SUMMARY

This summary aims to give you an overview of the information contained in this document. As this is a summary, it does not contain all the information that may be important to you and is qualified in its entirety by, and should be read in conjunction with, the full text of this document. You should read the entire document before you decide to invest in the [REDACTED]. There are risks associated with any investment. Some of the particular risks associated with an investment in the [REDACTED] are set out in the section headed "Risk Factors" in this document. You should read that section carefully before you decide to invest in the [REDACTED]. Various expressions used in this section are defined in the sections headed "Definitions" and "Glossary of Technical Terms" in this document.

OVERVIEW

We are a well-established SD-WAN router vendor focusing on the design, development, marketing and sale of our products and services. Our products and services are used by enterprise users, such as multinational companies, as well as industry users, including those in the transportation, retail and education industries. SD-WAN router market is a subset of the global router market. According to the Quocirca Report, the market size of global SD-WAN routers represents a small fraction of the global router market comprising only approximately 1.9% of the global router market and we are the fifth largest SD-WAN router vendor internationally in 2015 in terms of revenue value. Further, according to the Quocirca Report, the SD-WAN router market is projected to grow at a CAGR of 31.8% from 2015 to reach approximately US$1.51 billion by 2020.

Since established in 2006, we have been focusing on developing SD-WAN routers to help organisations resolve their WAN connection issues including increasing their bandwidth, reducing their networking costs, and ensuring reliability of WAN connection for accessing key resources such as e-mail, enterprise resource planning, file sharing, and video conferencing.

We market and sell our products and services to customers and end users under our own brands namely "Peplink" and "Pepwave". We derive our revenue mainly from the sale of our self-developed SD-WAN routers, categorised into wired and wireless, which run our patented and proprietary technology, namely SpeedFusion, which is a technology specifically designed to bond multiple WAN connections and create a secured private network. In addition, we derive our revenue from the grant of our software licences, including SpeedFusion and InControl cloud service for managing our devices, and the provision of warranty and support services in connection with our SD-WAN router products. We sell our products and services mainly through an extensive network of distributors which consist of Independent Third Parties in different regions of the world. As at the 31 December 2015, we had 415 distributors in approximately 70 countries.

We do not have any manufacturing capabilities and therefore outsource the manufacturing process of our products to contract manufacturers mainly based in Taiwan.

As at 31 December 2015, we have been granted four patents from the United States Patent and Trademark Office and filed 161 patent applications internationally for the intellectual properties developed by our R&D team. In November 2015, we were awarded the 2015 Deloitte Technology Fast 50 China (2015德勤高科技高成長中國50強暨明日之星) to recognise our continuous innovation excellence.

Our revenue increased from approximately US$13.31 million for the year ended 31 December 2013 to approximately US$17.95 million for the year ended 31 December 2014 and further to approximately US$21.86 million for the year ended 31 December 2015, representing a CAGR of approximately 28.2%. Our profit for each of the three years ended 31 December 2015 was approximately US$2.57 million, US$3.74 million and US$3.36 million, respectively, representing a CAGR of approximately 14.3%. The decrease in profit for the year ended 31 December 2015 was primarily due to (i) a decrease in overall gross profit margin resulted from our pricing strategy to increase market share and change of product mix; and (ii) the [REDACTED] expense and an increase in staff cost and general office expenses which was in line with our business expansion.

REVENUE

We derive our revenue mainly from the sale of our SD-WAN routers. In addition, we derive our revenue from the grant of software licences including SpeedFusion and InControl cloud service for managing our devices, and the provision of warranty and support services in connection with our SD-WAN router products.

In order to provide more flexibility, our SpeedFusion and InControl can be turned on by our distributors and end users by subscribing to our software licences, where necessary.

