

# plover bay

## Plover Bay Technologies Limited

(Incorporated in the Cayman Islands with limited liability)



## Global Offering

Stock Code : 1523

Sole Sponsor



Sole Global Coordinator,  
Sole Bookrunner and Sole Lead Manager



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## IMPORTANT

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# plover bay

## Plover Bay Technologies Limited

### 玊灣科技有限公司

(Incorporated in the Cayman Islands with limited liability)

#### GLOBAL OFFERING

<b>Number of Offer Shares under the Global Offering</b>	<b>: 250,000,000 Shares (subject to the Over-allotment Option)</b>
<b>Number of Hong Kong Offer Shares</b>	<b>: 25,000,000 Shares (subject to adjustment)</b>
<b>Number of International Placing Shares</b>	<b>: 225,000,000 Shares (subject to adjustment and the Over-allotment Option)</b>
<b>Offer Price</b>	<b>: Not more than HK\$0.65 per Offer Share and expected to be not less than HK\$0.45 per Offer Share (payable in full on application in Hong Kong dollars and subject to refund), plus brokerage of 1.0%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005%</b>
<b>Nominal Value</b>	<b>: HK\$0.01 per Share</b>
<b>Stock Code</b>	<b>: 1523</b>

#### Sole Sponsor



#### Sole Global Coordinator, Sole Bookrunner and Sole Lead Manager



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Hong Kong Exchanges and Clearing Limited, The Stock Exchange of Hong Kong Limited and Hong Kong Securities Clearing Company Limited take no responsibility for the contents of this prospectus, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this prospectus.

A copy of this prospectus, having attached thereto the documents specified in Appendix V headed "Documents Delivered to the Registrar of Companies in Hong Kong and Available for Inspection" to this prospectus, has been registered by the Registrar of Companies in Hong Kong as required by section 342C of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong). The Securities and Futures Commission and the Registrar of Companies in Hong Kong take no responsibility for the contents of this prospectus or any other documents referred to above.

The Offer Price is expected to be fixed by agreement between us and the Sole Global Coordinator (for itself and on behalf of the Underwriters) on or about Wednesday, 6 July 2016 and, in any event, not later than Tuesday, 12 July 2016. The Offer Price will not be more than HK\$0.65 per Offer Share and is currently expected to be not less than HK\$0.45 per Offer Share, unless otherwise announced. Investors applying for the Hong Kong Offer Shares must pay, on application, the maximum Offer Price of HK\$0.65 per Offer Share, together with brokerage of 1.0%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005%, subject to refund if the Offer Price is less than HK\$0.65 per Offer Share. If, for any reason, the Offer Price is not agreed between us and the Sole Global Coordinator (for itself and on behalf of the Underwriters) on or before Tuesday, 12 July 2016 (Hong Kong time), the Global Offering (including the Hong Kong Public Offering) will not proceed and will lapse.

The Sole Global Coordinator, (for itself and on behalf of the Underwriters) may, with our consent, reduce the number of Offer Shares and/or the indicative Offer Price range below that stated in this prospectus (which is HK\$0.45 to HK\$0.65 per Offer Share) at any time on or prior to the morning of the last day for lodging applications under the Hong Kong Public Offering. In such a case, notices of the reduction in the number of Offer Shares and/or the indicative Offer Price range will be published in South China Morning Post (in English) and Hong Kong Economic Journal (in Chinese) not later than the morning of the last day for lodging applications under the Hong Kong Public Offering. Such notice will also be available at the website of the Stock Exchange at [www.hkexnews.hk](http://www.hkexnews.hk) and on the website of our Company at [www.ploverbay.com](http://www.ploverbay.com). Further details are set out in the sections headed "Structure of the Global Offering" and "How to Apply for Hong Kong Offer Shares" in this prospectus.

The obligations of the Hong Kong Underwriters under the Hong Kong Underwriting Agreement to subscribe for, and to procure applicants for the subscription for, the Hong Kong Offer Shares, are subject to termination by the Sole Global Coordinator (for itself and on behalf of the Underwriters) if certain grounds arise prior to 8:00 a.m., on the Listing Date. Please refer to the section headed "Underwriting" in this prospectus for more details. Prior to making an investment decision, prospective investors should consider carefully all of the information set out in this prospectus, including the risk factors set out in the section headed "Risk Factors" in this prospectus.

The Offer Shares have not been and will not be registered under the U.S. Securities Act or any state securities law in the United States and may not be offered, sold, pledged or transferred within the United States or to, or for the account or benefit of U.S. persons except pursuant to an effective registration statement or pursuant to an exemption from, or in a transaction not subject to the registration requirements of the U.S. Securities Act or any state securities law in the United States. The Offer Shares are being offered and sold outside the United States in offshore transactions in the accordance with Regulation S under the U.S. Securities Act.

30 June 2016

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## EXPECTED TIMETABLE<sup>(1)</sup>

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Latest time to complete electronic applications under the <b>HK eIPO White Form</b> service through the designated website <b>www.hkeipo.hk</b> <sup>(2)</sup> .....	11:30 a.m. on Wednesday, 6 July 2016
Application lists open <sup>(3)</sup> .....	11:45 a.m. on Wednesday, 6 July 2016
Latest time for lodging <b>WHITE</b> and <b>YELLOW</b> Application Forms and giving <b>electronic application instructions</b> to HKSCC <sup>(4)</sup> .....	12:00 noon on Wednesday, 6 July 2016
Latest time to complete payment of <b>HK eIPO White Form</b> applications by effecting Internet banking transfer(s) or PPS payment transfer(s) .....	12:00 noon on Wednesday, 6 July 2016
Application lists of the Hong Kong Public Offering close <sup>(3)</sup> .....	12:00 noon on Wednesday, 6 July 2016
Expected Price Determination Date <sup>(5)</sup> .....	Wednesday, 6 July 2016
Announcement of the final Offer Price, the level of indication of interest in the International Placing, the level of applications in the Hong Kong Public Offering and basis of allocation of the Hong Kong Offer Shares under the Hong Kong Public Offering to be published on the website of the Stock Exchange at <b>www.hkexnews.hk</b> and our Company's website at <b>www.ploverbay.com</b> <sup>(6)</sup> on or before .....	Tuesday, 12 July 2016
Results of allocations in the Hong Kong Public Offering (with successful applicants' identification document numbers, where appropriate) to be available through a variety of channels as described in the section headed "How to apply for the Hong Kong Offer Shares — 11. Publication of Results" in this prospectus .....	Tuesday, 12 July 2016
Results of allocations in the Hong Kong Public Offering to be available at <b>www.tricor.com.hk/ipo/result</b> with a "search by ID" function from .....	Tuesday, 12 July 2016
Despatch/collection of certificates of the Hong Kong Offer Shares in respect of wholly or partially successful applications pursuant to the Hong Kong Public Offering on or before <sup>(7)</sup> .....	Tuesday, 12 July 2016
Despatch/collection of refund cheques and <b>HK eIPO White Form</b> e-Auto Refund payment instructions in respect of wholly or partially successful applications (if applicable) or wholly or partially unsuccessful applications pursuant to the Hong Kong Public Offering on or before <sup>(8)</sup> .....	Tuesday, 12 July 2016

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## EXPECTED TIMETABLE<sup>(1)</sup>

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Dealings in our Shares on the Stock Exchange  
to commence on ..... 9:00 a.m. on  
Wednesday, 13 July 2016

Notes:

- (1) All times and dates refer to Hong Kong local times and dates except as otherwise stated. Details of the structure of the Global Offering, including the conditions of the Hong Kong Public Offering, are set out in the section headed “Structure of the Global Offering” in this prospectus. If there is any change in this expected timetable, an announcement will be published in the South China Morning Post (in English) and the Hong Kong Economic Journal (in Chinese).
- (2) You will not be permitted to submit your application to the HK eIPO White Form Service Provider through the designated website at [www.hkeipo.hk](http://www.hkeipo.hk) after 11:30 a.m. on the last day for submitting applications. If you have already submitted your application and obtained a payment reference number from the designated website prior to 11:30 a.m., you will be permitted to continue the application process (by completing payment of application monies) until 12:00 noon on the last day for submitting applications, when the application lists close.
- (3) If there is a “black” rainstorm warning or a tropical cyclone warning signal number eight or above in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Wednesday, 6 July 2016, the application lists will not open and close on that day. Please refer to the section headed “How to Apply for Hong Kong Offer Shares — 10. Effect of Bad Weather on the Opening of the Application Lists” in this prospectus. If the application lists do not open and close on Wednesday, 6 July 2016, the dates mentioned in this section may be affected. A press announcement will be made by us in such event.
- (4) Applicants who apply by giving **electronic application instructions** to HKSCC should refer to the section headed “How to Apply for the Hong Kong Offer Shares — 6. Applying by giving **electronic application instructions** to HKSCC via CCASS” in this prospectus.
- (5) The Price Determination Date, being the date on which the Offer Price is to be determined, is expected to be on or about Wednesday, 6 July 2016 and, in any event, not later than Tuesday, 12 July 2016. If, for any reason, the Offer Price is not agreed by Tuesday, 12 July 2016 between us and the Sole Global Coordinator (for itself and on behalf of the Underwriters), the Global Offering will not proceed and will lapse.
- (6) None of the website or any of the information contained on the website form part of this prospectus.
- (7) Share certificates for the Hong Kong Offer Shares are expected to be issued on Tuesday, 12 July 2016 but will only become valid certificates of title provided that the Global Offering has become unconditional in all respects, and neither of the Underwriting Agreements has been terminated in accordance with its terms, prior to 8:00 a.m. on the Listing Date, which is expected to be on or about Wednesday, 13 July 2016. Investors who trade Shares on the basis of publicly available allocation details before the receipt of share certificates or before the share certificates becoming valid certificates of title do so entirely at their own risk.
- (8) e-Auto Refund payment instructions/refund cheques will be issued in respect of wholly or partially unsuccessful application and in respect of successful applications if the Offer Price is less than the price payable on application.

**The above expected timetable is a summary only. You should refer to the sections headed “Structure of the Global Offering” and “How to Apply for Hong Kong Offer Shares” in this prospectus for details of the structure of the Global Offering, including the conditions of the Global Offering, and the procedures for application for the Hong Kong Offer Shares.**

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*This prospectus is issued by Plover Bay Technologies Limited solely in connection with the Hong Kong Public Offering and the Hong Kong Offer Shares and does not constitute an offer to sell or a solicitation of an offer to buy any securities other than the Hong Kong Offer Shares offered by this prospectus pursuant to the Hong Kong Public Offering. This prospectus may not be used for the purpose of, and does not constitute, an offer or invitation in any other jurisdiction or in any other circumstances. No action has been taken to permit a public offering of the offer Shares or the distribution of this prospectus in any jurisdiction other than Hong Kong. The distribution of this prospectus and the offering and sale of the Offer Shares in other jurisdictions are subject to restrictions and may not be made except as permitted under the applicable securities laws of such jurisdictions pursuant to registration with or authorisation by the relevant securities regulatory authorities or an exemption therefrom.*

*You should rely on the information contained in this prospectus and the Application Forms to make your investment decision. We have not authorised anyone to provide you with information that is different from what is contained in this prospectus. Any information or representation not made in this prospectus must not be relied on by you as having been authorised by us, the Sole Sponsor, the Sole Global Coordinator, the Sole Bookrunner and the Sole Lead Manager, the Underwriters, any of our or their respective directors, officers or representatives or any other person involved in the Global Offering. Information contained in our website, located at [www.ploverbay.com](http://www.ploverbay.com), does not form part of this prospectus.*

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## SUMMARY

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*This summary aims to give you an overview of the information contained in this prospectus. 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 prospectus. You should read the entire document before you decide to invest in the Global Offering. There are risks associated with any investment. Some of the particular risks associated with an investment in the Global Offering are set out in the section headed "Risk Factors" in this prospectus. You should read that section carefully before you decide to invest in the Global Offering. Various expressions used in this section are defined in the sections headed "Definitions" and "Glossary of Technical Terms" in this prospectus.*

### 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 listing expense and an increase in staff cost and general office expenses which was in line with our business expansion.

## SUMMARY

### 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 US\$'000	% of total %	Revenue US\$'000	% of total %	Revenue US\$'000	% of total %
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
<b>Total</b> . . . . .	<b>13,306</b>	<b>100.0</b>	<b>17,946</b>	<b>100.0</b>	<b>21,859</b>	<b>100.0</b>

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.



## SUMMARY

### 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 US\$'000	% of total %	Revenue US\$'000	% of total %	Revenue US\$'000	% of total %
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
<b>Total</b> . . . . .	<b>13,306</b>	<b>100.0</b>	<b>17,946</b>	<b>100.0</b>	<b>21,859</b>	<b>100.0</b>

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 US\$'000	% of total %	Revenue US\$'000	% of total %	Revenue US\$'000	% of total %
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
<b>Total</b> . . . . .	<b>13,306</b>	<b>100.0</b>	<b>17,946</b>	<b>100.0</b>	<b>21,859</b>	<b>100.0</b>

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.

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## SUMMARY

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### 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 listing expense 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 US\$'000	Gross profit margin %	Gross profit US\$'000	Gross profit margin %	Gross profit US\$'000	Gross profit margin %
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
<b>Total</b> . . . . .	<u>8,651</u>	<u>65.0</u>	<u>11,036</u>	<u>61.5</u>	<u>12,693</u>	<u>58.1</u>

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%
<b>Total</b> . . . . .	<u>30,873</u>					<u>38,542</u>					<u>55,413</u>				
Overall gross profit margin of SD-WAN routers . . . . .					<u>60.4%</u>					<u>57.1%</u>					<u>51.1%</u>

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 prospectus.

## SUMMARY

### 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 . . . . .	<u>6,829</u>	<u>7,027</u>	<u>7,055</u>	<u>8,754</u>

### 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 prospectus.

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## SUMMARY

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### SHAREHOLDER INFORMATION AND SHARE OPTION SCHEME

#### Controlling Shareholder

Mr. Chan will directly hold approximately 75% of the issued share capital of our Company immediately following completion of the Global Offering, assuming that the Over-allotment Option 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 prospectus, 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 prospectus.

#### 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 prospectus.

### 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 Global Offering; and (iv) risks related to statements in this prospectus. 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 prospectus.

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## SUMMARY

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### LISTING EXPENSES

The total listing expenses (including underwriting commissions) payable by our Company are estimated to be approximately US\$3.84 million (based on midpoint of our indicative price range for the Global Offering and assuming that the Over-allotment Option is not exercised and without taking into account any discretionary incentive fees, if applicable). For the year ended 31 December 2015, we incurred listing expenses of approximately US\$1.29 million, of which US\$1.00 million was charged to our combined statements of profit or loss and other comprehensive income and the remaining amount of approximately US\$0.29 million was recorded as deferred listing expenses which is to be net off with share premium after the Listing. We expect to further incur listing expenses (including underwriting commissions) of approximately US\$2.55 million by the completion of the Global Offering, of which an estimated amount of approximately US\$1.37 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 US\$1.18 million will be capitalised. These listing expenses mainly comprise professional fees paid and payable to the professional parties and underwriting commissions payable to the Underwriters for their services rendered in relation to the Global Offering.

### OFFERING STATISTICS

All statistics in the table below are based on the assumptions that (i) the Global Offering has been completed and 250,000,000 Share are newly allotted and issued by us pursuant to the Global Offering; (ii) the Over-allotment Option is not exercised; and (iii) 1,000,000,000 Shares are issued and outstanding following the completion of the Global Offering.

	Based on minimum Offer Price of HK\$0.45 per Share	Based on maximum Offer Price of HK\$0.65 per Share
	HK\$	HK\$
Market capitalisation of our Company . . . . .	450,000,000	650,000,000
Unaudited pro forma adjusted combined net tangible assets per Share . . . . .	0.147	0.194

### USE OF PROCEEDS

The aggregate net proceeds from the Global Offering (after deducting underwriting fees and estimated expenses in connection with the Global Offering and (i) assuming an Offer Price of HK\$0.55 per Share, being the midpoint of the indicative range of the Offer Price of HK\$0.45 to HK\$0.65 per Share; and (ii) the Over-allotment Option is not exercised) will be approximately HK\$120.39 million (equivalent to approximately US\$15.53 million).

