
RISK FACTORS

You should carefully consider all of the information in this document, including the risks and uncertainties described below, before making an investment in the [REDACTED]. Our business, financial conditions, results of operation or prospects could be materially and adversely affected by any of these risks and uncertainties. The market price of the [REDACTED] could significantly decrease due to any of these risks and uncertainties, and you may lose all or part of your investment.

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. You should consider our business and prospects in light of the challenges we face, including the ones discussed in this section.

RISKS RELATED TO OUR BUSINESS

Our gross profit margin and growth in profit may not be sustainable in the future.

For each of the three years ended 31 December 2015, our overall gross profit margin was approximately 65.0%, 61.5% and 58.1%, respectively. Our profitability mainly depends on the market competition, availability, change of technology and performance of 4G LTE in different regional markets, the economic conditions of North America, EMEA and Asia and the market demands for our SD-WAN routers, our ability to market our products and services, the cost of raw materials we use in the manufacturing our routers, and the cost of our products manufactured by contract manufacturer. Moreover, since a substantial portion of the [REDACTED] from the [REDACTED] will be used in strengthening our R&D capabilities and promotional and marketing activities, our selling and distribution expenses and R&D expenses are expected to increase significantly after the [REDACTED]. There is no assurance that we can maintain the gross profit margin as achieved during the Track Record Period and the growth in our revenue can cover the significant increase in our selling and distribution expenses and R&D expenses after the [REDACTED]. As such, if this happens, our business, financial conditions and results of operation may be materially and adversely affected.

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.

We depend on a limited number of contract manufacturers to manufacture our products. Also, we depend on a limited number of raw material suppliers to supply us key raw materials for production. For each of the three years ended 31 December 2015, purchases from our five largest suppliers accounted for approximately 74.5%, 75.0% and 77.4% of our total purchase, respectively, and in which, approximately 43.0%, 46.0% and 37.3% is contributed by our largest supplier for the corresponding years, respectively. For each of the year ended 31 December 2013, 2014 and 2015, three, two and two of the five largest suppliers were contract manufacturers, respectively. Those contract manufactures ranked (i) first, second and fifth; (ii) first and second; and (iii) first and third of the five largest suppliers for each of the three years ended 31 December 2015, respectively.

We currently retain a limited number of contract manufacturers to manufacture our products. We do not currently have long-term supply contracts with any of these contract manufacturers. We make substantially all of our purchases from our contract manufacturers on a purchase order basis. Although we have several contract manufacturers making different products for us, we place a large percentage of our orders for certain products with a limited number of contract manufacturers. Our contract manufacturers are not required to manufacture our products for any specific period or in any specific quantity other than those specified in the purchase orders.

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Further, our orders may not represent a material portion of our contract manufacturers’ total orders. It is possible that fulfilling our orders may not be a priority if our contract manufacturers have constraints in their abilities or resources to fulfil all of their customer obligations in a timely manner. We therefore may not be able to manage our capacity during periods of high demand, meet delivery schedules, and assure the quality of our products. Further, the ability to obtain supplies from alternative sources on a timely basis on commercially reasonable terms and the ability and willingness of our contract manufacturers to perform are beyond our control. We expect that if we need to change or replace our existing contract manufacturers, it may take approximately three months of transition from the existing manufacturing process to the new contract manufacturers. Such transition from current contract manufacturers may disrupt our ability to obtain our products in a timely manner and may delay the delivery of our products to our customers.

Also, we currently purchase certain of our key raw materials for the production from a limited number of raw material suppliers. In particular, a stable source of CPUs and wireless communication modules, which are the most important components for our routers, is crucial to our success. As we generally have minimal control over the prices of our key raw materials, we will need to seek alternative supply sources if we cannot reach agreement on the pricing terms with our raw material suppliers in the future or our raw material suppliers fail to deliver. We foresee that we will continue to rely on a relatively limited number of raw material suppliers for certain of key raw materials.

If there is any significant change in our relationship with our suppliers or any of our suppliers experiences an interruption, delay, disruption or quality control problems in its business operations, our business, financial conditions and results of operation may be materially and adversely affected.

Our business and financial performance depend on our ability to manage our inventory effectively.