The table below sets out our revenue by product and service segments during the Track Record Period:

	For the year ended 31 December					
	2013		2014		2015	
	Revenue	% of total	Revenue	% of total	Revenue	% of total
	US$'000	%	US$'000	%	US$'000	%
SD-WAN routers:						
Wired	6,487	48.8	7,493	41.8	6,987	32.0
Wireless	4,503	33.8	7,635	42.5	10,685	48.9
Warranty and support services:						
Embedded warranty	1,030	7.7	1,721	9.6	2,499	11.4
Additional warranty and support	802	6.1	860	4.8	1,406	6.4
Software licences	484	3.6	237	1.3	282	1.3
Total	13,306	100.0	17,946	100.0	21,859	100.0

Our SD-WAN routers are categorised into wired and wireless. Wired routers comprise our Balance series and MediaFast series which are capable of connecting multiple devices and end users' networks to the Internet through multiple WAN connections. Wireless routers mainly comprise MAX BR series and MAX HD series. Most of our SD-WAN routers are capable of running our patented and proprietary technology, namely SpeedFusion, which is a technology specifically designed to bond multiple WAN connections and to create a secured private network.

We provide embedded warranty that comes with the sale of our SD-WAN routers. In addition, we offer additional warranty and support services to end users who require a longer warranty and support period. Having included in additional warranty and support services, end users of our products can subscribe to our advance hardware replacement support service pursuant to which we will send them free replacement unit once the hardware defect is confirmed.

Software licences income represents mainly the licence fee for SpeedFusion and InControl. During the Track Record Period, a one-time licence fee for SpeedFusion was in the range of approximately US$600 to US$1,000 per device; and the annual licence fee for InControl was approximately US$25 per device.

COMPETITIVE STRENGTHS

We believe that the following competitive strengths have contributed to our success:

- We are dedicated to design, develop and market reliable and easy-to-use SD-WAN routers.
- We have strong R&D capabilities.
- We have established an extensive distribution network.
- We have comprehensive and close relationship with our distributors and end users through our website and regular discussions through our online Community Forum.
- We have a stable and dedicated management team with extensive industry experience.

BUSINESS STRATEGIES

Our principal business objective is to further strengthen our position in the design, development, marketing and sales of our SD-WAN routers. We intend to achieve this business objective by pursuing the following strategies:

- Continue to strengthen our ability to innovate, expand our R&D capability on new technologies and broaden functionality and application of our products.
- Continue to enhance brand recognition and expand the breadth and depth of our international distribution network.

CUSTOMERS AND SALES

Our customers are distributors and direct customers who purchase our products and services directly from us. We mainly sell our products and warranty and support services provided by us through an extensive network of distributors in different regions of the world. Direct customers are mainly end users who purchase our products and services directly from us.

The table below sets out the breakdown of the sale of our products and services to our customers under each of our sales channels during the Track Record Period:

	For the year ended 31 December					
	2013		2014		2015	
	Revenue	% of total	Revenue	% of total	Revenue	% of total
	US$'000	%	US$'000	%	US$'000	%
Distributors	10,933	82.2	15,812	88.1	20,240	92.6
Direct customers	2,373	17.8	2,134	11.9	1,619	7.4
Total	13,306	100.0	17,946	100.0	21,859	100.0

Sales to our five largest customers accounted for approximately 29.7%, 29.6% and 39.7% of our total revenue for each of the three years ended 31 December 2015, respectively. Further, sales to our largest customer accounted for approximately 13.1%, 14.4% and 20.5% of our total revenue for the corresponding years, respectively. All of the five largest customers are Independent Third Parties.

Our revenue was mainly derived from our customers in North America, EMEA and Asia. During the Track Record Period, the North American market is the largest revenue contributor of our Group.