Our Directors intend to apply the net proceeds from the Global Offering as follows:

- approximately 22% or HK\$26.89 million (equivalent to approximately US\$3.47 million) 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 prospectus;
- approximately 13% or HK\$15.00 million (equivalent to approximately US\$1.94 million) 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 —

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## SUMMARY

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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 prospectus;

- approximately 13% or HK\$15.06 million (equivalent to approximately US\$1.94 million) 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 HK\$13.56 million (equivalent to approximately US\$1.75 million). 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 HK\$18.09 million (equivalent to approximately US\$2.33 million) 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 HK\$16.12 million (equivalent to approximately US\$2.08 million) 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 prospectus;
- approximately 3% or HK\$4.15 million (equivalent to approximately US\$0.54 million) 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 HK\$1.00 million (equivalent to approximately US\$0.13 million) will be used to install an enterprise resource planning system;
- approximately 10% or HK\$12.04 million (equivalent to approximately US\$1.55 million) will be used to strengthen our patent portfolio by filing more patent applications as well as acquiring intellectual property rights; and
- approximately 10% or HK\$12.04 million (equivalent to approximately US\$1.55 million) 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.



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## SUMMARY

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### 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 prospectus, 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 prospectus.

### 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

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## SUMMARY

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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 the listing, trading and clearing of our Shares including the Stock Exchange and its related group companies as a result of the Listing and trading in our Shares on the Stock Exchange and their involvement in the Global Offering, 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 prospectus.

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## DEFINITIONS

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***In this prospectus, the following expressions shall have the meanings set out below unless the context requires otherwise.***

“Accountants’ Report” . . .	the report of the Reporting Accountants dated 28 June 2016, the text of which is set out in Appendix I to this prospectus
“affiliate(s)” . . . . .	any person(s), directly or indirectly, controlling or controlled by or under direct or indirect common control with another person(s)
“Application Form(s)” . . .	<b>WHITE</b> Application Form(s), <b>YELLOW</b> Application Form(s) and <b>GREEN</b> Application Form(s), or where the context so requires, any of such forms as used in the Hong Kong Public Offering
“Articles” or “Articles of Association” . . . . .	the articles of association of our Company, conditionally adopted on 21 June 2016 and effective on the Listing Date, and as amended from time to time, a summary of which is contained in Appendix III to this prospectus
“associate(s)”. . . . .	has the meaning given to it under the Listing Rules
“Audit Committee” . . . . .	the audit committee of our Board
“Board” or “our Board” . . .	our board of Directors
“Business Day” . . . . .	any day other than a Saturday, Sunday or public holiday in Hong Kong on which licensed banks in Hong Kong are generally open for normal banking business to the public
“BVI”. . . . .	the British Virgin Islands
“CAGR”. . . . .	compound annual growth rate
“Cayman Companies Law” . . . . .	the Companies Law, Cap. 22 (Law 3 of 1961 as consolidated and revised), as amended, supplemented or otherwise modified from time to time
“Capitalisation Issue” . . .	the issue of our Shares to be made upon the capitalisation of certain sums standing to the credit of the share premium account of our Company as referred to the section headed “Further information about our Group – 3. Resolutions in writing passed by our sole Shareholder” in Appendix IV to this prospectus
“CCASS”. . . . .	the Central Clearing and Settlement System established and operated by HKSCC
“CCASS Clearing Participant” . . . . .	a person admitted to participate in CCASS as a direct clearing participant or general clearing participant
“CCASS Custodian Participant” . . . . .	a person admitted to participate in CCASS as a custodian participant
“CCASS Investor Participant(s)” . . . . .	a person admitted to participate in CCASS as an investor participant, who may be an individual, joint individuals or a corporation

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## DEFINITIONS

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“CCASS Participant(s)” . . .	a CCASS Clearing Participant, a CCASS Custodian Participant or a CCASS Investor Participant
“Chairman” . . . . .	the chairman of our Board
“China” or “PRC” . . . . .	the People’s Republic of China excluding, for the purpose of this prospectus, Hong Kong, the Macau Special Administrative Region of PRC and Taiwan
“close associate(s)” . . . .	has the meaning given to it under the Listing Rules
“Companies Ordinance” . .	the Companies Ordinance (Chapter 622 of the Laws of Hong Kong) as amended, supplemented or otherwise modified from time to time
“Companies (Winding Up and Miscellaneous Provisions) Ordinance”	the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong) as amended, supplemented or otherwise modified from time to time
“Company” or “our Company” . . . . .	Plover Bay Technologies Limited (玚灣科技有限公司), an exempted company incorporated in the Cayman Islands on 5 May 2015 with limited liability
“connected person(s)” . .	has the meaning given to it under the Listing Rules
“Controlling Shareholder”	has the meaning given to it under the Listing Rules, and in the context of our Company, means Mr. Chan
“core connected person(s)” . . . . .	has the meaning given to it under the Listing Rules
“country-wide sanctions”	highly restrictive trade embargoes which the U.S. Government in particular imposes on certain countries, such as Iran, Cuba, Sudan, Syria, North Korea, and are sometimes referred to as “comprehensive” sanctions, that essentially prevent U.S. citizens, permanent residents or entities from engaging in virtually any kind of trade with those countries or their governments, subject to exceptions and licences
“Deed of Non-Competition” . . . . .	the deed of non-competition dated 21 June 2016 executed by our Controlling Shareholder in favour of our Company (for itself and as trustee for each of its subsidiaries), a summary of the principal terms of which is set out in the section headed “Relationship with Our Controlling Shareholder — Deed of Non-Competition” in this prospectus
“Director(s)” . . . . .	the director(s) of our Company
“EMEA” . . . . .	Europe, the Middle East and Africa
“E.U.” . . . . .	the European Union
“GBP” . . . . .	Pound Sterling, the lawful currency of the U.K.

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## DEFINITIONS

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“Global Offering” . . . . .	the Hong Kong Public Offering and the International Placing
“ <b>GREEN</b> Application Form(s)” . . . . .	the application form(s) to be completed by the HK eIPO White Form Service Provider
“Group” or “our Group” or “we” or “us” . . . . .	our Company and our subsidiaries or any of them, or where the context so requires, in respect of the period before our Company became the holding company of its present subsidiaries, such subsidiaries as if they were subsidiaries of our Company at the relevant time
“HKFRS(s)” . . . . .	Hong Kong Financial Reporting Standards promulgated by HKICPA
“HKICPA” . . . . .	The Hong Kong Institute of Certified Public Accountants
“HKSCC”. . . . .	Hong Kong Securities Clearing Company Limited
“HKSCC Nominees” . . . . .	HKSCC Nominees Limited
“ <b>HK eIPO White Form</b> ” . . . . .	the application for Hong Kong Offer Shares to be issued in the applicant’s own name by submitting applications online through the designated website of <b>HK eIPO White Form</b> at <b>www.hkeipo.hk</b>
“HK eIPO White Form Service Provider” . . . . .	the HK eIPO White Form Service Provider designated by our Company, as specified on the designated website at <b>www.hkeipo.hk</b>
“Hong Kong” . . . . .	the Hong Kong Special Administrative Region of PRC
“Hong Kong Branch Share Registrar” . . . . .	Tricor Investor Services Limited, the branch share registrar and transfer office of our Company in Hong Kong
“Hong Kong Offer Shares” . . . . .	the 25,000,000 new Shares (subject to reallocation) being initially offered by our Company for subscription in the Hong Kong Public Offering, as described under the section headed “Structure of the Global Offering” in this prospectus
“Hong Kong Public Offering” . . . . .	the offer of the Hong Kong Offer Shares for subscription by the public in Hong Kong
“Hong Kong Underwriters” . . . . .	the Underwriters of the Hong Kong Public Offering, whose names are set out under the section headed “Underwriting — Hong Kong Underwriters” in this prospectus
“Hong Kong Underwriting Agreement” . . . . .	the underwriting agreement dated 28 June 2016 relating to the Hong Kong Public Offering and entered into by our Company, the Sole Sponsor, Southwest HK Brokerage, our Controlling Shareholder, our executive Directors (namely, Mr. Chan Wing Hong Alex, Mr. Chau Kit Wai, Mr. Yip Kai Kut Kenneth, Mr. Chong Ming Pui and Mr. Yeung Yu) and the Hong Kong Underwriters (namely, Southwest HK Brokerage and Oriental Patron Securities Limited), as further described in the section headed “Underwriting” in this prospectus

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## DEFINITIONS

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“HK\$” or “Hong Kong dollars” . . . . .	Hong Kong dollars, the lawful currency of Hong Kong
“Independent Third Party(ies)” . . . . .	individual(s) or company(ies) which is/are independent of and not connected with (within the meaning of the Listing Rules) any directors, chief executives and substantial shareholders of our Company or any of our subsidiaries and any of their respective associates
“Inland Revenue Ordinance” . . . . .	the Inland Revenue Ordinance (Chapter 112 of the Laws of Hong Kong) as amended, supplemented or otherwise modified from time to time
“International Placing” . . . . .	the conditional placing of the International Placing Shares at the Offer Price by the International Underwriters to professional, institutional and corporate investors and other investors in Hong Kong as set out in the section headed “Structure of the Global Offering”
“International Placing Shares” . . . . .	the 225,000,000 Shares being initially offered in the International Placing together with, where relevant, any additional Shares which may be granted by our Company pursuant to the exercise of the Over-allotment Option, subject to reallocation
“International Underwriters” . . . . .	the group of underwriters, led by the Sole Global Coordinator, that is expected to enter into the International Underwriting Agreement to underwrite the International Placing Shares
“International Underwriting Agreement” . . . . .	the international underwriting agreement relating to the International Placing and to be entered into by our Company, our executive Directors, our Controlling Shareholder, the Sole Sponsor, the Sole Global Coordinator and the International Underwriters on or about the Price Determination Date, as further described in the section headed “Underwriting – International Underwriting” in this prospectus
“IRD” . . . . .	the Inland Revenue Department of Hong Kong
“Latest Practicable Date”	21 June 2016, being the latest practicable date prior to the printing of this prospectus for the purpose of ascertaining certain information contained in this prospectus
“Listing” . . . . .	the listing of our Shares on the Main Board
“Listing Committee” . . . . .	the listing sub-committee of the Stock Exchange
“Listing Date” . . . . .	the date on which dealings in our Shares first commence on the Main Board, which is expected to be on or about Wednesday, 13 July 2016
“Listing Rules” . . . . .	the Rules Governing the Listing of Securities on the Stock Exchange (as amended, supplemented or otherwise modified from time to time)

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## DEFINITIONS

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“Main Board” . . . . .	the stock market (excluding the option market) operated by the Stock Exchange, independent from and operated in parallel with the Growth Enterprise Market of the Stock Exchange
“Memorandum” or “Memorandum of Association” . . . . .	the memorandum of association of our Company, as amended from time to time, conditionally adopted on 21 June 2016 and effective, a summary of which is contained in Appendix III to this prospectus
“Mr. Chan” . . . . .	Mr. Chan Wing Hong Alex, our Chairman, executive Director and our Controlling Shareholder
“New Taiwan dollars” . . .	New Taiwan dollars, the lawful currency of Taiwan
“Nomination Committee”	the nomination committee of our Board
“ODM” . . . . .	original design manufacturer
“OEM” . . . . .	original equipment manufacturer
“Offer Price” . . . . .	the final offer price per Offer Share (exclusive of brokerage of 1.0%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005%) at which the Offer Shares are to be subscribed pursuant to the Global Offering
“Offer Share(s)” . . . . .	the Hong Kong Offer Shares and the International Placing Shares together with, where relevant, any additional Shares which may be allotted and issued by our Company pursuant to the exercise of the Over-allotment Option
“Over-allotment Option” .	the option expected to be granted by our Company to the International Underwriters, exercisable by the Sole Global Coordinator (for itself and on behalf of the International Underwriters) pursuant to which our Company may be required to allot and issue up to an aggregate of 37,500,000 additional new Shares (representing in aggregate approximately 15% of the initial number of the Offer Shares) at the Offer Price to cover over-allocations in the International Placing, if any
“Pacific Smart” . . . . .	Pacific Smart Systems Limited, a company incorporated in Hong Kong with limited liability on 4 September 2015, and is an indirect wholly-owned subsidiary of our Company
“Pegatrack” . . . . .	Pegatrack Limited, a company incorporated in Hong Kong with limited liability on 6 February 2015, and is an indirect wholly-owned subsidiary of our Company
“Peplink International” . .	Peplink International Limited, a company incorporated in Hong Kong with limited liability on 22 August 2007, and is an indirect wholly-owned subsidiary of our Company
“Peplink Worldwide” . . . .	Peplink Worldwide Limited, a company incorporated in the BVI with limited liability on 20 October 2011, and is an indirect wholly-owned subsidiary of our Company

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## DEFINITIONS

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“Pepwave” . . . . .	Pepwave Limited, a company incorporated in Hong Kong with limited liability on 13 October 2006, and is an indirect wholly-owned subsidiary of our Company
“Pismo Labs” . . . . .	Pismo Labs Limited, a company incorporated in Hong Kong with limited liability on 13 October 2006, and is an indirect wholly-owned subsidiary of our Company
“Pismo Labs Technology” . . . . .	Pismo Labs Technology Limited (栢思科技有限公司), a company incorporated in Hong Kong with limited liability on 14 November 2006, and is an indirect wholly-owned subsidiary of our Company
“Pismo Research (Malaysia)” . . . . .	Pismo Research (Malaysia) SDN. BHD., a company incorporated in Malaysia with limited liability on 3 August 2011, and is an indirect wholly-owned subsidiary of our Company
“Predecessor Companies Ordinance” . . . . .	the Companies Ordinance (Chapter 32 of the Laws of Hong Kong) prior to its repeal and replacement on 3 March 2014 by the Companies Ordinance and the Companies (Winding Up and Miscellaneous Provisions) Ordinance
“Price Determination Date” . . . . .	the date, expected to be on or about Wednesday, 6 July 2016 and, in any event, not later than Tuesday, 12 July 2016 on which the Offer Price will be determined for the purposes of the Global Offering
“Protean Holdings” . . . . .	Protean Holdings Limited, a company incorporated in the BVI with limited liability on 8 April 2015, and is a direct wholly-owned subsidiary of our Company
“Quocirca” . . . . .	Quocirca Ltd., an independent market researcher and consultant
“Quocirca Report” . . . . .	a report dated 18 June 2016 in respect of the SD-WAN router market prepared by Quocirca and commissioned by us
“R&D” . . . . .	research and development
“Regulation S” . . . . .	Regulation S under the U.S. Securities Act
“Renminbi” or “RMB” . . . . .	Renminbi, the lawful currency of the PRC
“Remuneration Committee” . . . . .	the remuneration committee of our Board
“Reorganisation” . . . . .	the pre-listing reorganisation of our Group, further details of which are described under the section headed “History, Reorganisation and Corporate Structure — Reorganisation” in this prospectus
“Reporting Accountants”	Deloitte Touche Tohmatsu
“Risk Management Committee” . . . . .	the risk management committee of our Board
“RM” or “Malaysian Ringgit” . . . . .	Malaysian Ringgit, the lawful currency of Malaysia



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## DEFINITIONS

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“Sanctioned Countries” . . . . .	countries which are the targets of any form of economic sanctions as administered by the U.S., the E.U., the U.N. and Australia
“Sanctioned Person(s)” . . . . .	certain person(s) and entity(ies) listed on the Office of Foreign Assets Control (OFAC) of the U.S. Department of Treasury Specially Designated Nationals and Blocked Person List or other restricted parties lists maintained by the E.U., Australia or the U.N.
“Sanctions Law Advisers” . . . . .	Norton Rose Fulbright LLP and Clayton Utz
“SFC” . . . . .	the Securities and Futures Commission of Hong Kong
“SFO” . . . . .	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Share(s)” . . . . .	ordinary share(s) with a value of HK\$0.01 each in the capital of our Company
“Shareholder(s)” . . . . .	holder(s) of our Share(s)
“Share Option Scheme” . . . . .	the post-IPO share option scheme conditionally adopted by our Company, further details of which are described in the section headed “Other information – 15. Share Option Scheme” in Appendix IV to this prospectus
“Southwest HK Brokerage”, “Sole Global Coordinator”, “Sole Bookrunner” or “Sole Lead Manager” . . . . .	Southwest Securities (HK) Brokerage Limited, a corporation licenced by the SFC to conduct Type 1 (dealing in securities) and Type 4 (advising on securities) regulated activities under the SFO
“Southwest HK Capital”, “Sole Sponsor” . . . . .	Southwest Securities (HK) Capital Limited, a corporation licenced by the SFC to conduct Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO
“Stabilising Manager” . . . . .	Southwest Securities (HK) Brokerage Limited
“Stock Borrowing Agreement” . . . . .	the stock borrowing agreement which is expected to be entered into on or about the Price Determination Date between the Stabilising Manager (or its affiliates acting on its behalf) and our Controlling Shareholder, pursuant to which our Controlling Shareholder will agree to lend up to 37,500,000 Shares to the Stabilising Manager on terms set out therein
“Stock Exchange” . . . . .	The Stock Exchange of Hong Kong Limited
“Track Record Period” . . . . .	the period comprising the three years ended 31 December 2013, 2014 and 2015