Our business and financial performance depend on our ability to maintain a reasonable level of inventory for our SD-WAN routers, spare parts and raw materials in order to respond to customers’ demand promptly. For each of the three years ended 31 December 2015, our average turnover days of inventories were approximately 187 days, 165 days and 155 days, respectively. For more information about the average turnover days of inventories, please refer to the section headed “Financial Information – Description of Certain Items of Combined Statements of Financial Position – Inventories” in this document. We aim to manage our inventory efficiently. Slow-moving inventories at our inventory would result in capital constraint and reduce our liquidity, increase our overall operating costs and reduce our profit margins. If we overstock inventory, our inventory may become obsolete and we may be required to increase our working capital and incur additional finance costs. If we understock inventory, we may not be able to satisfy the demands of our customers, which may in turn cause us to lose the opportunity to capture more revenue or market share. If this happens, it may have a material adverse effect on our business, financial conditions and results of operation.

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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.

According to the Quocirca Report, the SD-WAN router market is a relatively niche market and as the SD-WAN market gathers pace, additional players will likely enter the market and the diversified vendors will likely 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. If we fail to anticipate or respond to changes in the market, increase in competition or fail to bring products to market in a timely manner and at an acceptable price that satisfy our customers' needs, our market share and our sales may be adversely affected and we may have a material adverse effect on our business, financial conditions and results of operation.

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 have been designing, developing, marketing and selling our products and services since 2006. However, SD-WAN router is a relatively new market segment of routers and have only been recognised as an alternative to traditional routers and replace expensive leased lines by using multiple affordable wired or wireless WAN connections in 2014. We cannot ensure the market acceptability of SD-WAN routers, our products and services as this depends on various factors which may be beyond our anticipation or control.

The SD-WAN router market is characterised by continuing technological development, evolving industry standards, increasing number of product certification, changing customer needs, frequent new product introductions and enhancements and occasional changes in government policies and regulations. The introduction of products and services by our competitors, such as specialised vendors and diversified vendors embodying new technologies, the introduction and adoption of new product certification, the emergence of new industry standards, changes in customer requirements or changes in government policies and regulations could reduce our market share, render our existing products obsolete, unmarketable or less competitive. In particular, an industry-wide adoption of new standards may reduce the importance of the functionality of our products and affect the competitiveness and market acceptance of our products. Further, when we market and sell our products to a new regional market or a new industry, our products may need to be certified and qualified in order to gain their trust.

Our success depends upon our ability to enhance existing products, respond to changing customer requirements, technological and competitive developments and emerging industry standards, conduct R&D, work with raw material suppliers and contract manufacturers and introduce and market new products in a timely manner. There is no assurance that our R&D effort will result in new products and services. We cannot assure you that we will not delay in launching new products, software and product enhancements as we experienced such delays in the past. End users may defer purchasing our products until the new products, new software or product enhancements are launched. If this happens, the time and resources committed to R&D and marketing will be wasted and accordingly, it may have a material adverse effect on our business, financial conditions and results of operation.

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We do not have long-term purchase commitments from our customers which may lead to significant uncertainty and volatility within our revenue.

We do not have long-term purchase commitments from our customers as our customers would place order to buy a specific model for a certain quantity. If any one or more of these major customers substantially reduce their orders with us, there is no assurance that we will be able to make up for the reduction in business by securing orders of similar volumes or at all from other customers and our profitability may drop. In addition, if our competitors succeed in marketing their products to them by offering more favourable terms or more appealing models, or our products become less popular than expected, we may lose our customers and may not be able to find other customers who will purchase similar quantity of products from us and accordingly, our profit will drop. This may have a material adverse effect on our business, financial conditions and results of operation.

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.

We generally do not grant credit terms to our new distributors and direct customers, and generally require full payment before the products are delivered. When we grant our customers credit terms, the credit term period generally ranges from 30 days to 60 days. We may extend credit to certain of our customers on a case-by-case basis. As at 31 December 2013, 2014 and 2015, our trade receivables were approximately US\$1.45 million, US\$2.40 million and US\$2.70 million, respectively. The trade receivables due from our largest debtor accounted for approximately 24.1%, 35.4% and 42.2% of our total trade receivables as at 31 December 2013, 2014 and 2015, respectively. The average turnover days of our trade receivables for the same periods were 28 days, 39 days and 43 days, respectively. Although no material provision for bad debt was incurred by us for each of the three years ended 31 December 2015, we cannot assure you that we will not incur any bad debt in the future. If our customers are unable to pay trade receivables owed to us promptly or default in payment, our business, financial conditions and results of operation will be materially and adversely affected.

Loss of our senior management may have a material adverse effect on our business, financial conditions and results of operation.

Our business, financial conditions and results of operation may be materially and adversely affected if there is a loss of services of our senior management and senior technicians. In addition, our development may be hindered if we fail to attract and retain talented staff. The growth of our business depends on our senior management's continuous services. Our continuing success depends on the expertise, experience and contributions from our executive Directors and our senior management. For the biographies of our Directors and senior management, please refer to the section headed “Directors, Senior Management and Staff” in this document.