The table below sets out the breakdown of revenue by location of customers in terms of absolute amount and as a percentage of total revenue during the Track Record Period:

	For the year ended 31 December					
	2013		2014		2015	
	Revenue	% of total	Revenue	% of total	Revenue	% of total
	US$'000	%	US$'000	%	US$'000	%
North America	6,310	47.4	7,519	41.9	9,180	42.0
EMEA	3,045	22.9	4,878	27.2	7,351	33.6
Asia	2,937	22.1	4,538	25.3	4,669	21.4
Others	1,014	7.6	1,011	5.6	659	3.0
Total	13,306	100.0	17,946	100.0	21,859	100.0

Our revenue was mainly derived from North America which accounted for approximately 47.4% of our total revenue for the year ended 31 December 2013. In order to reduce the reliance on the North American market, we strategically expanded our distribution network to EMEA and Asian regions starting from 2014. The growth in sales from EMEA exceeded the growth in sales in North America for the year ended 31 December 2014 and 2015, which led to a decreasing trend in the percentage of total revenue from North America accordingly.

SUPPLIERS AND PURCHASE

Our suppliers comprise contract manufacturers and raw material suppliers. In order to better allocate our resources, reduce manufacturing overheads and maintain high product quality, we outsource the manufacturing process of our products to our contract manufacturers mainly based in Taiwan that are Independent Third Parties. Our most important components for our routers are CPUs and wireless communication modules. For each of the three years ended 31 December 2015, our total purchase from our contract manufacturers and raw material suppliers were approximately US$6.1 million, US$9.6 million and US$10.7 million, respectively.

Purchases from our five largest suppliers accounted for approximately 74.5%, 75.0% and 77.4% of our total purchase for each of the three years ended 31 December 2015, respectively. For each of the three years ended 31 December 2015, the purchases from our largest supplier represented approximately 43.0%, 46.0% and 37.3% of our total purchase, respectively. All of our five largest suppliers are Independent Third Parties.

RESEARCH AND DEVELOPMENT

We believe that R&D capability is the core competence of a technology company. Therefore, we have been focusing on strengthening our R&D as well as product design. We have strong R&D capabilities with a track record for developing and commercialising innovative routers and services. We have been able to introduce products through technological innovation which are used by end users from wide-ranging industries, including transportation, retail and education industries.

Our skilled R&D team consists of international and local experts with extensive experience in their respective fields. We have one central R&D facility and one supporting testing facility located at our headquarters in Hong Kong.

The amount of time and resources we spend on our R&D vary depending on the types of technology and products involved. It may take a few weeks to a year to complete the R&D for a product. For each of the three years ended 31 December 2015, our R&D expenses including relevant staff costs, material expenses and other expenses were approximately US$3.14 million, US$3.97 million and US$3.91 million, respectively, representing approximately 23.6%, 22.1% and 17.9% of our total revenue, respectively.

As at the Latest Practicable Date, our R&D team consisted of 55 members with most of whom attained tertiary education or higher. Our employment contracts require our staff to maintain confidentiality for any proprietary information, including information relating to our R&D.

SUMMARY HISTORICAL FINANCIAL INFORMATION

Profit or Loss

Our business was not affected by seasonality and our results of operations are affected by a number of factors, including (i) the product/service mix; (ii) the market demand for our products; (iii) the price and cost of raw materials and components; and (iv) technology changes. Our success depends upon our ability to enhance our existing products and services, respond to changing customer requirements, technological and competitive developments and emerging industry standards, conduct R&D, work with raw materials suppliers and contract manufacturers, and introduce new products in a timely manner.

SUMMARY

The table below sets out a summary of our combined profit or loss data during the Track Record Period:

	For the year ended 31 December		
	2013	2014	2015
	US$'000	US$'000	US$'000
Revenue	13,306	17,946	21,859
Gross profit	8,651	11,036	12,693
Profit for the year	2,565	3,743	3,357
Overall gross profit margin	65.0%	61.5%	58.1%
Net profit margin	19.3%	20.9%	15.4%

The continuous growth in our revenue and gross profit in each year from 2013 to 2015 was primarily due to the introduction of new and improved products and services, the enhanced global awareness of our brand, the expansion of the network of our distributors and an increase in the sales volume of our products which was in line with the strong market demand for Internet connectivity in recent years.