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## DEFINITIONS

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“Tramunta Ventures” . . .	Tramunta Ventures Limited, a company incorporated in the BVI with limited liability on 22 March 2001, and has been wholly-owned by Mr. Chan since 2 March 2004
“Underwriters” . . . . .	the Hong Kong Underwriters and the International Underwriters
“Underwriting Agreements” . . . . .	the Hong Kong Underwriting Agreement and the International Underwriting Agreement
“U.K.” . . . . .	the United Kingdom of Great Britain and Northern Ireland
“U.N.” . . . . .	the United Nations
“United States” or “U.S.”	the United States of America, its territories, its possessions and all areas subject to its jurisdiction
“U.S. dollars” or “US\$” . .	United States dollars, the lawful currency of the United States
“U.S. Securities Act” . . .	the United Securities Act of 1933, as amended from time to time, and the rules and regulations promulgated thereunder
“ <b>WHITE</b> Application Form(s)” . . . . .	the application form(s) to be completed by the public who requires such Hong Kong offer Shares to be issued in the applicants’ own name
“ <b>YELLOW</b> Application Form(s)” . . . . .	the application form(s) to be completed by the public who require(s) such Hong Kong Offer Shares to be deposited directly into CCASS
“sq. ft.” . . . . .	square feet
“%” . . . . .	per cent

*In this prospectus, the terms “associate”, “close associate”, “connected person”, “connected transaction”, “core connected person”, “Controlling Shareholder”, “subsidiary” and “substantial shareholder” shall have the meanings given to such terms in the Listing Rules, unless the context otherwise requires.*

*Unless expressly stated or otherwise required by the context, all data contained in this prospectus are as at the Latest Practicable Date.*

*Certain amounts and percentage figures included in this prospectus have been subject to rounding adjustments. Accordingly, figures shown as totals in certain tables may not be an arithmetic aggregation of the figures preceding them.*

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## GLOSSARY OF TECHNICAL TERMS

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***This glossary contains certain definitions and technical terms in this prospectus which relate to our business and the industries and sectors that we operate in. As such, some terms and definitions may not correspond to standard industry definitions or usage of such terms.***

“3G” . . . . .	third generation cellular network, capable of mobile data as well as voice calls
“4G LTE” . . . . .	fourth generation cellular network, faster mobile data, commonly marketed as 4G LTE
“5G” . . . . .	fifth generation cellular network, being a term used for the next generation of cellular technologies
“backhaul” . . . . .	the link between a remote or wireless access point to a network such as a link between cell tower and the core network
“bandwidth” . . . . .	carrying capacity or amount of information transmitted over a given connection in megabits per second
“bonding” . . . . .	a mechanism for joining two or more networks to share their resources
“broadband” . . . . .	a high-speed connection capable of simultaneously carrying voice, video and data
“cache” . . . . .	a component that stores data
“caching” . . . . .	a process that uses a cache
“CCTV” . . . . .	closed circuit television
“cloud” . . . . .	the use of a network of remote servers and software, often accessed over the Internet, to process, store and manage data and run applications
“Community Forum” . . . . .	a web based message board owned and operated by our Group
“CPU” . . . . .	central processing unit
“diversified vendors” . . . . .	traditional router vendors that have a strong legacy in the telecommunications carrier sector as well as enterprise sector
“DSL” . . . . .	digital subscriber line, being a set of technologies used to transmit data over telephone lines which can be asymmetric to give more bandwidth for downloading or symmetric to be the same in either direction
“E1” . . . . .	an European copper based digital transmission system with a total transmit and receive rate of 2.048 megabit per second
“failover” . . . . .	the process of seamless switching from one network to another without loss of service

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## GLOSSARY OF TECHNICAL TERMS

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“Fibre” . . . . .	optical fibre, a flexible and transparent used as a mean to transmit light between the two ends of the fibre in fibre-optics communications
“high availability” . . . . .	two same-model Balance series units provide redundancy and failover in a master-slave arrangement that in the event the master unit is out of order, the slave unit becomes active
“Internet of Things (IoT)”.	the use of Internet technology to allow physical objects embedded with computing devices to communicate with any other things or person on the network
“IP” . . . . .	Internet protocol, being the principal communications protocol of the Internet that provides the routing function between networks
“LAN” . . . . .	local area network
“modem” . . . . .	a device that converts data signals between analogue and digital systems such as wireless radio signals to packets of computer data
“modular approach” . . . . .	a design approach that subdivides a system into smaller parts called modules that can be independently created and then used in different systems
“MPLS” . . . . .	multi-protocol label switching, being a way of managing data traffic over a network and guaranteeing levels of performance
“router” . . . . .	a device that manages the rapid movement and flow of data traffic between networks
“SD-WAN” . . . . .	software defined wide area network
“SD-WAN controllers” . . . . .	a software that enables network administrators to view, manage and maintain SD-WAN routers remotely from SD-WAN routers
“SD-WAN routers” . . . . .	SD-WAN routers usually have the ability to maintain data sessions when switching among WAN connections and four features that are different from traditional WAN routers: <ul style="list-style-type: none"><li>i. flexible choices of WAN connections: SD-WAN routers can connect multiple WAN connections regardless of what technology each connection uses</li><li>ii. routing intelligence: SD-WAN routers are capable of intelligently load sharing traffic between multiple WAN connections using application-based rules</li><li>iii. central management: SD-WAN routers can be managed from a centralised SD-WAN controller, reducing the effort required to monitor and maintain networks</li><li>iv. security: SD-WAN routers must be able to establish secured connection using encryption to carry confidential data using public WAN connections</li></ul>

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## GLOSSARY OF TECHNICAL TERMS

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“SIM card” . . . . .	subscriber identity module card, being a card that contains a semiconductor chip which is used to store information for wireless communications
“specialised vendors” . . .	SD-WAN router vendors that focus on designing, developing, marketing and sale of SD-WAN routers that provide highly available connectivity through multiple WAN connections, bonding and wireless routers
“SSD” . . . . .	solid-state drive, a solid-state storage device that uses integrated circuit assemblies as memory to store data persistently
“T1” . . . . .	an American copper based digital transmission system with a total transmit and receive rate of 1.544 megabit per second
“USB” . . . . .	universal serial bus, being a plug-and-play interface that has been used by many kinds of electronic devices
“VoIP” . . . . .	voice over Internet Protocol, a methodology and group of technologies for the delivery of voice communications over Internet Protocol networks
“VPN” . . . . .	virtual private network, being an extension of a private network across a public network
“VSAT” . . . . .	very small aperture terminal, a two-way satellite ground station with a dish antenna to transmit and receive data
“WAN” . . . . .	wide area network, being a network that links across business, regional, national or international boundaries

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## FORWARD-LOOKING STATEMENTS

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This prospectus may contain certain statements that are “forward-looking” and uses forward-looking terminology such as “anticipate”, “believe”, “expect”, “may”, “plan”, “consider”, “ought to”, “should”, “would”, “shall”, “will” and the negative of these terms and other similar expressions, as they relate to us. Those statements include the discussion of our growth strategy and the expectations of our future operations, liquidity and capital resources, which reflect our management’s current view with respect to future events based on the beliefs of our management and assumptions made by and information currently available to our management, and are subject to certain risks, uncertainties and factors, including the risk factors described in the section headed “Risk Factors” in this prospectus.

Potential investors of the Offer Shares are cautioned that reliance on any forward-looking statement involves risk and uncertainties and that, any or all of those assumptions could prove to be inaccurate and as a result, the forward-looking statements based on those assumptions could also be incorrect. As a result of these and other risks, uncertainties and assumptions, the forward-looking events and circumstances discussed in this prospectus might not occur in the way we expect or at all.

In light of these, the inclusion of forward-looking statements in this prospectus should not be regarded as representations or warranties by us that our Group’s plans and objectives will be achieved and 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 prospectus. We do not intend to update these forward-looking statements in addition to our on-going disclosure obligations pursuant to the Listing Rules or other requirements of the Stock Exchange. Investors should not place undue reliance on such forward-looking information.

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## RISK FACTORS

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*You should carefully consider all of the information in this prospectus, including the risks and uncertainties described below, before making an investment in the Global Offering. 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 Offer Shares 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 Global Offering; and (iv) risks related to statements in this prospectus. 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 net proceeds from the Global Offering 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 Listing. 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 Listing. 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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## RISK FACTORS

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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 prospectus. 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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## RISK FACTORS

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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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## RISK FACTORS

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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 prospectus.

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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## RISK FACTORS

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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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## RISK FACTORS

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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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## RISK FACTORS

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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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## RISK FACTORS

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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 prospectus.

### **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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## RISK FACTORS

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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 prospectus.

We undertake to the Stock Exchange that we will not use the proceeds from the Global Offering, 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 Listing, 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 prospectus.



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## RISK FACTORS

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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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## RISK FACTORS

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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 prospectus. 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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## RISK FACTORS

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### RISKS RELATED TO THE GLOBAL OFFERING

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

Before the Listing, there has been no public market for our Shares. The Offer Price for our Shares will be the result of negotiations between the Sole Global Coordinator (for itself and on behalf of the Underwriters) and us, which may differ from the market prices of our Shares after the Listing. There is no assurance that the Listing will result in the development of an active and liquid public trading market for our Shares following the Listing or in the future or, if it does develop, that it will be sustained after the Listing or that the market price of our Shares will not decline below the Offer Price. 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 Offer Shares in the Global Offering. 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 Offer Price of our Shares is higher than the net tangible assets per Share of our Shares immediately prior to the Global Offering, purchasers of our Shares in the Global Offering 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\$0.147 per Share (assuming an Offer Price of HK\$0.45 per Share, being the low-end of the indicative range of the Offer Price) and

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## RISK FACTORS

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HK\$0.194 per Share (assuming an Offer Price of HK\$0.65 per Share, being the high-end of the indicative range of the Offer Price). If we issue additional Shares in the future, purchasers of our Shares in the Global Offering 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 Global Offering. 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 prospectus. 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 Shares may be granted after completion of the Global Offering. Details of the Share Option Scheme are set out in the section headed "Other Information – 15. Share Option Scheme" in Appendix IV to this prospectus.

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

**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 prospectus.

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## RISK FACTORS

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### RISKS RELATED TO STATEMENTS IN THIS PROSPECTUS

**Investors should read the entire prospectus and should not rely on any information contained in press articles, websites or other media coverage regarding us and the Global Offering.**

We strongly caution our investors not to rely on any information contained in press articles, websites or other media regarding us and the Global Offering. Prior to the publication of this prospectus, there may be press, website and media coverage regarding the Global Offering and us. Such press, website and media coverage may include references to certain information that does not appear in this prospectus, 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 prospectus, 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 prospectus.**

Facts, statistical and forecast information relating to the respective economies, router markets contained in this prospectus 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 Sole Global Coordinator, the Sole Bookrunner, the Sole Lead Manager, the Underwriters or any of our or their respective affiliates or advisers or any other parties involved in this prospectus. 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 prospectus 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 prospectus or to make any representation not contained in this prospectus, 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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## RISK FACTORS

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Shareholder, the Sole Global Coordinator, the Sole Lead Manager, the Sole Bookrunner, the Sole Sponsor and the Underwriters, any of our or their respective directors, officers, agents, employees or advisers or any other party involved in this prospectus.

**Forward-looking statements contained in this prospectus are subject to risks and uncertainties.**

This prospectus 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 prospectus. 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 prospectus are qualified by reference to this cautionary statement.

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## **WAIVER FROM STRICT COMPLIANCE WITH THE LISTING RULES**

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### **WAIVER FROM STRICT COMPLIANCE WITH THE LISTING RULES**

In preparation for the Listing, we have sought and have been granted the following waiver from strict compliance with the relevant provisions of the Listing Rules.

### **NON-EXEMPT CONTINUING CONNECTED TRANSACTIONS**

We have entered into, and are expected to continue after the Listing, certain transactions which will constitute non-exempt continuing connected transactions under the Listing Rules upon the Listing. Our Company has applied to the Stock Exchange for, and the Stock Exchange has granted, a waiver from strict compliance with the announcement requirement in respect of the non-exempt continuing connected transactions under Chapter 14A of the Listing Rules.

The details of this waiver are set out in the section headed “Continuing Connected Transactions” in this prospectus.

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## **INFORMATION ABOUT THIS PROSPECTUS AND THE GLOBAL OFFERING**

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### **DIRECTORS' RESPONSIBILITY FOR THE CONTENTS OF THIS PROSPECTUS**

This prospectus, for which our Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Companies (Winding Up and Miscellaneous Provisions) Ordinance, the Securities and Futures (Stock Market Listing) Rules of Hong Kong (Chapter 571V of the Laws of Hong Kong) and the Listing Rules for the purpose of giving information to the public with regard to our Company. Our Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief that (i) the information contained in this prospectus is accurate and complete in all material respects and not misleading or deceptive; (ii) there are no other matters the omission of which would make any statement herein or this prospectus misleading; and (iii) all opinions expressed in this prospectus have been arrived at after due and careful considerations, and are founded on bases and assumptions that are fair and reasonable.

### **INFORMATION ON THE GLOBAL OFFERING**

The Hong Kong Offer Shares are offered solely on the basis of the information contained and representations made in this prospectus and the Application Forms and on the terms and subject to the conditions set out herein and therein. No person is authorised to give any information in connection with the Global Offering or to make any representation not contained in this prospectus, and any information or representation not contained herein must not be relied upon as having been authorised by our Company, the Sole Sponsor, the Sole Global Coordinator, the Sole Bookrunner, the Sole Lead Manager, the Underwriters, any of their respective directors, agents, employees or advisers or any other party involved in the Global Offering.

Details of the structure of the Global Offering, including its conditions, are set out in the section headed "Structure of the Global Offering" in this prospectus, and the procedures for applying for Hong Kong Offer Shares are set out in the section headed "How to Apply for Hong Kong Offer Shares" in this prospectus and on the relevant Applications Forms.

### **UNDERWRITING**

This prospectus is published solely in connection with the Hong Kong Public Offering which forms part of the Global Offering. For applicants under the Hong Kong Public Offering, this prospectus and the Application Forms set out the terms and conditions of the Hong Kong Public Offering.

The Listing of our Shares on the Stock Exchange is sponsored by the Sole Sponsor. The Hong Kong Public Offering is fully underwritten by the Hong Kong Underwriters under the terms of the Hong Kong Underwriting Agreement, subject to agreement on the Offer Price between the Sole Global Coordinator (for itself and on behalf of the Underwriters) and us on the Price Determination Date.

The International Placing is expected to be underwritten by the International Underwriters. For further information about the Underwriters and the underwriting arrangements, please refer to the section headed "Underwriting" in this prospectus.

### **DETERMINATION OF OFFER PRICE**

The Offer Price is expected to be fixed by agreement between us and the Sole Global Coordinator (for itself and on behalf of the Underwriters) on the Price Determination Date. The Price Determination Date is expected to be on or about Wednesday, 6 July 2016 and, in any



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## **INFORMATION ABOUT THIS PROSPECTUS AND THE GLOBAL OFFERING**

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event, not later than Tuesday, 12 July 2016. If, for any reason, the Offer Price is not agreed on or before Tuesday, 12 July 2016 between us and the Sole Global Coordinator (for itself and on behalf of the Underwriters), the Global Offering will not proceed and will lapse.

### **SELLING RESTRICTIONS**

Each person acquiring Offer Shares will be required to confirm, or by his acquisition of Offer Shares be deemed to confirm, that such person is aware of the restrictions on offers and sale of the Offer Shares described in this prospectus.

