respectively included.

9. Binding effect

This document shall have the effect, if an application is made in pursuance hereof, of rendering all persons concerned bound by all of the provisions (other than the penalty provisions) of sections 44A and 44B of the Companies (Winding Up and Miscellaneous Provisions) Ordinance so far as applicable.

APPENDIX IV**STATUTORY AND GENERAL INFORMATION**

10. Agency fees or commission received

The [REDACTED] will receive an [REDACTED] commission, and the Sole Sponsor will receive a documentation fee, as referred to under the section headed "[REDACTED] — [REDACTED] arrangements and expenses — Commissions and expenses" in this document.

11. No material adverse change

The Directors confirm that there has not been any material adverse change in the financial or trading position or document of the Group since 31 December 2016 (being the date to which the latest audited combined financial statements of the Group were made up) and up to the date of this document.

12. Miscellaneous

- (a) Save as disclosed in this document, within the two years preceding the date of this document:
 - (i) no share or loan capital of the Company or any of its subsidiaries has been issued or agreed to be issued or is proposed to be fully or partly paid either for cash or a consideration other than cash;
 - (ii) no share or loan capital of the Company or any of its subsidiaries is under option or is agreed conditionally or unconditionally to be put under option;
 - (iii) the Group has no outstanding convertible debt securities or debentures;
 - (iv) no commissions, discounts, brokerages or other special terms have been granted or agreed to be granted in connection with the issue or sale of any share or loan capital of the Company or any of its subsidiaries;
 - (v) no founders, management or deferred shares of the Company or, any of its subsidiaries have been issued or agreed to be issued; and
 - (vi) no commission has been paid or is payable for subscription, agreeing to subscribe, procuring subscription or agreeing to procure subscription of any share in the Company or any of its subsidiaries;
- (b) none of the persons named in the paragraph headed "— E. Other Information — 8. Consents of experts" in this Appendix is interested beneficially or otherwise in any shares of any member of the Group nor has any right or option (whether legally enforceable or not) to subscribe for or nominate persons to subscribe for any securities in any member of the Group:
 - (i) the Directors confirm that there has been no material adverse change in the financial or trading position or prospects of the Group since 30 June 2016 (being the date to which the latest audited combined financial statements of the Group were made up);
 - (ii) the Directors confirm that there has not been any interruption in the business of the Group which may have or has had a significant effect on the financial position of the Group in the last 24 months;

APPENDIX IV**STATUTORY AND GENERAL INFORMATION**

- (iii) the principal register of members of the Company will be maintained in Cayman Islands by [REDACTED] and a branch register of members of the Company will be maintained in Hong Kong by the Company's share registrar in Hong Kong, [REDACTED]. Unless the Directors otherwise agree, all transfer and other documents of title of Shares must be lodged for registration with and registered by the Company's branch share register in Hong Kong and may not be lodged for registration with the principal share registrar in the Cayman Islands;
- (iv) no member of the Group is presently listed on any stock exchange or traded on any trading system;
- (v) there is no arrangement under which future dividends are waived or agreed to be waived; and
- (vi) all necessary arrangements have been made to enable the Shares to be admitted into CCASS for clearing and settlement.

13. Bilingual document

The English language and Chinese language versions of this document are being published separately in reliance upon the exemption provided by Section 4 of the Companies (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong).

APPENDIX V**DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES AND AVAILABLE FOR INSPECTION**

DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES IN HONG KONG

The documents attached to the copy of this document delivered to the Registrar of Companies in Hong Kong for registration were (a) copies of the written consents referred to in the section headed "Statutory and General Information — E. Other information — 8. Consents of experts" in Appendix IV to this document; and (b) copies of material contracts referred to in the section headed "Statutory and General Information — B. Further information about the Group's business — 1. Summary of material contracts" in Appendix IV to this document.

DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the office of Stephenson Harwood at 18th Floor, United Centre, 95 Queensway, Hong Kong during normal business hours up to and including the date which is 14 days from the date of this document:

- (a) the Memorandum and the Articles;
- (b) the accountants' report prepared by Mazars CPA Limited and Mazars LLP, the text of which is set out in Appendix I to this document;
- (c) the audited combined financial statements of the Group during the Track Record Period;
- (d) the report prepared by Mazars CPA Limited and Mazars LLP relating to the unaudited pro forma financial information of the Group, the text of which is set out in Appendix II to this document;
- (e) the Industry Report;
- (f) the letter of advice prepared by Maples and Calder (Hong Kong) LLP summarising certain aspects of the Cayman Company Law as referred to in Appendix III to this document;
- (g) the legal opinion issued by Virtus Law LLP, the legal advisers to the Company as to Singapore laws;
- (h) the legal opinion issued by David Lai & Tan, the legal advisers to the Company as to Malaysian laws;
- (i) the legal memorandum issued by DLA Piper UK LLP, the legal advisers to the Company as to International Sanctions;
- (j) the legal opinion issued by Harry Elias Partnership LLP, the legal advisers to the Company as to the Singapore Private Security Industry Act;
- (k) the Cayman Company Law;
- (l) the material contracts referred to in the section headed "Statutory and General Information — B. Further information about the Group's business — 1. Summary of material contracts" in Appendix IV to this document;
- (m) the written consents referred to in the section headed "Statutory and General Information — E. Other information — 8. Consents of experts" in Appendix IV to this document;

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**DOCUMENTS DELIVERED TO THE REGISTRAR OF
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- (n) the rules of the Share Option Scheme; and
- (o) the service contracts and letters of appointment referred to in the section headed "Statutory and General Information — C. Further information about the Directors and substantial Shareholders — 1. Directors — (b) Particulars of service contracts" in Appendix IV to this document.