Our overall gross profit margin decreased from approximately 65.0% for the year ended 31 December 2013 to approximately 61.5% for the year ended 31 December 2014. However, our net profit margin increased from approximately 19.3% for the year ended 31 December 2013 to approximately 20.9% for the year ended 31 December 2014. The increase in our net profit margin was mainly attributable to recognition of net gain from the sales of parts material of approximately US$0.12 million and reversal of impairment losses for trade receivables of approximately US$0.18 million in 2014. The decrease in our net profit margin for the year ended 31 December 2015 when compared to year ended 31 December 2014 was primarily due to (i) a decrease in overall gross profit margin resulted from our pricing strategy to increase market share and change of product mix; and (ii) the [REDACTED] and an increase in staff cost and general office expenses which was in line with our business expansion.

The table below sets out our Group's gross profit and gross profit margin by product/service category during the Track Record Period:

	For the year ended 31 December					
	2013		2014		2015	
	Gross profit	Gross profit margin	Gross profit	Gross profit margin	Gross profit	Gross profit margin
	US$'000	%	US$'000	%	US$'000	%
SD-WAN routers:						
Wired	4,547	70.1	5,227	69.8	4,687	67.1
Wireless	2,088	46.4	3,411	44.7	4,350	40.7
Warranty and support services	1,532	83.6	2,161	83.7	3,374	86.4
Software licences	484	100.0	237	100.0	282	100.0
Total	8,651	65.0	11,036	61.5	12,693	58.1

For each of the three years ended 31 December 2015, our gross profit amounted to approximately US$8.65 million, US$11.04 million and US$12.69 million, respectively, and our overall gross profit margin was approximately 65.0%, 61.5% and 58.1%, respectively. Our gross profit margin depends on a combination of factors, including the sales volume of our products, the prices at which we charge for our products, the discount level that we offer to our customers, and the cost of raw materials and components. Our wireless routers recorded the lowest gross profit margin among all of our products and services while the gross profit margins of our wired routers, warranty and support services and software licences were higher than our overall gross profit margin during the Track Record Period.

SUMMARY

The table below sets out the sales volume, average selling price, average unit cost, average gross profit and gross profit margin of our wired and wireless routers during the Track Record Period:

	For the year ended 31 December														
	2013					2014					2015				
	Sales volume	Average selling price	Average unit cost	Average gross profit	Gross profit margin	Sales volume	Average selling price	Average unit cost	Average gross profit	Gross profit margin	Sales volume	Average selling price	Average unit cost	Average gross profit	Gross profit margin
	units	US$	US$	US$	%	units	US$	US$	US$	%	units	US$	US$	US$	%
SD-WAN routers:															
Wired	9,685	670	200	470	70.1%	9,464	792	239	553	69.8%	9,928	704	232	472	67.1%
Wireless	21,188	213	114	99	46.4%	29,078	263	145	118	44.7%	45,485	235	139	96	40.7%
Total	30,873					38,542					55,413				
Overall gross profit margin of SD-WAN routers					60.4%					57.1%					51.1%

Our product portfolio covers low-priced to high-priced range products in order to meet customer demand for different degree of product functionality, connectivity and stability. Wired routers comprise our Balance series and MediaFast series which are capable of connecting multiple devices and end users' networks to the Internet through multiple WAN connections. Wireless routers mainly comprise our MAX BR series and MAX HD series and other series (which include a variety of miscellaneous low-priced wireless models) which are capable of connecting multiple devices and end users' networks to the Internet through wireless connections.

The decrease in our gross profit margin in 2015 was mainly contributed by an increase in the sale of our lower margin product mix. The impact from the increase in the sale of our lower margin product mix was greater than the impact from strong U.S. dollars as the impact caused by strong U.S. dollars affected mainly the Asian region which only contributed approximately 21.4% of our total revenue in 2015.

In 2014, our gross profit increased by approximately US$2.39 million to approximately US$11.04 million. This was mainly contributed by increase in gross profit of wired routers, wireless routers and warranty and support services. In 2014, the sale of lower margin wireless models (mainly MAX BR series) in our product mix of our wireless routers increased from approximately 54.0% in 2013 to approximately 57.1% in 2014 and accounted for a higher portion of revenue from sales of our wireless routers, the gross profit margin of wireless routers decreased from approximately 46.4% in 2013 to approximately 44.7% in 2014.