If any of our key management members departs and we fail to employ individuals with matching qualifications in a timely manner, our business growth may be materially and adversely affected. Our business performance and development depend on our ability to recruit, train and retain experienced and skilled staff. This includes management personnel and professionals with essential experience, expertise and strengths in the businesses that we operate such as R&D and marketing professional. When we expand, our demand for staff with relevant experience is also likely to increase. The competition for qualified employees is intense in Hong Kong. In order to prevent any talent loss, we may need to improve the remuneration package and benefits and put more resources to train our existing employees with the aim of increasing their relevant experience and skills. When we enter into new business areas and regional markets, the pressure on our human resources management will increase. We cannot assure you that we have the ability

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to engage sufficient staff with the appropriate skills to execute our projects or conduct other corporate businesses. We also cannot assure you that labour costs of hiring skilled personnel will not rise. Our business, financial conditions and results of operation will be materially and adversely affected if we fail to attract and retain staff with the appropriate management, technical or sales expertise, or fail to continuously maintain sufficient labour.

We may not be able to effectively manage our anticipated growth and rapid domestic and international expansion.

In order to meet the growth of the SD-WAN router market and as part of our strategy, we have expanded and will continue to expand our distribution network and end users base. During the Track Record Period, a majority of our revenue was derived from our overseas distributors and direct customers. We plan to continue to focus on the overseas SD-WAN routers market and expand our distribution network in different regions and invest more resources in marketing. We cannot assure you that our strategy will be successfully implemented.

In addition, if there are major or unfavourable changes in technology, political, economic or social conditions, foreign trade, legal and regulatory requirements in the overseas markets, or any adverse change in demand or the ability or costs of supply our products in the overseas market, our business, financial conditions and results of operation may be materially and adversely affected. Further, our ability to manage future growth will depend on our ability to effectively implement and improve our management, operational and financial systems and to recruit, train, motivate and manage our employees. We cannot assure you that our resources will be adequate for our future growth. Failure to manage our expansion effectively may impede our ability to execute our strategy to support our business growth, and may lead to increased costs, operational inefficiencies and insufficient control and monitoring, which, in turn, may have a material adverse effect on our business, financial conditions and results of operation.

We are vulnerable to fluctuations in the foreign currencies.

Most of our sales are denominated in U.S. dollars. Any appreciation in the value of U.S. dollars against other currencies may make our products more expensive for some of our customers as well as reduce the competitiveness of our U.S. customers in the international market. This may potentially lead to a reduction in our sales. In response to this, we may reduce the selling price of our products, which, in turn, may lead to a reduction of our profitability. Our operating expenses are denominated mainly in Hong Kong dollars. The currencies of the countries in which our operations and our contract manufacturers are located namely the Malaysian Ringgit and New Taiwan dollars, as well as the Hong Kong dollars may be subject to fluctuations due to changes in foreign exchange rates. Therefore, fluctuations in exchange rates, particularly among U.S. dollars and other currencies, may affect our net profit margins and may result in fluctuations in operating gains and losses. We have not used any forward contracts, currency options or borrowings to hedge our exposure against foreign exchange risk. We cannot predict the impact of future exchange rate fluctuations on the results of our operations and we may incur net foreign currency losses in the future. If this happens, it may have a material adverse effect on our business, financial conditions and results of operation.

Our business and prospects depend on the strength of our brands. Failure to maintain and enhance our brands would harm our ability to increase the number of distributors and end users.

Maintaining and enhancing our brands are critical to expanding our base of distributors and the number of end users. Our ability to continue to develop and provide products and software that solve end users' problems will influence our ability to maintain and enhance our brand. If we are unable to promote and maintain our brands, our ability to sustain and expand our business

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and enter into new markets may suffer. Our brands may be impaired by a number of other factors, including defects in our products and software and trademarks infringement. If we fail to maintain and enhance our brands, or if we need to incur unanticipated expenses to establish and strengthen our brands in new markets, it may have a material adverse effect on our business, financial conditions and results of operation.

We may face possible infringement of our trademarks and other intellectual property rights and possible counterfeiting of our products.

The development and production process of our products may involve proprietary know-how, technology or data that may not be patentable. In addition, our Directors believe that our brands and reputation have been vital to the success and growth of our business. We may not always be successful in securing protection for our know-how, trademarks and other intellectual property rights. We may need to resort to litigation in the future to enforce our intellectual property rights. Any such litigation may result in substantial costs and a diversion of our resources. Our failure to protect and enforce our intellectual property rights may have a material adverse effect on our business, financial conditions and results of operation.