No action has been taken to permit a public offering of the Hong Kong Offer Shares in any jurisdiction other than Hong Kong or the distribution of this prospectus in any jurisdiction other than Hong Kong. Accordingly, this prospectus may not be used for the purpose of, and does not constitute, an offer or invitation in any jurisdiction or in any circumstances in which such an offer or invitation is not authorised or to any person to whom it is unlawful to make such an offer or invitation. The distribution of this prospectus and the offering and sale of the Offer Shares in other jurisdictions are subject to restrictions and may not be made save as permitted under the applicable securities laws of such jurisdictions pursuant to registration with or authorisation by the relevant securities regulatory authorities or an exemption therefrom. In particular, the Offer Shares have not been publicly offered or sold, directly or indirectly, in the PRC or the U.S.

### **APPLICATION FOR LISTING ON THE STOCK EXCHANGE**

We have applied to the Listing Committee for the listing of, and permission to deal in, our Shares in issue and to be issued as mentioned herein, including the Offer Shares, any Shares which may be sold or issued pursuant to the exercise of the Over-allotment Option and our Shares may be issued upon the exercise of options to be granted under the Share Option Scheme. None of our Share or loan capital is listed on or dealt in on any other stock exchange and no such listing or permission to list is being or proposed to be sought in the near future.

### **COMMENCEMENT OF DEALINGS IN OUR SHARES**

Dealings in our Shares on the Stock Exchange are expected to commence on Wednesday, 13 July 2016. Our Shares will be traded in board lots of 8,000 Shares each. The stock code of our Shares will be 1523.

### **SHARES WILL BE ELIGIBLE FOR ADMISSION INTO CCASS**

Subject to the granting of listing of, and permission to deal in, our Shares on the Stock Exchange and our Company's compliance with the stock admission requirements of HKSCC, our Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the date of commencement of dealings in our Shares on the Stock Exchange or any other date as determined by HKSCC. Settlement of transactions between participants of the Stock Exchange is required to take place in CCASS on the second trading date after the trade date. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time. All necessary arrangements have been made for our Shares to be admitted into CCASS.

### **OVER-ALLOCATION AND STABILISATION**

For further details on over-allocation and stabilisation. Please refer to the section headed "Structure of the Global Offering" in this prospectus.

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## **INFORMATION ABOUT THIS PROSPECTUS AND THE GLOBAL OFFERING**

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### **REGISTER OF MEMBERS AND STAMP DUTY**

All Offer Shares issued pursuant to applications made in the Hong Kong Public Offering will be registered on our Company's branch register of members to be maintained in Hong Kong by Tricor Investor Services Limited. Our Company's principal register of members will be maintained by our Company's principal share registrar in the Cayman Islands, Estera Trust (Cayman) Limited.

No stamp duty is payable by applicants in the Global Offering.

Dealings in our Shares registered on our Hong Kong branch register of members of our Company maintained in Hong Kong will be subject to Hong Kong stamp duty.

The current rate of stamp duty in Hong Kong is 0.2% of the consideration or, if higher, the value of our Shares being sold or transferred.

### **PROCEDURE FOR APPLYING FOR HONG KONG OFFER SHARES**

The procedure for applying for Hong Kong Offer Shares is set out in the section headed "How to Apply for Hong Kong Offer Shares" in this prospectus and on the relevant Application Forms.

### **STRUCTURE OF THE GLOBAL OFFERING**

Details of the structure of the Global Offering, including its conditions, are set out in the section headed "Structure of the Global Offering" in this prospectus.

### **PROFESSIONAL TAX ADVICE RECOMMENDED**

Potential investors in the Global Offering are advised to consult their professional advisers if they are in any doubt as to the taxation implications of subscribing for, purchasing, holding, disposing of or dealing in our Shares. None of us, the Sole Sponsor, the Sole Global Coordinator, the Sole Bookrunner, the Sole Lead Manager, the Underwriters, any of our or their respective directors, officers, agents, employees or advisers or any other party involved in the Global Offering accepts responsibility for any tax effects on, or liabilities of holders of Shares resulting from the subscription, purchase, holding or disposal of, or dealing in, Shares.

### **CURRENCY TRANSLATIONS**

Unless otherwise specified, amounts denominated in Hong Kong dollars have been translated, for the purpose of illustration only, into U.S. dollars in this prospectus at the following rates:

*HK\$7.7512: US\$1.00*

No representation is made that any amounts in U.S. dollars or Hong Kong dollars can be or could have been at the relevant dates converted at the above rates or any other rates or at all.

### **LANGUAGE**

If there is any inconsistency between this prospectus and the Chinese translation of this prospectus, the English version of this prospectus shall prevail.

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## INFORMATION ABOUT THIS PROSPECTUS AND THE GLOBAL OFFERING

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### ROUNDING

Certain amount and percentage figures included in this prospectus have been subject to rounding adjustments. Accordingly, figures shown as totals in certain tables or charts may not be an arithmetic aggregation of the figures preceding them.

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## DIRECTORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING

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### DIRECTORS

<u>Name</u>	<u>Address</u>	<u>Nationality</u>
<i>Executive Directors</i>		
Mr. Chan Wing Hong Alex (陳永康)	Apartment 2323, 23/F., Tower 3 Hong Kong Parkview 88 Tai Tam Reservoir Road Hong Kong	Chinese
Mr. Chau Kit Wai (周傑懷)	Flat G, 18/F., Tower 3 Banyan Garden 863 Lai Chi Kok Road Lai Chi Kok Kowloon Hong Kong	Chinese
Mr. Yip Kai Kut Kenneth (葉繼吉)	Unit 3, 16/F., Block B Cambridge Court 84 Waterloo Road Yau Ma Tei Kowloon Hong Kong	Canadian
Mr. Chong Ming Pui (莊明沛)	Flat G, 46/F., Tower 6 The Pacifica 9 Sham Shing Road Kowloon Hong Kong	Chinese
Mr. Yeung Yu (楊瑜)	Flat G, 32/F., Block 3 Metro Harbour View 8 Fuk Lee Street Kowloon Hong Kong	Chinese
<i>Independent non-executive Directors</i>		
Dr. Yu Kin Tim (余健添)	Flat 01, 2/F., Block B Villa Rocha 10 Broadwood Road Happy Valley Hong Kong	Chinese
Mr. Ho Chi Lam (何志霖)	Unit 1A University Residence 17 CUHK Shatin New Territories Hong Kong	Chinese
Mr. Wan Sze Chung (溫思聰)	Flat C, 13/F. Maple Gardens Phase III 51 Kin Wah Street Hong Kong	Chinese

For further information regarding our Directors, please refer to the section headed "Directors, Senior Management and Staff" in this prospectus.

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## DIRECTORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING

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### PARTIES INVOLVED IN THE GLOBAL OFFERING

<b>Sole Sponsor</b> . . . . .	<b>Southwest Securities (HK) Capital Limited</b> Rooms 1601, 06-08, 16/F Central Plaza 18 Harbour Road Wanchai Hong Kong
<b>Sole Global Coordinator, Sole Bookrunner and Sole Lead Manager</b> . . . . .	<b>Southwest Securities (HK) Brokerage Limited</b> Rooms 1601, 06-08, 16/F Central Plaza 18 Harbour Road Wanchai Hong Kong
<b>Co-Lead Manager</b> . . . . .	<b>Oriental Patron Securities Limited</b> 27th Floor Two Exchange Square 8 Connaught Place Central Hong Kong
<b>Legal advisers to our Company</b> . . . . .	<i>As to Hong Kong law:</i> <b>Stephenson Harwood</b> 18th Floor United Centre 95 Queensway Hong Kong  <i>As to Cayman Islands law:</i> <b>Appleby</b> 2206-19 Jardine House 1 Connaught Place Central Hong Kong  <i>As to Malaysia law:</i> <b>Raja, Darryl &amp; Loh</b> 18th Floor Wisma Sime Darby Jalan Raja Lout, 50350 Kuala Lumpur Malaysia  <i>As to U.S. Sanction law, U.N. Sanction law and E.U. Sanction law:</i> <b>Norton Rose Fulbright LLP</b> 3 More London Riverside London, SE1 2AQ United Kingdom  <i>As to Australian Sanction law:</i> <b>Clayton Utz</b> Level 15, 1 Bligh Street Sydney NSW 2000 Australia

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## DIRECTORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING

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*As to Hong Kong law in respect of the Predecessor Companies Ordinance, the Companies Ordinance, the Inland Revenue Ordinance and the Telecommunication Ordinance:*

**Leung Wai-Keung, Richard**

Barrister-at-law  
38/F., Gloucester Tower  
The Landmark  
Central  
Hong Kong

*As to PRC law in respect of the revocation of business licence of Unitech Networks China (GZ) Ltd.:*

**Wei Tu Law Firm**

904, R&F Center  
No.10 Hua Xia Road  
Zhujiang New Town  
Guangzhou 510623  
People's Republic of China

**Legal advisers to the Underwriters.**

*As to Hong Kong law:*

**Kwok Yih & Chan**

Suites 2103-05, 21/F  
9 Queen's Road Central  
Hong Kong

**Auditors and Reporting  
Accountants . . . . .**

**Deloitte Touche Tohmatsu**

35/F., One Pacific Place  
88 Queensway  
Hong Kong

**Receiving bank. . . . .**

**The Bank of East Asia, Limited**

10 Des Voeux Road Central  
Hong Kong

**Industry Consultant . . . . .**

**Quocirca Ltd.**

Griffins Court  
24-32 London Road  
Newbury, Berkshire  
RG14 1JX  
United Kingdom

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## CORPORATE INFORMATION

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<b>Registered office</b> . . . . .	P.O. Box 1350 Clifton House 75 Fort Street Grand Cayman KY1-1108 Cayman Islands
<b>Headquarters and principal place of business in Hong Kong</b> . . . . .	Unit A5, 5/F Hong Kong Spinners Industrial Building Phase 6 481 Castle Peak Road Cheung Sha Wan Kowloon Hong Kong
<b>Company website</b> . . . . .	www.ploverbay.com <i>(Information contained in this website does not form part of this prospectus)</i>
<b>Compliance adviser</b> . . . . .	Southwest Securities (HK) Capital Limited Rooms 1601, 06-08, 16/F Central Plaza 18 Harbour Road Wanchai Hong Kong
<b>Company secretary</b> . . . . .	Ms. Ng Shun Ying ( <i>HKICPA, ACCA</i> ) Flat 1204, 12/F., Block F Kornhill 11 Hong Shing Street Hong Kong
<b>Authorised representatives (for the purpose of the Listing Rules)</b> . . . . .	Mr. Chan Wing Hong Alex Apartment 2323, 23/F., Tower 3 Hong Kong Parkview 88 Tai Tam Reservoir Road Hong Kong  Ms. Ng Shun Ying Flat 1204, 12/F., Block F Kornhill 11 Hong Shing Street Hong Kong
<b>Audit Committee</b> . . . . .	Mr. Wan Sze Chung ( <i>Chairman</i> ) Dr. Yu Kin Tim Mr. Ho Chi Lam
<b>Remuneration Committee</b> . . . . .	Mr. Chan Wing Hong Alex ( <i>Chairman</i> ) Dr. Yu Kin Tim Mr. Wan Sze Chung
<b>Nomination Committee</b> . . . . .	Mr. Chan Wing Hong Alex ( <i>Chairman</i> ) Dr. Yu Kin Tim Mr. Wan Sze Chung

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## CORPORATE INFORMATION

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<b>Risk Management Committee. . . . .</b>	Mr. Chan Wing Hong Alex ( <i>Chairman</i> ) Mr. Chau Kit Wai Mr. Yip Kai Kut Kenneth
<b>Hong Kong Branch Share Registrar</b>	Tricor Investor Services Limited Level 22, Hopewell Centre 183 Queen's Road East Hong Kong
<b>Principal share registrar and transfer office in the Cayman Islands. . . . .</b>	Estera Trust (Cayman) Limited PO Box 1350 Clifton House 75 Fort Street Grand Cayman KY1-1108 Cayman Islands
<b>Principal banks. . . . .</b>	The Hong Kong and Shanghai Banking Corporation Limited 1 Queen's Road Central Hong Kong  Standard Chartered Bank (Hong Kong) Limited 15/F., Standard Chartered Tower 388 Kwun Tong Road Kowloon Hong Kong  The Bank of East Asia, Limited 10 Des Voeux Road Central Hong Kong



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## INDUSTRY OVERVIEW

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*Unless otherwise indicated, the information presented in this section is derived from various publications and from the market research report prepared by Quocirca, which was commissioned by us.*

*We believe that the sources of such information are appropriate and we have taken reasonable care in extracting and reproducing such information. We have no reason to believe that such information is false or misleading in any material respect or that any fact has been omitted that would render such information false or misleading in any material respect. The information has not been independently verified by us, the Sole Sponsor, the Sole Global Coordinator, the Sole Bookrunner, the Underwriters, or any of our or their respective directors, officers, representatives, advisers or any other parties involved in the Global Offering, and no representation is given as to its accuracy and completeness. As such, investors are cautioned not to place any undue reliance on the information and statistics set out on this section of this prospectus. Such information and statistics may not be consistent with other information and statistics compiled.*

### THE QUOCIRCA REPORT

We commissioned Quocirca, an independent market researcher and consultant, to conduct an analysis of, and to report on, the software defined WAN (“**SD-WAN**”) router market at a fixed fee of GBP30,000 which we consider reflects market rates for similar services. Founded in 1994, Quocirca is engaged in information technology industry research and provision of other services. The Quocirca Report includes information on the SD-WAN router market such as the business Internet traffic volume and the outlook of the industry, which have been quoted in this prospectus.

Quocirca’s independent analysis was undertaken through primary and secondary research obtained from various sources. Primary research involved interviewing with multiple industry sources. Secondary research involved gathering, refining and confirming information from multiple and relevant published data sources as well as data from the research database of Quocirca. Such methodology utilises a multi-level information sourcing process in which information gathered is cross-referenced to ensure accuracy.

Quocirca made the following major assumptions in the preparation of the Quocirca Report:

- there will be no massive changes or radical disruption in technology, geopolitical or social factors and that the current trend in the use of SD-WAN routers globally will continue at a similar rate and pace to how they have performed in recent years;
- estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis for making the judgments about the industry sector that are not readily apparent from other sources; and
- except as otherwise specified, all of the data and forecasts contained in this section of this prospectus are derived from the Quocirca Report.

Our Directors confirm that, after reasonable and due inquiry, there has been no adverse change in the market information which may limit, contradict or affect the information in this section of the prospectus since obtaining the data from Quocirca.

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## INDUSTRY OVERVIEW

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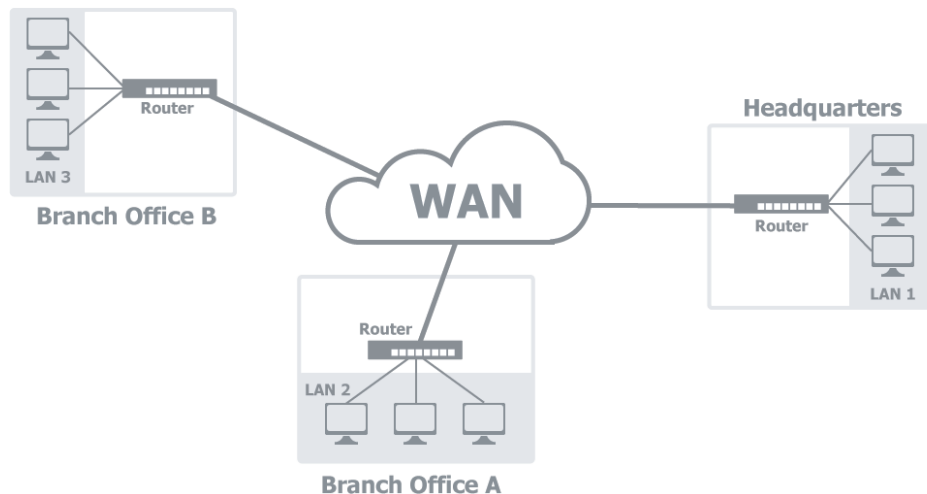
### INTRODUCTION TO THE ROUTER MARKET

#### Overview

A router is a telecommunication networking device that routes data between computer networks and is used to connect private LAN to public networks, such as Internet service providers, and/or to connect one part of an enterprise network to another to form a WAN.