All R&D costs of software licences are recognised as R&D expenses when incurred. Therefore, the gross profit margin of software licences was 100% during the Track Record Period.

For detail analysis of our combined profit or loss data during the Track Record Period, please refer to the section headed "Financial Information — Description of Selected Items in Combined Statements of Profit or Loss" in this document.

Net Current Assets

The table below sets out our combined current assets, current liabilities and net current assets as at the dates indicated:

	As at 31 December			As at 30 April
	2013	2014	2015	2016
	US$'000	US$'000	US$'000	US$'000 (unaudited)
Total current assets	10,247	11,491	14,516	14,659
Total current liabilities	3,418	4,464	7,461	5,905
Net current assets	6,829	7,027	7,055	8,754

Cash Flows

The table below sets out a summary of our combined cash flows during the Track Record Period:

	For the year ended 31 December		
	2013	2014	2015
	US$'000	US$'000	US$'000
Net cash flows from operating activities	3,076	3,093	3,019
Net cash flows (used in) from investing activities	(19)	130	(915)
Net cash flows (used in) from financing activities	(1,291)	(3,639)	202

During our Track Record Period, our cash inflow from operating activities was principally from the receipt of the proceeds from the sales of our products and our software licences as well as warranty and support services provided. Our cash outflow used in operating activities was principally for the purchase of routers made by contract manufacturers, raw materials and accessories and for salary payments.

Our cash outflow used in investing activities primarily consists of payment of application cost for patent, trademark, test and certification, payments for acquisition of property, plant and equipment, repayment of borrowings and advances to a director. Our cash inflow from investing activities primarily consists of receipts on advances to related companies and a director.

Our cash outflow from financing activities primarily represents cash used for payment of dividends to a Shareholder and repayment of advance from related companies and a director. Our cash inflow from financing activities primarily consists of new bank loans raised and advances from related companies and a director.

FINANCIAL RATIOS

The tables below set out certain of our financial ratios as at the dates and for the periods indicated:

	As at 31 December		
	2013	2014	2015
Current ratio	3.0	2.6	1.9
Quick ratio	2.2	1.8	1.4
Gearing ratio (%)	8.8	7.8	17.4

	For the year ended 31 December		
	2013	2014	2015
Return on assets (%)	27.9	32.7	24.4
Return on equity (%)	43.1	56.8	49.0

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

SHAREHOLDER INFORMATION AND SHARE OPTION SCHEME

Controlling Shareholder

Mr. Chan will directly hold approximately [REDACTED] of the issued share capital of our Company immediately following completion of the [REDACTED], assuming that the [REDACTED] is not exercised and without taking into account any Shares to be issued upon the exercise of any options which may be granted under the Share Option Scheme. Accordingly, Mr. Chan will be our Controlling Shareholder within the meaning of the Listing Rules. Mr. Chan has confirmed that he does not have any direct or indirect interest in any business or companies, save as disclosed in this document, that engage in any business activities that compete or may compete with our business activities. For further details, please refer to the sections headed "Relationship with our Controlling Shareholder — Controlling Shareholder" and "Substantial Shareholders" in this document.

Share Option Scheme

Our Company has conditionally adopted the Share Option Scheme pursuant to which selected participants may be granted options to subscribe for shares as incentives or rewards for their service rendered to our Group and any entity in which any member of our Group holds an equity interest. For details of the Share Option Scheme, please refer to the section headed "Statutory and General Information — Other Information — 15. Share Option Scheme" in Appendix IV to this document.