We cannot assure you that counterfeiting and imitation of our products will not occur in the future. If it does occur, we may not be able to detect it and deal with it effectively. Any occurrence of counterfeiting or imitation may tarnish our reputation and brands. In addition, counterfeit and imitation products may result in a reduction of our market share, a decline in our revenue and an increase in our administrative expenses on infringement detection. If this happens, it may have a material adverse effect on our business, financial conditions and results of operation.

A majority of our contract manufacturers are located in Taiwan and a majority of our employees are working in Hong Kong. Any disruption to the facilities of our contract manufacturers or our facilities could reduce or restrict manufacturing, business operations and sales.

As a majority of our contract manufacturers are located in Taiwan and a majority of our employees are working in our facilities in Hong Kong, any natural disaster or other event affecting our contract manufacturers’ facilities or our facilities may severely disrupt our business. In the event of an earthquake, fire, drought, flood, typhoon and/or any other natural disaster, political instability, extended outages of critical utilities or transportation systems, terrorist attack, riot, or other event that limits our contract manufacturers’ ability to operate their facilities or limits our employees to work in our facilities:

- our contract manufacturers may not be able to manufacture and ship our products as originally planned, and may cause significant delays in our contract manufacturers’ production or extended disruptions of their operations in the future would affect our ability to supply and ship our products as well as to meet our delivery obligations to our distributors and end users; and/or
- we may not be able to conduct our operation, R&D activities, quality control and marketing activities.

If any of these happens, it may have a material adverse effect on our business, financial conditions and results of operation.

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Confidentiality agreements with employees and others may not be adequate.

We routinely share confidential information, including our intellectual property, know-how, trade secrets, source codes, schematics, designs, specifications, test results, and other confidential information provided to us from third parties with our suppliers, contract manufacturers and distributors. Such confidential information is generally protected under confidentiality agreements. Our suppliers, contract manufacturers and distributors may unintentionally or wilfully disclose such information to unauthorised third parties, including our current and potential competitors even if we may have entered into confidentiality agreements with them.

We also rely on our personnel's confidentiality obligations regarding non-disclosure of the confidential information. While we use reasonable efforts to protect the confidential information, our employees, contract personnel or advisers may unintentionally or wilfully disclose such information to unauthorised third parties, including our current and potential competitors even if we may have entered into confidentiality agreements with them.

There is no assurance that these confidentiality agreements will be honoured by our personnel, suppliers, contract manufacturers, distributors and advisers. In addition, such confidentiality agreements, if any, executed by our personnel may not be adequate in the event of unauthorised use or disclosure. If we need to initiate a claim against any third party who obtains our confidential information illegally, such enforcement efforts could be expensive and time-consuming. In addition, these claims and breach of confidentiality obligations could damage our relationship with our suppliers, contract manufacturers, distributors and end users, and result in adverse publicity.

Third parties may claim that we are infringing their intellectual property rights, and we could suffer significant litigation expenses or licensing expenses or be prevented from selling certain of our products if these claims are successful.

We may infringe intellectual property rights of third parties or third parties may claim that we infringe their intellectual property rights. We received such claims and were involved in a litigation in the past and have been able to resolve the claims and settle the litigation without having any material adverse impact on our business, financial condition and results of operations. We cannot assure you that third parties will not initiate intellectual property claims against us in the future. The validity and scope of claims relating to the intellectual property rights of our products (including our SD-WAN routers), services, information technology, hardware and software 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 us may involve us in administrative proceedings or litigation, which can be both costly and time consuming and may significantly divert the attention, efforts and resources of our engineering and management personnel. If any of our employee 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 us and uses such intellectual properties to develop any of our products, we may be held liable for his actions. An adverse determination in any administrative proceedings or litigation, and claims could damage our reputation and impose significant liability on us, require us to pay royalties or to seek licences from third parties, or even subject us to injunctions prohibiting the manufacturing, marketing and selling of our products and software.

If the above happens, it may have a material and adverse effect on our business, financial conditions and results of operations.

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We may not have adequate insurance coverage to cover potential liabilities or losses.

At present, we do not maintain third party liability or product liability insurance for all of our products. We, our Directors or senior management may be exposed to claims or risks which are not covered by any insurance policies, including any claims that may be made against us if our products and software are found to be defective and cause harm to the end users. In addition, although we maintain insurance on our properties, machinery, equipment and inventories, there may be circumstances where we may not be adequately covered or at all. If we incur substantial losses or liabilities and our insurance coverage is unavailable or inadequate to cover such losses or liabilities, our business, financial conditions and results of operation may be materially and adversely affected.