Personal routers provide individual users with Internet connectivity whereas enterprise routers are used by enterprises which require powerful and sophisticated routers to provide scalability, reliability, high speed and secured communication across WAN to support all day-to-day business IT activities, such as email, enterprise resource planning, file sharing, and video-conferencing. Enterprise router WAN connections may be fixed wired, such as leased lines or broadband Internet (MPLS, T1/E1, Fibre and DSL), or wireless, such as cellular (3G/4G LTE) and satellite (VSAT).

The diagram below illustrates how WAN functions:



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## INDUSTRY OVERVIEW

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### Enterprise routers

Enterprise routers can be categorised into:

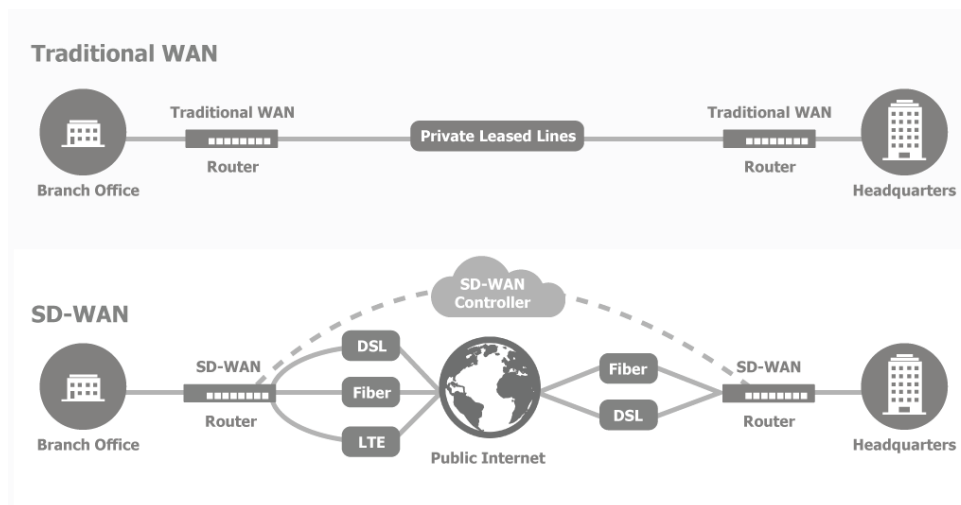
#### *Traditional WAN routers*

A traditional WAN router is connected to one single WAN connection using private leased lines. However, it is difficult to scale and relocate. If the only connection fails, it will affect business operations due to the suspension of services such as emails and file sharing; and

#### *SD-WAN routers*

To address the shortcomings of traditional WAN routers, SD-WAN routers have emerged as an alternative to traditional routers and replace expensive leased lines by using multiple affordable wired or wireless WAN connections which enable software to select the best performing WAN connection automatically. This does not only reduce enterprise network expenses, it also increases the reliability, flexibility, and bandwidth.

The diagram below illustrates connections using traditional WAN routers and SD-WAN routers:



Source: Quocirca

### Key features and benefits of SD-WAN routers

SD-WAN routers use multiple WAN connections to select the best available connection and have the following key benefits when compared with traditional WAN routers:

- **Cost Reduction:** SD-WAN routers distribute traffic between multiple WAN connections by following application-based rules. By using multiple affordable Internet connections simultaneously, they can achieve link reliability exceeding that of traditional WAN routers at a fraction of the cost. According to the Quocirca Report, WAN connections through a SD-WAN router costs, on average, approximately 10%-20% of WAN connections through a traditional WAN router. This leads to organisations to expand their networks to additional locations.

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## INDUSTRY OVERVIEW

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- **Increase in Bandwidth:** According to the Quocirca Report, leading SD-WAN routers can support bonding technology, which combines multiple WAN connections to increase bandwidth. This benefits organisations in that it ensures a speedy transfer of data between data centres and branch offices, such as file transfer, video streaming, and data backup. This enables organisations to increase bandwidth in remote, mobile or temporary locations, such as cruises, mobile clinics and retail pop-up stores, which is difficult using traditional WAN routers.
- **Network Connection Flexibility:** SD-WAN routers enable WAN connections to be added or removed easily in order to accommodate changes in bandwidth demand. In addition, WAN connections can be added for backup purpose. Branch offices typically add cellular as a back up to fixed lines to ensure a continuous connection if connection is lost using fixed lines. Retail operations find this solution useful for adding another layer of protection to their critical point of sale and IP phone systems. This application is particularly important for keeping unmanned deployments, such as digital signage and ATM online, especially when the fixed lines they use lose connectivity.
- **Simplified Central Management:** Unlike traditional WAN routers which are individually managed, all SD-WAN routers in the same organisation are centrally managed by a SD-WAN controller which enables network administrators to view and manage their entire network as well as perform maintenance of hundreds of devices remotely.

The disadvantage of using SD-WAN routers is that the administrators of information system need to spend time and effort to learn the new functionalities offered by SD-WAN routers. As SD-WAN routers use more advanced technologies than traditional WAN routers, administrators could be reluctant initially to deploy SD-WAN routers in their networks and it take a longer period of time for the users to benefit from the advantages of the SD-WAN routers.

### GLOBAL ENTERPRISE ROUTER MARKET

The global router market was US\$19.75 billion in 2015. The global enterprise router market is a subset of the global router market, its market size was approximately US\$3.65 billion in 2015 in terms of revenue value and is expected to reach approximately US\$3.9 billion in 2020 in terms of revenue value with a CAGR of approximately 1.36% from 2015 to 2020.

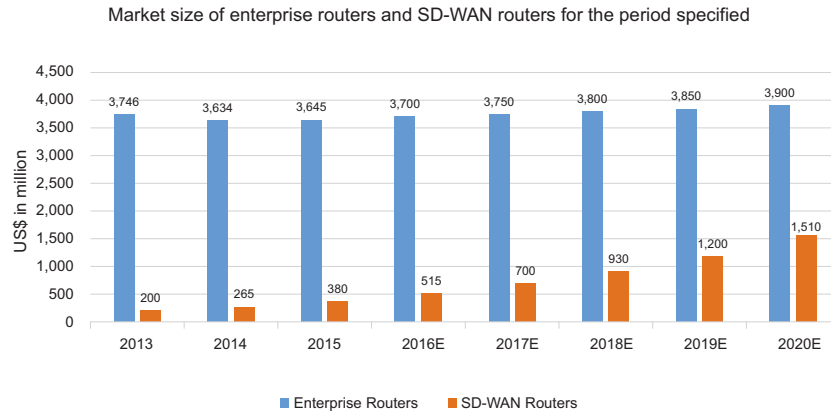
The SD-WAN market is comprised of (i) some large diversified network equipment providers with revenues generated from the sale of SD-WAN routers forming only a small fraction of their total revenues; and (ii) a number of rapidly growing network equipment providers which focus on the sale of SD-WAN routers.

The current global market size of SD-WAN routers represents only a small fraction of the global enterprise router market. For instance, the global market size of SD-WAN routers was approximately US\$0.38 billion in 2015 in terms of revenue value, which accounted for (i) approximately 10.4% of the global enterprise router market that recorded approximately US\$3.65 billion; and (ii) approximately 1.9% of the global router market that recorded US\$19.75 billion in 2015 in terms of revenue value.

However, Quocirca estimates that the global market size for the SD-WAN routers will grow and increase to approximately US\$1.51 billion by 2020 in terms of revenue value with a CAGR of approximately 31.8% from 2015 to 2020. Quocirca estimates that as more equipment providers look to add SD-WAN capabilities into their products and as replacement rate of expensive leased lines increase, the global market size of the SD-WAN routers will account for approximately 38.0% of the global enterprise router market in terms of revenue value by 2020.

## INDUSTRY OVERVIEW

The graph below sets out the global market size of the enterprise routers and the SD-WAN routers in terms of revenue value:



The table below shows the geographical distribution as a percentage of total market size of SD-WAN routers from 2013 to 2015.

	<u>2013</u>	<u>2014</u>	<u>2015</u>
	%	%	%
North America . . . . .	48.0	46.0	47.0
EMEA . . . . .	25.0	27.0	28.0
Asia . . . . .	20.0	21.0	20.0
Others . . . . .	7.0	6.0	5.0
	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>

Source: Quocirca

Geographic markets for SD-WAN routers have been affected by the availability of networks and competition among local operators. Open and competitive supply of networks are more receptive to SD-WAN, but economic conditions also affect growth. According to the Quocirca Report, the distribution of SD-WAN routers has been stable and is forecasted to remain stable. EMEA is expected to have slightly higher growth comparing to other geographic markets while a slight decline in other parts of the world is forecasted, for instance, South America.

### KEY DRIVERS FOR THE SD-WAN ROUTER MARKET

According to the Quocirca Report, the following key market drivers and factors affect the demand for SD-WAN routers:

#### **New opportunities for small and medium-sized enterprises (the “SMEs”)**

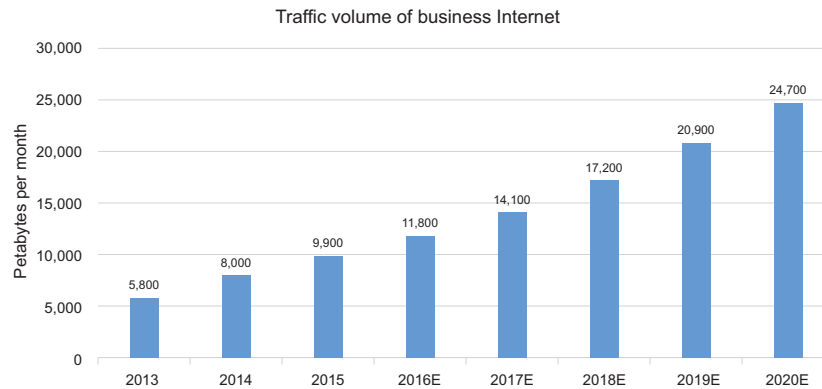
According to the Quocirca Report, due to the increase in the utilisation of Internet by organisations and the general reduction in the subscription cost of Internet services, the monthly business Internet traffic volume is forecast to grow from approximately 5,800 petabytes in 2013 to approximately 24,700 petabytes in 2020 with a CAGR of 23.0%.

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## INDUSTRY OVERVIEW

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The graph below sets out the growth of the traffic volume in business Internet:



Source: Quocirca

Continued expansion of business Internet traffic volume will drive the demand for wide area network connectivity for organisations. The technology of SD-WAN enables and facilitates organisations to establish connections among their branches in various locations.

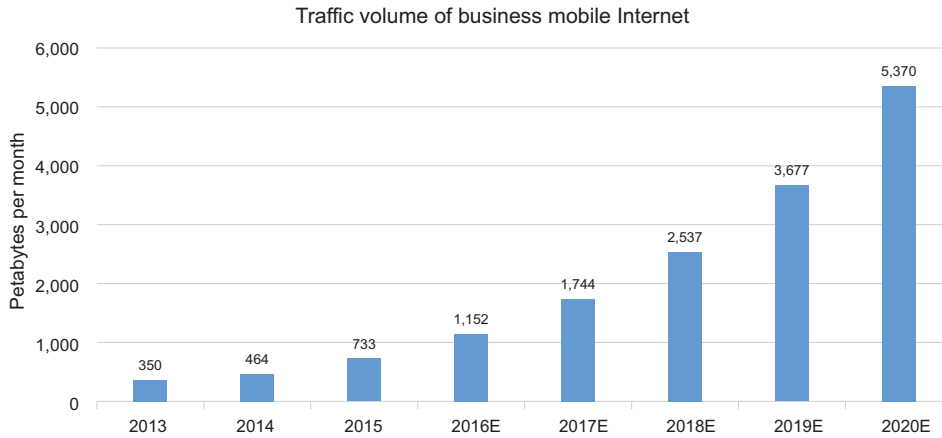
SMEs generally seek more efficient and cost-effective ways to provide services to their customers. To respond swiftly to capture market share and gain profits, these SMEs are increasingly using applications in their business operations that require reliable and secure Internet and network connections. Accordingly, cost effectiveness is a key factor when SMEs evaluate their connections to the outside world. While traditional leased private line solutions provide stable and fast connections, the initial set-up time is long, and both setup and data usage are costly. As an alternative, SD-WAN routers provide fast, flexible and improved connectivity through the bandwidth bonding capabilities of SD-WAN routers with lower costs.

### **SD-WAN supports increased mobility**

Improving mobile access is crucial for organisations in order to expand their business coverage. An increase in mobile workforce, connected vehicles, remote location connections and the huge volume of device-to-device communication generated by communications, mobile and Internet of Things technologies has led to an increase in the demand for wireless Internet connectivity.

## INDUSTRY OVERVIEW

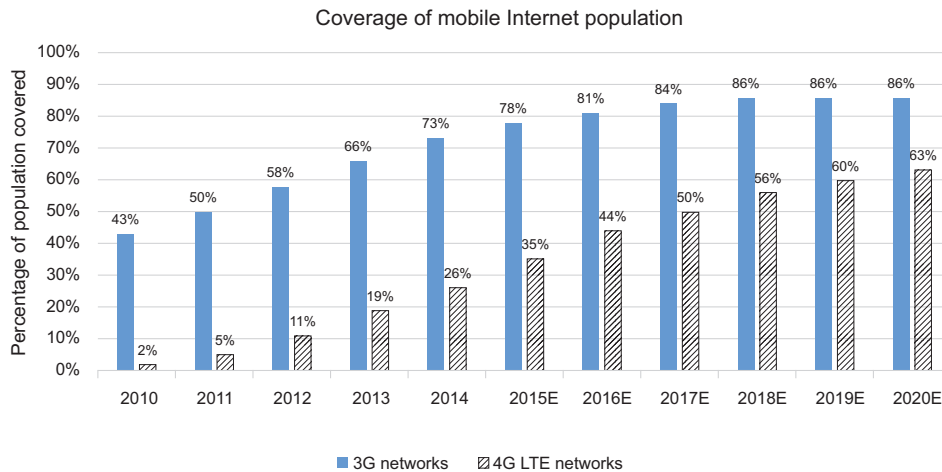
The graph below sets out the historical and forecast growth in the traffic of mobile Internet business:



Source: Quocirca

Vehicle connectivity is a fast growing area of development with unique challenges. Quocirca estimates that there will be approximately 250 million connected vehicles by 2020, representing an increase from approximately 50 million in 2015. Moving vehicles will frequently switch between 3G and 4G LTE connections whilst also moving through the coverage areas of multiple operators. As 4G LTE coverage is forecast to increase, the use of SD-WAN solutions in moving vehicles is becoming viable and attractive.

The table below sets out the historical and forecast coverage of mobile Internet population:



Source: GSMA

(The GSMA represents the interests of mobile operators worldwide, uniting nearly 800 operators and more than 250 companies in the broader mobile ecosystem).

In-vehicle computing devices require reliable Internet data connectivity to support everything from basic telemetry to critical data for emergency vehicles, tracking in freight haulage and Internet connectivity for passengers. When deployed in vehicles, wireless SD-WAN routers can provide reliable connectivity for black boxes, Internet access, entertainment and mobile enterprise applications.

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## INDUSTRY OVERVIEW

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### Continuous development of new communication technology

In addition to SD-WAN router vendors, the SD-WAN router market consists of providers of software, cloud, and managed services. These service providers comprise start-up enterprises that build a dedicated service, as well as established telecommunications providers adding SD-WAN capabilities into their portfolios. They offer Internet-as-a-Service in a package that includes multiple WAN connections, bonding technology to increase bandwidth and reliability, and cloud-based management platforms. As these service providers do not have their own SD-WAN routers, they source for SD-WAN routers from the SD-WAN hardware vendors in order to enable their services. The emergence of these service providers has driven the demand for SD-WAN routers. In the case of established telecommunications providers, the growing presence of these service providers in the SD-WAN market is expected to accelerate the adoption and acceptance of SD-WAN based networking solutions.

### THE COMPETITIVE LANDSCAPE

Vendors competing in the SD-WAN router market comprise:

- specialised vendors that focus on providing highly available connectivity through multiple WAN connections, bonding and wireless routers; and
- diversified vendors which typically have a strong legacy in the telecommunications carrier sector as well as the enterprise sector, where they have been providing traditional routers and other networking solutions. These vendors are in the process of adding SD-WAN capabilities through internal product development supplemented by acquisitions, such as Cisco's acquisition of Insieme Networks in 2013 for US\$863 million, and Riverbed's acquisition of Ocedo in January 2016 for an undisclosed amount.