RISK FACTORS

We believe that there are certain risks involved in our operations, many of which are beyond our control. These risks can be categorised into (i) risks related to our business; (ii) risks related to the industry in which we operate; (iii) risks related to the [REDACTED]; and (iv) risks related to statements in this document. Some of the key risks include:

- Our gross profit margin and growth in profit may not be sustainable in the future;
- Our dependence on a limited number of suppliers may result in supply disruptions and prevent us from delivering our products in a timely manner to our customers in the required quantities;
- Our business and financial performance depend on our ability to manage our inventory effectively;
- The SD-WAN sector is dominated by a few specialised vendors, including our Group, whose revenues are relatively small when compared to the global enterprise router market. When diversified vendors enter, our market share may be reduced;
- If we fail to keep up with the rapidly changing technologies or fail to conduct R&D and market our new products and services, we could lose our customers and our business, financial conditions and results of operations may be materially and adversely affected;
- We do not have long-term purchase commitments from our customers which may lead to significant uncertainty and volatility within our revenue; and
- We are exposed to credit risk of our customers if we experience significant delays in collecting trade receivables from our customers, it could adversely affect our cash flow.

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

[REDACTED]

The total [REDACTED] (including [REDACTED] commissions) payable by our Company are estimated to be approximately [REDACTED] (based on midpoint of our indicative price range for the [REDACTED] and assuming that the [REDACTED] is not exercised and without taking into account any discretionary incentive fees, if applicable). For the year ended 31 December 2015, we incurred [REDACTED] of approximately [REDACTED], of which [REDACTED] was charged to our combined statements of profit or loss and other comprehensive income and the remaining amount of approximately [REDACTED] was recorded as deferred [REDACTED] which is to be net off with share premium after the [REDACTED]. We expect to further incur [REDACTED] (including [REDACTED] commissions) of approximately [REDACTED] by the completion of the [REDACTED], of which an estimated amount of approximately [REDACTED] million will be charged to our combined statements of profit or loss and other comprehensive income for the year ending 31 December 2016 and an estimated amount of approximately [REDACTED] million will be capitalised. These [REDACTED] mainly comprise professional fees paid and payable to the professional parties and [REDACTED] commissions payable to the [REDACTED] for their services rendered in relation to the [REDACTED].

[REDACTED] STATISTICS

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

	Based on minimum [REDACTED] of HK$[REDACTED] per Share	**Based on maximum [REDACTED] of HK$[REDACTED] per Share**
	HK$	**HK$**
Market capitalisation of our Company	[REDACTED]	[REDACTED]
Unaudited pro forma adjusted combined net tangible assets per Share	[REDACTED]	[REDACTED]

[REDACTED]

The aggregate net [REDACTED] from the [REDACTED] (after deducting [REDACTED] fees and estimated expenses in connection with the [REDACTED] and (i) assuming an [REDACTED] of [REDACTED] per Share, being the midpoint of the indicative range of the [REDACTED] of [REDACTED] to HK$[REDACTED] per Share; and (ii) the [REDACTED] is not exercised) will be approximately [REDACTED] (equivalent to approximately [REDACTED]).

Our Directors intend to apply the net [REDACTED] from the [REDACTED] as follows:

- approximately 22% or [REDACTED] (equivalent to approximately [REDACTED]) will be used to strengthen our R&D capabilities through expansion of our R&D team over the next four years by employing additional experienced engineers in the field. For further details, please refer to the section headed "Business — Business Strategies — Continue to strengthen our ability to innovate, expand our R&D capability on new technologies and broaden functionality and application of our products" in this document;

- approximately 13% or [REDACTED] (equivalent to approximately [REDACTED]) will be used to upgrade our R&D facilities. We expect there will be continued advancement of technology, we therefore intend to purchase new software licences and equipment and to replace existing R&D equipment with most updated ones for increasing the processing capacity of our R&D facilities over the next four years. For further details, please refer to the section headed "Business — Business Strategies — Continue to strengthen our ability to innovate, expand our R&D capability on new technologies and broaden functionality and application of our products" in this document;