Inaccurate or incorrect information posted on our online Community Forum may lead to unsatisfactory user experience and affect our brands materially and adversely.

Our online Community Forum allows our distributors, prospective customers and end users to seek information and share knowledge about our products and software. However, inaccurate information regarding our products and software that is posted on our online Community Forum could lead to poor user experience or dissatisfaction with our products and software. While we sell our products and software in different parts of the world, we do not have local offices in each of the markets. We use on our online Community Forum to answer enquiries from our distributors, prospective customers and end users for the installation, operation and maintenance of our products and software. Information promulgated through forum postings by the members of our online Community Forum other than our moderators may be inaccurate as we do not verify or control the information. Although we have numerous moderators who moderate and review reported problems forum postings from and assess the accuracy of advice provided by the members of our online Community Forum, as our operations continue to grow, we may not have adequate time or resources to monitor the quality of information circulated on our online Community Forum. Our reputation and sales may be materially and adversely affected if our end users have a poor experience or are dissatisfied with our products due to such inaccurate information on our online Community Forum. For further details, please refer to the section headed “Business — Competitive Strengths” in this document.

We rely on our online Community Forum for feedback on features improvement, new products and defects correction.

We rely on our online Community Forum to collect prompt and substantive feedback on the functionality and effectiveness of our products. The solutions, problems and suggestions posted by members of our online Community Forum enable our R&D team to quickly resolve issues with our existing products and improve features in future products and product enhancements. If members of our online Community Forum became less engaged, the effectiveness of our online Community Forum may decline. This may incur us additional expenses on R&D or make our products less attractive to our distributors and our end users. If this happens, it may have a material adverse effect on our business, financial conditions and results of operation.

Risk of using open source software.

We use open source software extensively in our products, services, websites, and internal information systems, including our SD-WAN routers, InControl and online store, and will continue to do so in the future. The terms of many open source licences to which we are subject to have not been interpreted by Hong Kong, the U.S., the E.U., the PRC or foreign courts. There is a risk that such licences may be construed in a manner that imposes unanticipated conditions or restrictions on our ability to sell or distribute our applications. Additionally, we may, from time to time, face claims and threats from third parties claiming ownership of, or demanding release of,

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the source code of the open source software or derivative works we develop using these open source software, which may include source code of our software, or seeking to enforce the terms of the applicable open source licences. These claims and threats may result in litigation and may require us to make source code of our software available freely to third parties including existing and new competitors, purchase expensive licences or cease offering the implicated source code or software unless and until we can modify them to resolve the claims and threats or to avoid infringement. Such modification process may require significant effort from our R&D team which we may not be able to complete it successfully. We cannot guarantee that we have complied with all of the licence terms of all of these open source software.

Our use of open source software may also lead to risks as such software does not generally provide indemnity, warranties or controls on the origin of the respective source code. In addition, as any source code of our software that we may contribute to open source projects is publicly available, our ability to protect our intellectual property rights in relation to such source code of our software may be impaired, limited or lost entirely. We are also unable to prevent our competitors or others from using our contributed source code of our software. Any of these risks could be difficult to eliminate or manage and, if not properly addressed, it may have a material adverse effect our business, financial conditions and results of operation.

Material breaches in security of our products, services and information technology systems may subject us to liability.

The uninterrupted and secure operation of our products, software and information technology systems and the safe-keeping of confidential information relating to our employees, suppliers, distributors, direct customers, end users and R&D information that is stored on our information technology systems are critical to the successful operations of our business.

Hackers may carry out attacks on our hardware, software, websites, systems, networks and databases that could compromise the security of our hardware, software, websites, systems, networks and databases. Any of the above may have a long and significant impact on our business operations and reputation. This, in turn, may result in our distributors, direct customers, suppliers and end user losing confidence in us and ceasing to carry on business relationship with us. The above may also subject us to liability including claims for unauthorised access to end users, product liability claims, unauthorised access to InControl, unauthorised purchases through our online store with misappropriated bank card information or other fraudulent claims as well as the imposition of fines and damages by credit card merchant acquirers or government bodies or, in case of material breach, the prohibition from provision of processing transactions for card networks. Any of the above events could have a material and adverse effect on our business, financial conditions and results of operation.

Misconduct of our personnel could harm our reputation and business and is difficult to detect and deter.