The table below sets out the top 10 SD-WAN router vendors in terms of revenue value attributed to SD-WAN routers in 2015:

<u>Vendor</u>	<u>Background</u>	<u>Revenue in 2015</u> <i>(US\$ million)</i>	<u>Market share</u> <i>(%)</i>
Competitor 1 . . . . .	Specialised vendor	146.8	38.8
Competitor 2 . . . . .	Specialised vendor	58.0	15.3
Competitor 3 . . . . .	Diversified vendor	28.0	7.4
Competitor 4 . . . . .	Specialised vendor	27.9	7.4
Our Group . . . . .	Specialised vendor	24.2	6.4
Competitor 5 . . . . .	Specialised vendor	15.0	4.0
Competitor 6 . . . . .	Diversified vendor	13.5	3.6
Competitor 7 . . . . .	Diversified vendor	11.3	3.0
Competitor 8 . . . . .	Diversified vendor	8.2	2.2
Competitor 9 . . . . .	Diversified vendor	7.5	2.0

Source: Quocirca

The SD-WAN sector is dominated by a few specialised vendors whose revenues are relatively small when compared to the global enterprise router market. The top five specialised vendors accounted for approximately 75.3% of the entire market share of SD-WAN routers in terms of sales value in 2015. 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



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## INDUSTRY OVERVIEW

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decrease and lead to a more competitive market environment. However, exponential growth of the SD-WAN router market revenues should be able to offset against the potential loss of the market share of existing market players.

The price performance of specialised vendors is more appealing to the SME segment compared to the diversified vendors. While it is expected that more diversified vendors will continue to enter the SD-WAN router market, they lack specialist focus and skills. With the increasing focus on communication technology, larger organisations, which are used to depending on the services of diversified vendors, will be more willing to turn to specialised vendors due to their innovative and specialist skills in this sector.

### **BARRIERS TO THE MARKET**

According to the Quocirca Report, intellectual property combined with channel focus and expertise are the barriers to entering into the SD-WAN router market.

The production of SD-WAN routers depends on various hardware and software designs which are often protected by intellectual property laws. This poses an entry hurdle to new entrants unless they have a high level of technical expertise in developing products which are distinct from those of the existing market players.

In addition, the SD-WAN router industry is a relatively niche market where top and specialised talent is limited. While new entrants may have adequate financial resources, they may not be able to attract and recruit talent with a high level of technical expertise to develop competitive products.

Router manufacturers typically rely on an established and extensive network of distributors to market and sell their routers, including the provision of other business functions such as regulatory compliance, opportunity identification, and localised sales effort. One requires a long period of time and financial commitments to build up an established and extensive network of reputable distributors which are reliable and familiar with the router products. This creates an entry barrier to new entrants to the router market.

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### TYPICAL PRICING

#### SD-WAN Routers

We offer both entry level and high-capacity SD-WAN routers. According to the Quocirca Report, the typical manufacturer suggested retail price of entry level SD-WAN routers and high-capacity SD-WAN routers from 2013 to 2015 are set out below:

<b>SD-WAN Routers</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>	<b>CAGR 2013 to 2015</b>
Typical manufacturer suggested retail price for wired entry level routers . . . . .	US\$1,595	US\$1,352	US\$1,287	-19%
Typical manufacturer suggested retail price for wireless entry level routers . . . . .	US\$200	US\$190	US\$155	-23%
Typical manufacturer suggested retail price for wired high-capacity routers . . . . .	US\$51,900	US\$49,250	US\$49,690	-4%
Typical manufacturer suggested retail price for wireless high-capacity routers . . . . .	US\$2,100	US\$1,689	US\$1,416	-33%

*Note: In general, manufacturer suggested retail price is the price listed by distributors for their customers and is usually higher than the selling price vendors sold to distributors*

General vendor pricing strategy has been to maintain product pricing levels by increasing product functions and processing capacity. During the period between 2013 and 2015, the pricing level of entry-level products has decreased. This indicates that vendors are lowering the cost-of-entry partly due to commoditisation such as mass production of products aimed at SMEs. However, the pricing level of wired high-capacity SD-WAN routers remains relatively stable in that while vendors continue to make improvements in performance and functionality, their average selling price remains flat. Going forward, the price of SD-WAN routers is expected to remain stable during the rapid growth of SD-WAN routers from now until 2020 as any pricing reduction, which is rendered possible as a result of hardware commoditisation, will continue to be offset by further increases in software functionality. In general SD-WAN wireless routers are priced lower than SD-WAN wired routers because most SD-WAN wireless routers are not designed for high-capacity use that less expensive components can be used in most SD-WAN wireless routers comparing to SD-WAN wired routers.

#### Average Price of Raw Materials

The key raw materials in SD-WAN routers are semiconductor chips, such as System on Chip/CPU, and wireless communication modules, such as 4G LTE modules, which generally make up to approximately half of the total raw materials cost of SD-WAN routers. In general, the continuous improvement in electronic components will lower the cost of SD-WAN routers.

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The average historical prices of CPUs used in SD-WAN routers for every 1000 units between 2013 and 2015 is set out below:

	2013	2014	2015	CAGR 2013 to 2015
CPU module . . . . .	US\$7	US\$6.8	US\$6.8	-1.4%

The average historical price of wireless communication modules used in wireless SD-WAN routers between 2013 and 2015 is set out below:

	2013	2014	2015	CAGR 2013 to 2015
4G LTE module . . . . .	US\$120	US\$90	US\$77	-19.9%

While CPU modules prices have been stable, 4G LTE modules have followed a similar price fall to that previous generations of wireless communication modules, as unit volumes grow and the technology continues to be refined and improved.

According to the Quocirca Report, the continuous consolidation of the wireless communication module supplier market leads to the exit of a number of players in the wireless communication module supplier market, which, in turn, affects the price of wireless communication modules. With any market dominance in the wireless communication module supplier market, there is always a risk that innovation will stall or prices may increase. However, according to the Quocirca Report, this is unlikely to happen given the increasing size of the opportunity for wireless routers.

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### LAWS AND REGULATIONS IN HONG KONG

The following are the principal laws and regulations that govern our business operations in Hong Kong.

#### **Business Registration Ordinance**

The Business Registration Ordinance (Chapter 310 of the Laws of Hong Kong) requires every person who carries on a business in Hong Kong to apply for business registration within one month from the date of commencement of the business, and to display a valid business registration certificate at the place of business. Hence, in respect of our operation in Hong Kong, we are required to obtain business registration certificates.

#### **Import and Export Ordinance**

Pursuant to section 6A(2) of the Import and Export Ordinance (Chapter 60 of the Laws of Hong Kong), a person who imports or exports “strategic commodities” as defined under Schedule 1 of the Import and Export (Strategic Commodities) Regulations (the “**Regulations**”), except under and in accordance with an import or export licence, commits an offence and is liable:

- (a) on summary conviction to a fine and imprisonment; and
- (b) on conviction on indictment to a fine and imprisonment.

To ascertain whether items are “strategic commodities” as defined under the Regulations, one may lodge an import/export licence or pre-classification application enclosing all technical information and specifications of the goods with the Trade and Industry Department to determine if a licence is necessary.

#### **Telecommunications Ordinance**

Under section 8 of the Telecommunications Ordinance (Chapter 106 of the Laws of Hong Kong) (the “**Telecommunications Ordinance**”), a Radio Dealers Licence (Unrestricted) is required for dealing in the course of trade or business in apparatus or material for radiocommunications or in any component part of any such apparatus or in apparatus of any kind that generates and emits radio waves whether or not the apparatus is intended, or capable of being used, for radiocommunications.

Under the Radio Dealers Licence (Unrestricted), the licensee is permitted to deal in radiocommunications apparatus pursuant to section 9 of the Telecommunications Ordinance. A Radio Dealers Licence (Unrestricted) is generally valid for a period of 12 months, and is renewable on payment of the prescribed fee, at the discretion of the Office of the Communications Authority.

#### **Consumer Goods Safety Ordinance**

Manufacturers and suppliers of defective products in Hong Kong may be subject to liability for loss or any injury caused by such products. Pursuant to the Consumer Goods Safety Ordinance (Chapter 456 of the Laws of Hong Kong), manufacturers, importers and suppliers of consumer goods are required to comply with a general safety requirement and any approved standard that applies to such products. The general safety requirement for consumer goods is that the consumer goods are reasonably safe having regard to all of the circumstances. Where an approved standard applies to consumer goods, the consumer goods shall be taken as complying with the general safety requirement if they comply with the approved standard. The Consumer Goods Safety Ordinance imposes criminal penalties for breach of safety requirements. Any

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person who sells unsafe goods commits an offence and is liable to a fine of HK\$100,000 and an imprisonment of 1 year on first conviction, and HK\$500,000 and 2 years' imprisonment on subsequent conviction.

Besides the imposition of criminal liability for unsafe products, the Consumer Goods Safety Ordinance empowers the Commissioner of Customs and Excise to serve a recall notice requiring the immediate withdrawal of any consumer goods, which the Commissioner of Customs and Excise believes to be unsafe or may have a significant risk to cause serious injury, from being supplied and the retrieval of those items already supplied.

### **Sale of Goods Ordinance**

In Hong Kong, contracts for the sale of goods are mainly governed by the Sale of Goods Ordinance (Chapter 26 of the Laws of Hong Kong). The safety and suitability requirements of the goods supplied are often treated as an implied term of the sale contract; and the ordinance governs the meaning of certain implied terms or conditions and warranties.

### **Control of Exemption Clauses Ordinance**

The Control of Exemption Clauses Ordinance (Chapter 71 of the Laws of Hong Kong) regulates civil liability and has an impact on the effectiveness of any terms in the contract which seeks to avoid liability for breach of contract, negligence or other types of breaches of duty. Both of these statutes seek to supplement the common law position and provide further protection to consumers or users as contracting parties.

### **Trade Marks Ordinance**

The Trade Marks Ordinance (Chapter 559 of the Laws of Hong Kong) (the “**Trade Marks Ordinance**”) provides for the registration of trademarks, the use of registered trademarks and connected matters. Hong Kong provides territorial protection for trademarks. Therefore, trademarks registered in other countries or regions are not automatically entitled to protection in Hong Kong. In order to enjoy protection by the Laws of Hong Kong, trademarks must be registered with the Trade Marks Registry of the Intellectual Property Department under the Trade Marks Ordinance and the Trade Marks Rules (Chapter 559A of the Laws of Hong Kong) (the “**Trade Marks Rules**”).

According to section 10 of the Trade Marks Ordinance, a registered trademark is a property right acquired through due registration under such ordinance. The owner of a registered trademark is entitled to the rights provided by the ordinance.

By virtue of section 14 of the Trade Marks Ordinance, the owner of a registered trademark is conferred exclusive rights in the trademark. The rights of the owner in respect of the registered trademark come into existence from the date of the registration of the trademark. According to section 48 of such ordinance, the registration date is the filing date of the application for registration.

Subject to the exceptions in section 19 to section 21 of the Trade Marks Ordinance, any use of the trademark by third parties without the consent of the owner is an infringement of the trademark. Conducts which amount to infringement of the registered trademark are further specified in section 18 of the same ordinance.

The owner of the registered trademark is entitled to remedies under the Trade Marks Ordinance once any infringement by third parties occurs, such as infringement proceedings provided for in section 23 and section 25 of the Trade Marks Ordinance.

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Trademarks which are not registered under the Trade Marks Ordinance and the Trade Marks Rules may still obtain protection by the common law action of passing off, which requires proof of the owner's reputation in the unregistered trademark, the public being misled or likely to be misled by the defendant's misrepresentation as to the ownership of the trademark, and that the owner has suffered or is likely to suffer damage as a result.

### Copyright Ordinance

The Copyright Ordinance (Chapter 528 of the Laws of Hong Kong) (the "**Copyright Ordinance**") currently in force in Hong Kong has come into effect since 27 June 1997. The Copyright Ordinance provides comprehensive protection for recognised categories of literary, dramatic, musical and artistic works, as well as for films, television broadcasts and cable diffusion, and works made available to the public on the Internet, including copyrights works of computer programmes.

Under the Copyright Ordinance, the owner of the copyright in a work gives the copyright owner the exclusive right to, among other things, reproduce or issue copies of the work to the public. It is an infringement for a third party to commit those acts without the consent of or a licence from the copyright owner. If an infringement occurs, the copyright owner can bring an action seeking damages or an injunction to restrain the unauthorised copying.

### Regulations relating to Employment

A majority of our employees are located in Hong Kong. The main piece of legislation governing conditions of employment in Hong Kong is the Employment Ordinance (Chapter 57 of the Laws of Hong Kong) (the "**Employment Ordinance**"). It provides for various employment-related benefits and entitlements to employees. Pursuant to the Employment Ordinance, all employees covered, irrespective of their hours of work, are entitled to basic protections, including payment of wages, restrictions on wages deductions and the granting of statutory holidays. Employees who are employed under a continuous contract are further entitled to benefits such as rest days, paid annual leave, sickness allowance, severance payment and long service payment.

A no-fault, non-contributory employee compensation system for work injuries is established under the Employees' Compensation Ordinance (Chapter 282 of the Laws of Hong Kong) (the "**Employees' Compensation Ordinance**"). The Employees' Compensation Ordinance in general applies to employees who are employed under a contract of service or apprenticeship. Employees, employed in Hong Kong by local employers, are also covered if they are injured while working outside Hong Kong. An employer is liable to pay compensation in respect of occupational diseases specified in the Employees' Compensation Ordinance suffered by the employees; or in respect of injuries sustained by his employees as a result of an accident arising out of and in the course of employment.

### LAWS AND REGULATIONS IN THE U.S.

The following are the principal laws and regulations that govern our business operations in the U.S.

#### Food and Drug Administration's (the "FDA") Regulations

The FDA regulates electronic products that emit radiation, and advises that all manufacturers of electronic products must comply with general requirements under the Code of Federal Regulations ("**CFR**") 21 CFR 1000 through 1005. Manufacturers of electronic products must comply with the general requirements under CFR 21, including a requirement to notify the

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FDA of any defect in an electronic product and the procedures for doing so, as well as requirements to repair, replace, or refund the defective product and the attendant requirements for doing so.

Violations of these regulations could result in (i) FDA administrative actions such as recall or embargo of products, and together with the U.S. Customs Service, import alert, automatic detention and refusal of products; and (ii) actions through U.S. district courts such as injunction from shipping in interstate commerce or to require reporting and certification requirements, or monetary penalties for failure to report, failure to certify or failure to comply with standards.

### **Federal Communications Commission (the “FCC”) Regulations**

Under Title 47 of the CFR (the “**FCC Regulations**”), certain digital devices marketed in the U.S. must meet prescribed FCC technical standards, or certification or verification requirements, depending on the type and nature of the device.

A Class A digital device is defined under the FCC Regulations as a digital device that is marketed for use in a commercial, industrial or business environment, exclusive of a device which is marketed for use by the general public or is intended to be used in the home, and is subject to verification requirement. The verification procedure requires that tests be performed on the device to be authorised. These tests measure the levels of radio frequency energy that are radiated by the device into the open air or conducted by the device onto the power lines. After these tests are performed, a report must be produced showing the test procedure, the test results, and some additional information about the device including design drawings. Once the report is completed, the manufacturer (or importer for an imported device) is required to keep a copy of it on file as evidence that the device meets the technical standards. The manufacturer or importer must be able to produce this report on short notice on the request of the FCC. Once the report is on file, a compliance label and FCC ID label must be affixed to the device. Also, an information statement regarding the interference potential of the device and information about any special accessories needed to ensure FCC compliance must be included in its instruction manual. The manufacturer or importer is responsible for having the compliance label produced, and for having it affixed to each device that is marketed or imported. Verified devices must be uniquely identified. However, they may not be labelled with an FCC ID or in a manner that could be confused with an FCC ID. Once the report showing compliance is in the manufacturer’s or importer’s files, the compliance label has been attached to the device, and the information statement has been included in the instructions, marketing of the device may begin. There is no filing with the FCC required for verified equipment.