- approximately 13% or [REDACTED] (equivalent to approximately [REDACTED]) will be used to finance the acquisition and decoration of a property suitable for the establishment of a R&D centre for R&D testing and quality assurance purposes. We estimate that purchase price of the property will be approximately [REDACTED] (equivalent to approximately [REDACTED]). Our Directors confirm that, as at the Latest Practicable Date, we had not identified any target property for the establishment of the R&D centre;

- approximately 15% or [REDACTED] (equivalent to approximately [REDACTED]) will be used to carry out promotional and marketing activities including attending overseas trade fairs, exhibitions, press conference and advertisement in media and to expand our distribution network;

- approximately 13% or [REDACTED] (equivalent to approximately [REDACTED]) will be used to improve our marketing capabilities over the next three years by (i) employing additional experienced and reputable marketing executives, technical marketing engineers and designers; and (ii) purchasing additional computer design systems for marketing purpose. For further details, please refer to the section headed "Business — Business Strategies — Continue to enhance brand recognition and expand the breadth and depth of our international distribution network" in this document;

- approximately 3% or [REDACTED] (equivalent to approximately [REDACTED]) will be used to improve brand awareness by (i) engaging public relation professionals in different regions to promote our brand; and (ii) enhancing communication with customers by market research analysis;

- approximately 1% or [REDACTED] (equivalent to approximately [REDACTED]) will be used to install an enterprise resource planning system;

- approximately 10% or [REDACTED] (equivalent to approximately [REDACTED]) will be used to strengthen our patent portfolio by filing more patent applications as well as acquiring intellectual property rights; and

- approximately 10% or [REDACTED] (equivalent to approximately [REDACTED]) will be used for working capital and other general corporate purposes.

DIVIDENDS

We declared dividends of approximately US$1.30 million, US$3.70 million and US$2.80 million for each of the three years ended 31 December 2015, respectively, which we had paid the dividends declared in full. On 14 June 2016, we declared a dividend of approximately US$1.00 million as the final dividend for year ended 31 December 2015 and this amount of dividend was paid in June 2016.

As at the Latest Practicable Date, our Company had not adopted any dividend policy. Any declaration of dividends, however, is subject to the discretion of our Directors, mainly depending on our Group's results of operation, working capital and cash position, future business and earnings, capital requirements and contractual restrictions, if any, as well as any other factors which our Directors may consider relevant. Our Company's dividend payment history is not, and should not be taken as, an indication of our potential future practice on dividend payments. Our 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, we continued our focus on the design, development, marketing and sale of our SD-WAN routers. Our business model, revenue structure and cost structure remained unchanged since 31 December 2015.

Our number of distributors increased from 415 as at 31 December 2015 to 458 as at the Latest Practicable Date which was in line with our organic business growth. Such increase was mainly attributable to enhanced awareness of our brand and strong market demand for Internet connectivity in recent years. Between 31 December 2015 and the Latest Practicable Date, we had been granted five additional patents from the United States Patent and Trademark Office and one additional patent from the United Kingdom Intellectual Property Office.

NO MATERIAL ADVERSE CHANGE

Our Directors confirm that since 31 December 2015 and up to the date of this document, there had not, as far as we are aware, been any material adverse change in our business, financial operational or trading position and no event had occurred that would materially and adversely affect the information as shown in our combined financial statements included in the Accountants' Report set out in Appendix I to this document.

COMPETITION

According to the Quocirca Report, we are the fifth largest SD-WAN router vendor internationally in 2015 in terms of revenue value. Our competitors mainly comprise specialised vendors and diversified vendors. Specialised vendors focus on providing highly available connectivity through multiple WAN connections, bonding and wireless routers. Diversified vendors typically have a strong legacy of business in the telecommunication carrier sector as well as enterprise sector, have been providing traditional routers and other networking solutions, and are in the process of adding SD-WAN capabilities through their internal product development supplemented by acquisitions.

As the SD-WAN market gathers pace, additional players will likely enter the market and the diversified vendors will likely to add SD-WAN capabilities through organic product development or acquisitions. As such, the market share of specialised vendors may decrease and lead to a more competitive market environment.