While we have put in place internal control policies, they may still contain inherent limitations caused by misjudgement or fault of our Directors, senior management and/or staff. Misconduct of our personnel could result in violation of laws by us, regulatory sanctions against us and material reputational or financial harm to our disadvantage. Misconduct of our personnel could include improperly using or disclosing confidential information, and engaging in fraudulent acts or otherwise not complying with the laws or our control procedures. We cannot assure that there will not be any misconduct by our personnel, or that future incidents of misconduct of our personnel will not subject us to serious penalties or limitations on our business activities. It is not always possible to deter misconduct of our personnel, and the precautions we take to prevent and to detect such activity may not be effective in all cases. We could also suffer from adverse publicity,

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reputational damage or litigation losses that may arise from the misconduct of our personnel, which may have a material adverse effect on our business, financial conditions and results of operations.

Failures of our products or software due to quality issues, design flaws, bugs, errors or other defects may increase our costs and impair the market acceptance of our products and we may as a result be subject to product liability claims.

Although we have quality control in place to test our products and software, there is no assurance that all the quality issues, design flaws, bugs, errors or other defects in our software and products have been detected and corrected. Any quality issues, design flaws, bugs, errors or other defects on our products and software may cause damage to our distributors’ and end users’ systems and networks, and adversely affect our distributors’ and end users’ operations. As a result, we may incur additional costs in rectifying the defects. It may also affect our relationship with such customers and our reputation.

In addition, we may be subject to product liability claims if our products and software are found to have quality issues, design flaws, bugs, errors or other defects. The occurrence of such problems may result in recalls of our products and software and significant damage to our brand. We cannot assure you that such incidents will not occur in the future. We may be subject to legal liabilities and have to compensate distributors and/or end users for any loss or damages they suffer in respect of valid product liability claims. In addition, we may be subject to administrative or other government sanctions or penalties. If distributors, as well as end users, lose confidence in our brand, we may experience long term declines in our sales, which may have a material adverse effect on our business, financial conditions and results of operation.

We could be adversely affected as a result of our operations in certain countries that are subject to evolving economic sanctions of the U.S., the U.N., the E.U. and Australia and other relevant sanctions authorities.

During the Track Record Period, we had 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. The amount of our 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. For details of the business activities in Sanctioned Countries, please refer to the section headed “Business – Business Activities with Customers from Sanctioned Countries” in this document.

We undertake to the Stock Exchange that we 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 sanction laws and regulations or with any Sanctioned Person, and that we have no present intention to undertake any future business that would cause us, the Stock Exchange and its related group companies, our Shareholders or potential investors to violate or become a target of sanction laws of the U.S., the E.U., the U.N. or Australia. If we breach any of these undertakings to the Stock Exchange after the [REDACTED], it is possible that the Stock Exchange may delist our Shares. In order to ensure our compliance with these undertakings to the Stock Exchange, we will continuously monitor and evaluate our business and take measures to protect the interests of our Group and our Shareholders. For details of our internal control procedures, please refer to the section headed “Business – Internal Control Measures” in this document.

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We cannot predict the interpretation or implementation of government policy at the U.S. federal, state or local levels or any policy by the E.U., the U.N., Australia and other applicable jurisdictions with respect to any current or future activities by us or our affiliates in the Sanctioned Countries and with Sanctioned Persons. Further, we cannot assure that our future business will be free of risk under sanctions implemented in these jurisdictions or that we will conform our business to the expectations and requirements of the U.S. authorities or the authorities of any other government that do not have jurisdiction over our business but nevertheless assert the right to impose sanctions on an extraterritorial basis.

Our business and reputation could be materially and adversely affected if the government of the U.S., the E.U., the U.N., Australia or any other governmental entity were to determine that any of our activities constitutes a violation of the sanctions they impose or provide a basis for a sanctions designation of our Company. In addition, as many sanctions programmes are evolving, new requirements or restrictions could come into effect which might increase scrutiny on our business or result in one or more of our business activities being deemed to have violated sanctions, or being sanctionable. Therefore, before investing in our Shares, you should consider if such investment would expose you to any of the U.S., the E.U., the U.N., Australia 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 us.

RISKS RELATED TO THE INDUSTRY IN WHICH WE OPERATE

Our revenue growth depends on the continuous growth of Internet usage, particularly access to the Internet through 3G/4G LTE. If use of the Internet does not continue to grow, or if the Internet infrastructure does not effectively support its growth, our revenue and growth could be adversely affected.

Our business and financial results depend heavily on the continuous growth in the use of Internet, particularly access to the Internet through 3G/4G LTE. Internet usage may be inhibited for a number of reasons, many of which are beyond our control, including but not limited to regulatory restrictions, cyber security concerns and unavailability of Internet infrastructure. If the infrastructure is unable to support the growing use of the Internet stringent regulatory restrictions are imposed or cyber security cannot be maintained, the growth of the Internet may be hindered and may decline. If the usage of the Internet does not continue to grow, or if the Internet infrastructure, does not effectively support its growth, our business and results of operation could be materially and adversely affected.