A Class B digital device is defined under the FCC Regulations as a digital device that is marketed for use in a residential environment notwithstanding use in commercial, business and industrial environments, and is subject to certification requirement. The certification procedure requires that tests be performed on the device to be authorised. These tests measure the levels of radio frequency energy that are radiated by the device into the open air or conducted by the device onto the power lines. After these tests are performed, a report must be produced showing the test procedure, the test results, and other additional information about the device including design drawings. Certified digital devices are required to have a compliance label and FCC ID label affixed to them. They also must have an information statement regarding the interference potential of the device and information about any special accessories needed to ensure FCC compliance included in their instruction manuals. The applicant for a grant of certification is responsible for having the compliance label and FCC ID label produced, and for having it affixed to each device that is marketed or imported.

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### LAWS AND REGULATIONS IN ISRAEL

The following are the principal laws and regulations that govern our business operations in Israel.

#### **Import and Export Ordinance (New Version), 1979**

Pursuant to the Import and Export Ordinance (New Version), 1979, the Minister of the Economy is authorised, *inter alia*, to issue orders regarding the prohibition or the regulation of the import of products in general or with regard to specific products.

Pursuant to clause 3(a) of the Import and Export Order (Engaging in Foreign Trade), 1982, only the types of persons or entities listed in clause 2 thereof will be entitled to engage in the import to and the export of goods from Israel. Where a foreign entity would wish to cause the import of products into Israel, it would need either to establish an Israeli entity of its own (namely a subsidiary), or to enter into an arrangement with a local entity, which would act as the importer of record and apply for any necessary import permits.

Pursuant to the third chapter of the Customs Order (New Version), any products imported to Israel are subject to the supervision of the Israeli Customs Authority, from the time such goods are imported until their delivery for consumption in Israel. Pursuant to the fourth chapter thereof, where the import of specific products is subject to restrictions or conditions, meaning that a permit is necessary for their import, the customs authorities are authorised to stop the import of such goods and not to release them unless appropriate permits are presented.

#### **Communications Law (Telecommunications and Broadcasting), 1982**

Products for which an import permit is required, the classification of products and the permit requirement are set out in the Free Import Order, 2014 (the “**Import Order**”). Under the Import Order, any communication equipment featuring wireless communication functions, and which includes terminal equipment intended to connect to a national communications network, will require a permit from the relevant body at the Ministry of Communications, under the Communications Law (Telecommunications and Broadcasting), 1982.

#### **Control of Commodities and Services Law, 1957**

Certain types of products which are considered to incorporate encryption technology require a Licence for Engagement in Encryption from the Ministry of Defence, in accordance with the Order for Control of Commodities and Services (Engagement in Encryption Items), 1974 (the “**Encryption Order**”) and the Declaration of Control of Commodities and Services (Engagement in Encryption Items), 1998, both promulgated under the Control of Commodities and Services Law, 1957. The Encryption Order stipulates that no one shall deal in encryption items unless he or she has been licensed to do so by the Director of the Ministry of Defence and according to the terms of licence.

The Encryption Order was promulgated under the Order for Control of Commodities and Services, 1957 (the “**Commodities Order**”). Clause 39(b) of the Commodities Order states that the penalty for acting without licence in a matter which requires a licence thereunder will be three years imprisonment or a fine.



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### LAWS AND REGULATIONS IN MALAYSIA

The following are the principal laws and regulations that govern our business operations in Malaysia.

#### **The Communications and Multimedia Act 1998**

The Communications and Multimedia Act 1998 (the “**CMA 1998**”) came into force on 1 April 1999, setting out a new regulatory licensing framework for the communications and multimedia industries in Malaysia. The CMA 1998 generally provides that any person who provides network facilities, network services or application services must be licensed by the Malaysian Communications and Multimedia Commission.

No CMA 1998 licence is required from the Malaysian Communications and Multimedia Commission to import, distribute or sell wired and wireless routers in Malaysia.

#### **Communications and Multimedia (Technical Standards) Regulations 2000**

Notwithstanding the fact that no special CMA 1998 licences or permits are required to import, distribute or sell wired and wireless routers in Malaysia, there is requirement under Regulations 14 and 16 of the Communications and Multimedia (Technical Standards) Regulations 2000 to have such wired and wireless routers compliance approved and certified by a Malaysian registered certifying agency (“**SIRIM**”) before these products may be sold to, or used by, end customers in Malaysia.

Wired and wireless routers which are compliance approved and certified would bear SIRIM stickers.

The use of and/or possession of wired and wireless routers with a view to selling them without the necessary SIRIM compliance approval and certification (which is product specific) under Regulation 16 of the Communications and Multimedia (Technical Standards) Regulations 2000 constitutes an offence which is punishable upon conviction with either a fine not exceeding RM100,000 or a term of imprisonment of not more than 6 months or both.

#### **Customs Act 1967**

Section 31(1)(a) of the Customs Act 1967 (the “**CA 1967**”) provides that the Minister of Finance of Malaysia may prohibit the importation into Malaysia or any part thereof, either absolutely or conditionally, of any goods or class of goods. In this respect, the Minister of Finance of Malaysia has recently amended the Customs (Prohibition of Imports) Order 2012 (as amended by the Customs (Prohibition of Imports) (Amendment) (No. 4) Order 2015), subsidiary legislation of the CA 1967, such that effective from 1 October 2015, the importation of certain IT products including wired and wireless routers into Malaysia would only be possible if such IT products are accompanied by certificates of approval issued by SIRIM. A failure to comply with the requirements of Section 31(1) of the CA 1967 is an offence which is punishable with either a fine not exceeding RM10,000 or a term of imprisonment of not more than 5 years or both.

### LAWS AND REGULATIONS IN THE U.K.

The following are the principal laws and regulations that govern our business operations in the U.K.

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### Radio Equipment and Telecommunications Terminal Equipment Regulations

In the U.K., radio communications equipment is subject to the Radio Equipment and Telecommunications Terminal Equipment Regulations 2000 (SI 2000/730) as amended by (i) The Radio Equipment and Telecommunications Terminal Equipment (Amendment) Regulations 2003; and (ii) The Radio Equipment and Telecommunications Terminal Equipment (Amendment No.2) Regulations 2003 (the “**R&TTE Regulations**”) which implement the R&TTE Directive 1999/5/EC into English law. The R&TTE Regulations covers all equipment that uses the radio frequency spectrum, with certain exceptions, and includes networking products such as routers.

Generally, it is considered that the manufacturer of radio communications equipment must ensure that the equipment is designed to meet the essential requirements of the R&TTE Regulations. However, the obligations of compliance are placed on the “responsible person”, which is described as “the manufacturer of apparatus or his authorised representative within the community, or any other person who places the apparatus on the market”. This definition widens the responsibility to include other involved entities such as the importer, distributor and retailer of the radio equipment, who must also act with due care to ensure that they do not place non-compliant equipment on the market.

It is a requirement of the R&TTE Regulations that, at the time it is placed on the market, each piece of radio equipment:

- (i) has been tested with test reports made;
- (ii) meets the essential requirements, which includes requirements that radio equipment must meet electromagnetic compatibility requirements and must be constructed so that it uses the relevant part of the radio spectrum in a way that avoids harmful interference;
- (iii) has a full set of technical documentation, usually including test reports;
- (iv) has a Declaration of Conformity; and
- (v) has all of the required marking and labelling, including the ‘CE’ mark, and is accompanied by other required information.

### SANCTION LAWS

#### United States

U.S. sanctions generally apply primarily to “U.S. Persons”, which includes:

- (a) U.S. citizens and permanent resident aliens;
- (b) any entity of any kind organised under U.S. law and their non-U.S. branches; and
- (c) any individual or entity in the U.S.

The enabling statute for the relevant U.S. sanctions also establishes an offence for any person, including non-U.S. Persons, conspiring to violate, or causing, aiding or abetting a violation of sanctions. There is, therefore, a risk that non-U.S. Persons who engage in any business conducted with any U.S. Person, or with any person in the U.S., that involves activities

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prohibited for U.S. Persons under U.S. sanctions, could themselves be considered to have violated the sanctions. In addition, the “secondary” sanctions relating to Russia/Ukraine discussed below apply directly to non-U.S. Persons.

### *U.S. Blocking Sanctions*

Each of the sanctions regimes below contain asset freeze provisions targeted against certain “Specially Designated Nationals” (the “SDNs”), which are included (with the exception of certain targeted governments) on the Specially Designated Nationals and Blocked Persons list. These provisions block all property and interests in property in the U.S. or in the possession of U.S. Persons which belong to SDNs or entities owned, directly or indirectly, 50% or more by an SDN or SDNs or persons/entities acting on their behalf (the “**U.S. Blocking Sanctions**”). OFAC also maintains a number of other lists which are consolidated into the “Consolidated Sanctions List”, which contains, *inter alia*, the parties designated by the Russian sectoral sanctions on the Sectoral Sanctions Identifications List (the “**SSI List**”).

### *Côte D’Ivoire (Ivory Coast), Lebanon, Balkans, Belarus*

During the Track Record Period, sanctions in respect of these countries comprised U.S. Blocking Sanctions.

### *Iraq*

During the Track Record Period, sanctions in respect of Iraq comprised:

- (a) U.S. Blocking Sanctions;
- (b) a provision, terminated in May 2014, prohibiting and voiding any attachment, judgment, decree, lien, execution, garnishment, or other judicial process with respect to:
  - (i) the Development Fund for Iraq;
  - (ii) all Iraqi petroleum and petroleum products, and interests therein (but only until title passes to the initial purchaser), and proceeds, obligations, or any financial instruments of any nature whatsoever arising from or related to the sale or marketing thereof, and interests therein, in which any non-U.S. country or national has any interest, that are in the U.S. or come within the U.S. or possession or control of U.S. persons; and
  - (iii) any accounts, assets, investments, or any other property of any kind owned by, belonging to, or held by the Central Bank of Iraq, or held, maintained, or otherwise controlled by any financial institution of any kind in the name of, on behalf of, or otherwise for the Central Bank of Iraq;

but not any final judgment arising out of a contractual obligation entered into by the Government of Iraq, including any agency or instrumentality thereof, after 30 June 2004;

- (c) a prohibition on trade in or transfer of ownership or possession of Iraqi cultural property or other items of archaeological, historical, cultural, rare scientific, and religious importance which were illegally removed from Iraq since 6 August 1990 (or where there is reasonable suspicion they were so removed).

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### *Myanmar (Burma)*

During the Track Record Period, sanctions in respect of Myanmar (Burma) comprised:

- (a) U.S. Blocking Sanctions;
- (b) a prohibition on the exportation or re-exportation of financial services to Burma, directly or indirectly, from the U.S. or by a U.S. Person (wherever located). In July 2012, this prohibition was made subject to a general licence permitting such exportation/re-exportation, with certain exceptions and in December 2015, a further general licence was issued authorising transactions ordinarily incident to an exports to or from Burma of goods, technology, or non-financial services, with certain exceptions;
- (c) a prohibition on the importation into the U.S. of any article that is a product of Burma. However, in July 2012, this prohibition was made subject to a general licence permitting such importation, except for: (i) transactions with persons subject to U.S. Blocking Sanctions under the Burma regime; and (ii) importation of jadeite or rubies mined or extracted from Burma, or articles of jewellery containing jadeite or rubies mined or extracted from Burma or any other activity prohibited by Section 3A of the Burmese Freedom and Democracy Act of 2003, as amended by the Tom Lantos Block Burmese JADE (Junta's Anti-Democratic Efforts) Act of 2008. In August 2013, the prohibition was revoked and replaced by a specific prohibition on importation into the U.S. of any jadeite or rubies mined or extracted from Burma and any articles of jewellery containing jadeite or rubies mined or extracted from Burma;
- (d) a prohibition on certain kinds of "new investment" in Burma by U.S. Persons, meaning certain activities entered into on or after 21 May 1997 relating to the economic development of resources in Burma. However, in July 2012, this prohibition was made subject to a general licence permitting such investment, except for: (i) new investment pursuant to an agreement, or pursuant to the exercise of rights under such an agreement, that is entered into with the Burmese Ministry of Defense, including the Office of Procurement; any state or non-state armed group (which includes the military); or any entity in which any of the foregoing own a 50% or greater interest; and (ii) transactions with any persons subject to U.S. Blocking Sanctions under the Burma regime;
- (e) a prohibition on U.S. Persons (wherever located) approving, financing, facilitating, or guaranteeing a transaction by a person who is a foreign person where the transaction would be prohibited if performed by a U.S. Person or within the U.S. (although in June 2014 this narrowed to facilitation of the prohibitions in (b) and (d) above); and
- (f) visa bans on certain individuals connected to the State Peace and Development Council, the Burmese military and the Union Solidarity and Development Association, and also blocking of these individuals' property and prohibition on financial transactions with them, although the blocking provisions and financial transactions prohibition were waived by the President in August 2013.

### *Russia/Ukraine*

During the Track Record Period, sanctions in respect of Russia/Ukraine comprised:

- (a) U.S. Blocking Sanctions;

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## REGULATORY OVERVIEW

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- (b) “sectoral sanctions”: prohibitions on the following activities by U.S. person or within the U.S.:
  - (i) all transactions in, provision of financing for, and other dealings in:
    - (A) new debt of longer than 90 days maturity (for new debt between 16 July 2014 and 11 September 2014) or 30 days maturity (for new debt on or after 12 September 2014) or equity of certain designated entities in the Russian financial services sector;
    - (B) new debt of longer than 90 days maturity of certain designated entities in the Russian energy sector;
    - (C) new debt of longer than 30 days maturity of certain designated entities in the Russia defence and related materiel sector; and
  - (ii) the provision, exportation, or re-exportation, directly or indirectly, of goods, services (except for financial services), or technology in support of exploration or production for deepwater, Arctic offshore, or shale projects that have the potential to produce oil in the Russian Federation, or in maritime area claimed by the Russian Federation and extending from its territory, and that involve certain designated entities.

In each case the prohibitions extend to entities owned, directly or indirectly, 50% or more by one or more of the designated entities;

- (c) certain prohibitions and restrictions in respect of Crimea:
  - (i) new investment in the Crimea by a U.S. Person;
  - (ii) the importation into the U.S., directly or indirectly, of any goods, services, or technology from the Crimea;
  - (iii) the exportation, re-exportation, sale, or supply, directly or indirectly, from the U.S., or by a U.S. Person of any goods, services, or technology to the Crimea; and
  - (iv) facilitation by U.S. persons of transactions by non-U.S. Persons that would breach these prohibitions if carried by a U.S. Person or within the U.S.;
- (d) “secondary” sanctions authorising the imposition of:
  - (i) various restrictive measures on:
    - (A) Rosoboronexport, any Russian entities which transfer or broker the transfer of military items to Syria, Georgia, Ukraine or Moldova or other countries specified by the U.S. government, or which knowingly manufacture/sell military items transferred to such countries, and any non-U.S. person who supports such Russian entities with respect to such activities;
    - (B) any non-U.S. Person who knowingly makes a significant investment in a “special Russian crude oil project”; and

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- (C) Gazprom, if the U.S. government determines that Gazprom is withholding significant natural gas supplies from member countries of NATO, or further withholds significant natural gas supplies from countries such as Ukraine, Georgia, or Moldova.

These restrictive measures include (among others) prohibitions on: the provision to Sanctioned Persons of military items, related services and “dual-use” items; any person dealing in any property subject to U.S. jurisdiction in which the Sanctioned Person has an interest; U.S. persons dealing in certain debt and equity of the Sanctioned Person; banking transactions subject to U.S. jurisdiction in which the Sanctioned Person has an interest; and

- (ii) prohibitions or restrictions on correspondent accounts or payable-through accounts in the U.S. for non-U.S. financial institutions which: (i) knowingly engage in significant transactions involving activities described in (d)(i) above for Sanctioned Persons; or (ii) has knowingly facilitated a significant financial transaction on behalf of any Russian person subject to U.S. Blocking Sanctions under the Russia/Ukraine regime.

### European Union

E.U. sanctions apply:

- (a) within the territory of the E.U. (including its airspace), which means *inter alia* they apply to non-E.U. citizens and companies to the extent of their presence or activity in the E.U.;
- (b) on board any aircraft or any vessel under the jurisdiction of an E.U. Member State;
- (c) to any person inside or outside the territory of the E.U. who is a national of an E.U. Member State;
- (d) to any legal person, entity or body inside or outside the territory of the E.U. that is incorporated or constituted under the laws of an E.U. Member State; and
- (e) to any legal person, entity or body in respect of any business done in whole or in part within the E.U.