BUSINESS ACTIVITIES WITH CUSTOMERS FROM SANCTIONED COUNTRIES

During the Track Record Period, we had sales with customers from some of the Sanctioned Countries imposed by the U.S., the E.U., the U.N. and Australia, namely Belarus, Bosnia and Herzegovina, Cote D'Ivoire (Ivory Coast), Egypt, Iraq, Lebanon, Myanmar (Burma), Serbia, Russia and Ukraine. Our Sanctions Law Advisers have advised us that the sanctions imposed by the U.S., the E.U., the U.N. and Australia on these Sanctioned Countries during the Track Record Period were not "country-wide sanctions", but generally consisted of (i) restrictions on certain forms of trade with such Sanctioned Countries; and (ii) financial sanctions (asset freezes) on designated individuals and entities in or connected with such Sanctioned Countries, which are included on lists maintained by the U.S., the E.U., the U.N. and Australia. The amount of total revenue generated from sales to customers from these Sanctioned Countries for each of the three years ended 31 December 2015 was approximately US$17,000, US$50,000 and US$93,000, respectively, representing approximately 0.1%, 0.3% and 0.4% of our total revenue for the same years, respectively, which was negligible to our total revenue during the Track Record Period.

Our Directors confirm that, after making reasonable enquiries, during the Track Record Period, none of our customers were in the Sanctioned Countries which fall within the kinds of so called, "country-wide sanctions" and none of our customers from the Sanctioned Countries was a Sanctioned Person. Our Directors further confirm that we did not enter into any sanctionable transactions with the designated individuals and entities under financial sanctions and on the restricted parties list maintained by the U.S., the E.U., the U.N. and Australia during the Track Record Period.

Our Sanctions Law Advisers have advised us that based on the information provided to them on our Group's historical sales to customers from the Sanctioned Countries during the Track Record Period and on the basis that:

(i) none of our sales during the Track Record Period were directly to customers in countries where so-called "country-wide sanctions" apply;

(ii) none of these sales otherwise fell within the kinds of trade restricted by the U.S., the E.U., the U.N. or Australia in relation to the Sanctioned Countries;

(iii) none of our customers in the Sanctioned Countries during the Track Record Period was a Sanctioned Person and we had not traded with any entity included on the restricted parties list maintained by the U.S., the E.U., the U.N. and Australia during the Track Record Period;

(iv) Australian sanction laws only apply to Australian incorporated entities, or entities owned or controlled by Australians or person in Australia, or entities employing Australians or persons in Australia who are involved with the businesses of the entities, and our Group does not fall into any of these categories; and

(v) based on the content of the relevant U.N. Security Council resolutions, it is unlikely that our historical sales would breach U.N. sanctions as they may be implemented in any national legislation of U.N. member states (although this is a matter which would ultimately need to be decided in the context of such legislation),

they are not aware of any basis for enforcement action in connection with such sales against our Group, our Shareholders and potential investors, and persons who might, directly or indirectly, be involved in permitting [REDACTED] including the Stock Exchange and its related group companies as a result of the [REDACTED] and their involvement in the [REDACTED], and therefore these sales present a low sanctions risk.

NON-COMPLIANCE INCIDENTS

During the Track Record Period, we had certain non-compliance incidents in relation to (i) failure of Peplink Worldwide, our wholly-owned subsidiary, to notify the IRD of its assessable profits for the years of assessment 2012/13, 2013/14 and 2014/15 on time; and (ii) failures of our certain operating Hong Kong subsidiaries, namely Peplink International, Pepwave and Pismo Labs, in obtaining Radio Dealers Licences for import into Hong Kong or export therefrom any radiocommunications transmitting apparatus.

Our Directors are of the view that the non-compliance incidents have not resulted, and will not result, in any material impact on our financial and operational aspects. For detailed information of the non-compliance incidents, please refer to the section headed "Business — Licences, Regulatory Approvals and Compliance — Non-compliance incidents" in this document.