Government regulation and legal uncertainties could adversely affect the conduct of business on the Internet.

The application of existing laws to the Internet and Internet-related applications is being clarified and refined in many jurisdictions, and a number of new legislative and regulatory proposals applicable to the Internet are under consideration, including in the areas of content liability, e-commerce, encryption, VPN and electronic signature technology, data protection and privacy. Depending on the scope and timing of these developments, it is possible that such developments may have a material adverse effect on our business, financial conditions, and results of operation.

We may also be subject to export control and economic sanction laws of jurisdictions outside of Hong Kong since we export our products to countries outside of Hong Kong.

We have exported our products to foreign countries, including, but not limited to, those in North America, EMEA and Asia, through our distributors. In addition to Hong Kong laws and regulations, various other countries regulate the import and export of certain encryption

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technology and products which could limit our ability to distribute our products and software or our end users’ ability to implement our products and software in those countries. In the event that any of these countries imposes trading ban with Hong Kong or impose higher import restriction or laws and regulations in relation to our products and software which we export to these countries, our business, financial conditions and results of operation may be materially and adversely affected.

In addition, changes in our products or import and export regulations may delay the introduction of our products in other countries, prevent our end users with international operations from deploying our products or, in some cases, prevent the transition of our products 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 our ability to sell our products to existing customers or the ability of our current and potential distributors and end users outside Hong Kong, particularly in North America, EMEA and Asia.

Government regulations designed to protect consumer privacy may make it difficult for us to sell our products.

Our products may transmit and store personal data. This data is increasingly subject to legislation and regulations in numerous jurisdictions around the world. Privacy and personal data that is collected, stored and transmitted are intended to be protected. We are therefore exposed to potential liabilities in this area of concern. In addition, various foreign jurisdictions have different laws and regulations concerning the storage and transmission of personal data, therefore, we may face unknown requirements that pose compliance challenges in new geographic markets that we seek to enter. Such variation could subject us to costs, delayed product launches, liabilities or negative publicity that could impair our ability to market and sell to some jurisdictions and therefore limit our future growth.

Any breach of laws and regulations of privacy and data protection may have a material adverse effect on our business, financial conditions and results of operation. In addition, our attempts to protect the privacy and security of personal data may fail if our encryption is inadequate or fails to operate as expected.

As our products and services have to comply with regulations, quality and safety standards, and certification requirements, any failure in compliance may affect our business adversely.

Our products have to comply with various regulations, quality and safety standards, and certification requirements. For details, please refer to the section headed “Regulatory Overview” in this document. As the eligibility criteria for these compliances may change from time to time and those changes are out of our control, we cannot assure you that our products can successfully satisfy these compliances or we can obtain the relevant certificate(s) on time or at all in the future. If our products fail to obtain or renew all necessary certificates, our customers may not place orders with us. If this happens, our business, financial conditions and results of operation may be materially and adversely affected.

If we sell our products without having obtained all necessary certifications and without having complied with all relevant laws and regulations, we may become liable and may be subject to fines. If this happens, our business, financial conditions and results of operation may be materially and adversely affected.

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RISKS RELATED TO THE [REDACTED]

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

Before the [REDACTED], there has been no public market for our [REDACTED]. The [REDACTED] for our Shares will be the result of negotiations between the [REDACTED] (for itself and on behalf of the [REDACTED]) and us, which may differ from the market prices of our Shares after the [REDACTED]. There is no assurance that the [REDACTED] will result in the development of an active and liquid public trading market for our Shares following the [REDACTED] or in the future or, if it does develop, that it will be sustained after the [REDACTED] or that the market price of our Shares will not decline below the [REDACTED]. The market price, liquidity and trading volume of our Shares may be volatile due to variations of our Group’s revenue, earnings and cash flows or any other developments and may result in substantial losses for investors purchasing the [REDACTED] in the [REDACTED]. Factors that may affect the volume and price at which our Shares will be traded include:

- variations in our Group’s results of operation;
- success or failure of our Group’s management team in implementing stated business and growth strategies;
- gain or loss of an important business relationship(s) with our customers and/or suppliers;
- changes in securities analysts’ recommendations, perceptions or estimates of our Group’s financial performance;
- changes in conditions affecting the industry, the general economic conditions or stock market sentiment or other events and factors;
- changes in market valuations and share prices of companies that may be listed in Hong Kong;
- additions or departures of key personnel of our Group;
- fluctuations in market prices for our products and services;
- fluctuations in stock market prices and volume; or
- involvement in litigation.

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

You will incur immediate and substantial dilution and may experience further dilution in the future.

You could incur immediate and substantial dilution and may experience further dilution in the future. As the [REDACTED] of our Shares is higher than the net tangible assets per Share of our Shares immediately prior to the [REDACTED], purchasers of our Shares in the [REDACTED] could experience an immediate dilution in unaudited pro forma adjusted combined net tangible assets of our Group attributable to owners of our Company of HK\$[REDACTED] per Share (assuming an [REDACTED] of HK\$[REDACTED] per Share, being the low-end of the indicative range of the [REDACTED]) and HK\$[REDACTED] per Share (assuming an [REDACTED] of HK\$[REDACTED] per

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Share, being the high-end of the indicative range of the [REDACTED]). If we issue additional Shares in the future, purchasers of our Shares in the [REDACTED] may experience further dilution in their shareholding percentage.

Future sales by our existing Shareholders of a substantial number of our Shares in the public market could materially and adversely affect the prevailing market price of our Shares.

We cannot assure you that our existing Shareholders will not dispose of our Shares that they own following the expiration of their respective lock-up periods after completion of the [REDACTED]. We cannot predict the effect, if any, that any future sales of our Shares by any of our Controlling Shareholder, or the availability of our Shares for sale by our Controlling Shareholder may have on the market price of our Shares. Sales of substantial amounts of our Shares by our Controlling Shareholder or the market perception that such sales may occur, could materially and adversely affect the prevailing market price of our Shares.

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

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. On 14 June 2016, we declared a dividend of approximately US\$1.00 million as the final dividend for 2015. The declaration, payment and amount of any future dividends are subject to the discretion of our Board mainly depending on our Group’s results of operation, working capital and cash position, future business and earnings, capital requirements and contractual restrictions. For details of our dividend, please refer to the section headed “Financial Information – Dividends” in this document. We cannot assure investors when or whether we will pay dividends in the future.

There may be a dilutive effect on the earnings per Share associated with the Share Option Scheme and an impact on future earnings.

We conditionally adopted the Share Option Scheme under which options to acquire [REDACTED] may be granted after completion of the [REDACTED]. Details of the Share Option Scheme are set out in the section headed “Other Information – 15. Share Option Scheme” in Appendix IV to this document.

The issue of [REDACTED] upon the exercise of any options which may be granted under the Share Option Scheme will result in an increase in the number of [REDACTED] in issue and may result in the dilution of the percentage of ownership of our Shareholders, the earnings per [REDACTED] and net asset value per [REDACTED].

You may face difficulties in protecting your interests because we are 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.

Our corporate affairs are governed by the Memorandum of Association, the Articles of Association, and by the Cayman Companies 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. Please refer to the section headed “Summary of the Constitution of our Company and Cayman Islands Companies Law – 3. Cayman Islands Companies Law” in Appendix III to this document.

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RISKS RELATED TO STATEMENTS IN THIS DOCUMENT

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

We strongly caution our investors not to rely on any information contained in press articles, websites or other media regarding us and the [REDACTED]. Prior to the publication of this document, there may be press, website and media coverage regarding the [REDACTED] and us. 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. We have not authorised the disclosure of any such information in the press, website or media and do not accept any responsibility for any such press, website or media coverage or the accuracy or completeness of any such information or publication. We wish to emphasise to prospective investors that we do 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 us. We make 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, we disclaim responsibility for it and our 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.

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

Facts, statistical and forecast information relating to the respective economies, router markets contained in this document have been compiled from various publicly available official governmental sources and the market research report prepared by Quocirca. We believe that the sources of this information are appropriate sources for such information and have taken reasonable care in extracting and reproducing such information. We have 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 we have taken reasonable care in the reproduction of the information, it has not been prepared or independently verified by us, the Sole Sponsor, the [REDACTED] or any of our or their respective affiliates or advisers or any other parties involved in this document. Therefore, we cannot assure you as to the accuracy and reliability of such facts, forecasts and statistics. Such facts, forecasts and statistics include the facts forecasts and statistics used in the sections headed “Summary”, “Risk Factors”, “Industry Overview” and “Business”. 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 you should not place undue reliance on them. Furthermore, we cannot assure you 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, you should consider carefully how much weight or importance you 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 us, our Controlling

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Shareholder, the [REDACTED], the Sole Sponsor and the [REDACTED], any of our or their respective directors, officers, agents, employees 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 our 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 our future business prospects, capital expenditure, cash flows, working capital, liquidity and capital resources are necessarily estimates reflecting the best judgment of our Directors and management 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.