The U.K. government may extend the application of specific E.U. sanctions to British Overseas Territories such as the Cayman Islands and the BVI.

Strictly speaking, E.U. sanctions extend outside the E.U. only by way of the actions of E.U. citizens and E.U. companies (and aircraft/vessels) (except to the extent of 2.1(a), 2.1(b) or 2.1(e) above). However, E.U. companies must not take actions through non-E.U. subsidiaries that could be seen as circumvention of E.U. sanctions.

### *E.U. Financial Sanctions*

A number of the relevant E.U. sanctions regimes (as discussed below) contain provisions relating to financial sanctions (the “**E.U. Financial Sanctions**”) against certain designated individuals and entities (the “**Designated Persons**”) which include:

- (f) freezes on funds and economic resources belonging to, owned, held or controlled by Designated Persons; and

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## REGULATORY OVERVIEW

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- (g) prohibitions on making funds or economic resources available, directly or indirectly, to or for the benefit of Designated Persons.

It is effectively prohibited for persons required to comply with E.U. sanctions to trade with Designated Persons (subject to available exceptions or obtaining a licence).

### *Belarus*

During the Track Record Period, sanctions in respect of Belarus comprised:

- (a) E.U. Financial Sanctions;
- (b) a prohibition on the supply of arms and related material of all types to Belarus and also a prohibition on the supply of related brokering services, technical assistance or financing or financial assistance related to arms and related material of all types to or for use in Belarus;
- (c) a prohibition on the supply of certain specified equipment which might be used for internal repression to or for use Belarus and also a prohibition on the supply of technical assistance, brokering services or financing or financial assistance related to such equipment to or for use in Belarus; and
- (d) travel restrictions on certain persons.

### *Bosnia and Herzegovina*

During the Track Record Period, sanctions in respect of Bosnia and Herzegovina:

- (a) provided for the imposition of E.U. Financial Sanctions, although no persons have actually been designated; and
- (b) imposed travel restrictions on certain persons.

### *Côte D'Ivoire (Ivory Coast)*

During the Track Record Period, sanctions in respect of Côte D'Ivoire comprised:

- (a) E.U. Financial Sanctions;
- (b) a prohibition on the supply of arms and related material of all types (changed to "lethal" materiel in July 2014) to Côte D'Ivoire and also a prohibition on the supply of technical assistance or financing or financial assistance related to military activities to or for use in Côte D'Ivoire. The latter prohibition relating to technical assistance and financing/ financial assistance was repealed in July 2012;
- (c) a prohibition on the supply of certain specified equipment which might be used for internal repression to or for use in Côte D'Ivoire and also a prohibition on the supply of technical assistance or financing or financial assistance related to such equipment to or for use in Côte D'Ivoire. The latter prohibition relating to technical assistance and financing/financial assistance was repealed in July 2012;
- (d) a prohibition on the direct or indirect import of all rough diamonds from Côte D'Ivoire to the E.U. (in accordance with U.N. Security Council Resolution 1643 (2005) (lifted in July 2014);

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## REGULATORY OVERVIEW

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- (e) a prohibition on purchasing, brokering or assisting in the issue of bonds or securities issued or guaranteed by the illegitimate government of Mr Laurent Gbagbo, as well as persons acting on its behalf or under its authority, or by entities owned or controlled by it;
- (f) a prohibition on providing loans, in any form, to the illegitimate government of Mr Laurent Gbagbo, as well as to persons acting on its behalf or under its authority, or by entities that it owns or controls; and
- (g) travel restrictions on certain persons.

### *Egypt*

During the Track Record Period, sanctions in respect of Egypt comprised E.U. Financial Sanctions, which are considered above.

### *Iraq*

During the Track Record Period, sanctions in respect of Iraq comprised:

- (a) E.U. Financial Sanctions;
- (b) a prohibition on the supply of arms and related material to Iraq (minimum E.U. Common Military List); and
- (c) certain prohibitions on importing into/exporting out of the E.U., and dealing in, certain Iraqi cultural items.

### *Lebanon*

During the Track Record Period, sanctions in respect of Lebanon comprised:

- (a) provisions for the imposition of E.U. Financial Sanctions, although no persons have actually been designated;
- (b) a prohibition on the supply of, and brokering services related to, arms and related materiel of all types (minimum E.U. Common Military List) to Lebanon and also a prohibition on the supply of technical assistance and financing or financial assistance related to military activities and to arms and related materiel of all types to or for use in Lebanon. The latter prohibition relating to technical assistance and financing/financial assistance was repealed in July 2012; and
- (c) travel restrictions on certain persons.

### *Myanmar (Burma)*

During the Track Record Period, sanctions in respect of Myanmar comprised:

- (a) a prohibition on the supply of, and brokering services related to, arms and related materiel of all types (minimum E.U. Common Military List) to Myanmar and also a prohibition on the supply of technical assistance or financing or financial assistance related to military activities and to arms and related materiel of all types to or for use in Myanmar; and



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- (b) a prohibition on the supply of certain specified equipment which might be used for internal repression to or for use in Myanmar and also a prohibition on the supply of technical assistance or financing or financial assistance related to such equipment to or for use in Myanmar.

### *Russia/Ukraine*

During the Track Record Period, E.U. sanctions in respect of Russia/Ukraine comprised:

- (a) E.U. Financial Sanctions;
- (b) a prohibition on the supply of, and brokering services related to, arms and related materiel of all types to Russia and the import, purchase or transport of arms and related materiel of all types from Russia, and a prohibition on provision of technical assistance and financing or financial assistance related to related to the goods and technology listed in the E.U. Common Military List;
- (c) a prohibition on the supply of “dual-use” items to Russia or for use in Russia where the items are or may be intended for military end-uses or end users, and a prohibition on related brokering services, technical assistance and financing or financial assistance. “Dual-use items” are those listed in Annex I to Regulation 428/2009. There is also a prohibition on supplies of dual-use items to certain designated Russian companies, with prohibitions on related brokering services, technical assistance and financing/financial assistance;
- (d) restrictions on supplies to Russia (including its Exclusive Economic Zone and Continental Shelf) or to any other state for use in Russia, of certain specified equipment for the oil and gas industry, together with related restrictions on brokering services, technical assistance and financing/financial assistance. There is a general prohibition on such supplies where they are for certain kinds of oil exploration and production projects in Russia;
- (e) prohibition on the following “associated services” that are necessary for the oil exploration and production projects described in (d) above: drilling; well testing; logging and completion services; supply of specialised floating vessels;
- (f) prohibition on directly or indirectly purchasing, selling, providing investment services for or assistance in the issuance of, or otherwise dealing with transferable securities and money-market instruments with a maturity exceeding 30 days issued after 12 September 2014 by certain designated entities in the Russian financial, defence and energy sectors and certain other entities related to them (for the entities in the financial sector there is also a prohibition regarding transferable securities and money-market instruments with a maturity exceeding 90 days issued between 1 August and 12 September 2014);
- (g) a prohibition on directly or indirectly making or being part of any arrangement to make new loans or credit with a maturity exceeding 30 days to any entity referred to in (f) above after 12 September 2014 (with certain exceptions);
- (h) restrictions on trade relating to Crimea and Sevastopol, including inter alia restrictions on imports into the E.U., various kinds of investments, and supplies and services for use in various economic sectors; and
- (i) travel restrictions on certain individuals.

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### United Nations

U.N. sanctions are imposed by the United Nations Security Council (the “**UNSC**”), usually acting under Chapter VII of the U.N. Charter (the “**U.N. Sanctions**”). Decisions of the UNSC bind members of the U.N. and override other obligations of U.N. member states.

The scope and extent of U.N. Sanctions regimes is determined through UNSC resolutions (the “**UNSCRs**”). During the Track Record Period, U.N. sanctions were in place against Côte d’Ivoire, Iraq and Lebanon. Each of these sanctions regimes is summarised below.

UNSCRs must be implemented by the national legislation of U.N. member states to be binding on private individuals and entities. The U.K. generally extends the application of U.N. sanctions to British Overseas Territories.

#### *U.N. Financial Sanctions*

Each of the regimes against Côte d’Ivoire, Iraq and Lebanon contains provisions relating to financial sanctions against certain designated individuals and entities, referred to as “designated persons” (the “**U.N. Financial Sanctions**”). These include freezes on funds and economic resources belonging to, owned, held or controlled by these designated persons and prohibitions on making any funds, financial assets or economic resources available to or for the benefit of designated persons. The U.N. publishes a Consolidated List of all individuals and entities currently subject to sanctions measures imposed by the Security Council under all U.N. sanctions regimes.

#### *Côte D’Ivoire (Ivory Coast)*

U.N. Sanctions on the Ivory Coast were imposed in 2004 by UNSCR 1572, in 2005 by UNSCR 1643 and in 2011 by UNSCR 1975. As at 1 January 2012, the sanctions encompassed the following restrictions:

- (a) U.N. Financial Sanctions;
- (b) travel restrictions on the above-mentioned persons;
- (c) arms embargo (partially lifted in April 2014); and
- (d) restrictions on the import of rough diamonds from the Ivory Coast, which were removed in April 2014 (UNSCR 2153).

#### *Iraq*

U.N. Sanctions on Iraq were first imposed in 1991 (by UNSCR 661). The sanctions currently in force were implemented through a series of three UNSCRs in 2003 and 2004 (UNSCR 1483, 1546 and 1518), and that regime has continued since.

During the Track Record Period, U.N. Sanctions relating to Iraq comprised:

- (a) U.N. Financial Sanctions against persons and entities designated by the U.N.; and
- (b) an arms embargo.

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### *Lebanon*

U.N. Sanctions on Lebanon were imposed in 2005 (UNSCR 1636 and 1644) and 2006 (UNSCR 1701) and have continued to be in force since their establishment. During the Track Record Period, they comprised:

- (a) U.N. Financial Sanctions;
- (b) travel restrictions on the above-mentioned persons;
- (c) an arms embargo on all arms transfers not authorised by Government of Lebanon or U.N. peacekeeping force; and
- (d) a prohibition on any technical training and assistance relating to the provision, manufacture, maintenance or use of the items listed in (c).

No individuals have been designated by the international independent commission established by the Lebanese government to be subject to the U.N. Financial Sanctions and travel restrictions.

### **Australia**

Australia has a 2-pronged approach to sanctions. It implements:

- (a) U.N. Sanctions which will typically be in line with those implemented by the United States; and
- (b) its own autonomous sanctions, which are punitive measures that the Australian Government chooses to take (as opposed to measures it is obliged to take by virtue of an UNSC resolution) as a foreign policy response to situations of international concern (the “**Autonomous Sanctions**”).

The contemporary practice of the UNSC is to impose highly targeted measures aimed at removing the circumstances that have led to a particular threat to, or breach of, international peace and security.

The type of sanction determines how it is implemented in Australia:

- (a) U.N. Sanctions are implemented through regulations made under the *Charter of the United Nations Act 1945* (Cth) (the “**U.N. Charter Act**”).
  - (i) Controls on trade of U.N. Sanctioned goods are implemented through the *Customs Act 1901* (Cth) (the “**Customs Act**”) and regulations made under the Customs Act.
  - (ii) Travel bans and restrictions on people, or classes of people, designated by the UNSC are implemented by the Migration Act 1958 and the Migration (United Nations Security Council Resolutions) Regulations 2007.

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- (b) Autonomous Sanctions are implemented under the Autonomous Sanctions Act 2011 (Cth) (the “**ASA**”) and the Autonomous Sanctions Regulations 2011 (the “**ASA Regulations**”).
  - (i) Controls on trade the subject of Autonomous Sanctions are implemented by the Customs Act.
  - (ii) Travel bans and restrictions on people, or classes of people, designated by the Minister for Foreign Affairs are implemented under the Migration Act and the *Migration Regulations 1994*.

The Department of Foreign Affairs and Trade (the “**DFAT**”) administers the Australian sanctions regime. DFAT’s website ([www.dfat.gov.au](http://www.dfat.gov.au)) details the countries currently subject to U.N. Sanctions or Autonomous Sanctions, and publishes DFAT’s Consolidated List which includes all entities and persons to which the U.N. Charter Act and the Autonomous Sanctions Act currently applies (i.e. designated persons or entities).

Australian sanctions have extraterritorial reach and apply to: (a) any person in Australia; (b) any Australian anywhere in the world; (c) companies incorporated overseas that are owned or controlled by Australians or persons in Australia; and (d) any person using an Australian flag or vessel or aircraft to transport goods or transact services subject to sanctions.

Contravening an Australian sanctions law is a serious criminal offence under the U.N. Charter Act and the ASA.

### *Ukraine*

In relation to Ukraine, Australia imposes Autonomous Sanctions. Since 2 September 2014, it is prohibited to directly or indirectly make an asset available to, or for the benefit of, a designated person or entity, or to use or deal with an asset owned or controlled by a designated person or entity.

### *Russia*

In relation to Russia, Australia has legislated an autonomous sanctions regime since 31 March 2015. This regime includes the following restrictions and prohibitions:

- (a) The direct or indirect supply, sale or transfer to Russia, for use in Russia, or for the benefit of Russia, of (i) arms or related materiel; and (ii) items suited to particular categories of exploration and production projects in Russia, including its Exclusive Economic Zone and Continental Shelf.
- (b) The export or provision of the following services:
  - (i) the provision to Russia, or to a person for use in Russia, of technical advice, assistance or training; financial assistance; a financial service; or another service, if it assists with, or is provided in relation to a military activity or the manufacture, maintenance or use of arms or related materiel;
  - (ii) the provision to Russia, or to a person, entity or body for use in Russia, of drilling, well-testing, logging and completion services, and the supply of specialised floating vessels, necessary for particular categories of exploration and production projects in Russia, including its Exclusive Economic Zone and Continental Shelf; and

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## REGULATORY OVERVIEW

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- (iii) the provision to a person of an investment service if it assists with, or is provided in relation to, a sanctioned commercial activity.
- (c) The import, purchase or transport of arms or related materiel for Russia if the goods originate in, or are exported from, Russia.
- (d) Restrictions apply to certain commercial activities including the following (except where certain exceptions apply):
  - (i) the direct or indirect purchase or sale of, or any other dealing with, bonds, equity, transferable securities, money market instruments or other similar financial instruments, if the financial instrument is issued by Russian state-owned banks, entities involved in military supplies and services, or entities selling or transporting crude oil and petroleum products, and has a maturity period exceeding 30 days; and
  - (ii) directly or indirectly making, or being part of any arrangement to make, loans or credit if the loan or credit is made by an entity specified in the Autonomous Sanctions (Russia, Crimea and Sevastopol) Specification 2015, and has a maturity period exceeding 30 days.

### *Lebanon*

In relation to Lebanon, Australia fully implements the UNSC sanctions regime.

### *Iraq*

Australia also fully implements the UNSC sanctions regime in relation to Iraq.

### *Myanmar (Burma)*

Australia imposes autonomous sanctions in relation to Myanmar, by restricting the provision technical advice, assistance or training, financial assistance or services, or another service without a sanctions permit: (a) to any person if it assists with, or is provided in relation to the direct or indirect supply, sale or transfer of arms or related materiel to Myanmar, for use in Myanmar, or for the benefit of Myanmar; or (b) to Myanmar or to a person for use in Myanmar, if it assists with, or is provided in relation to, the manufacture, maintenance or use of arms or related material (rule 13, ASA Regulations).

The direct or indirect supply, sale or transfer to Myanmar, for use in Myanmar, or for the benefit of Myanmar, of arms or related materiel, is also prohibited (rule 12, ASA Regulations).

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## HISTORY, REORGANISATION AND CORPORATE STRUCTURE

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### OUR HISTORY

We are a well-established SD-WAN router vendor focusing on the design, development, marketing and sales of our products and services. The history of our business can be traced back to October 2006 when our major operating subsidiary, Pepwave, was incorporated in Hong Kong for designing, developing and marketing of wireless broadband devices and solutions, and was founded by our Chairman and executive Director, Mr. Chan, through Tramunta Ventures with his personal funds. Mr. Chan has more than 28 years of experience in electronic engineering and information technology industry. Please refer to the section headed “Directors, Senior Management and Staff” in this prospectus.

In August 2007, Peplink International, which is now one of our major operating subsidiaries, was incorporated for designing, developing and marketing of Balance series multi-WAN routers. In August 2011, having considered to further expand our business and to provide supporting services for our Malaysian customers and for the development of our products, Mr. Chan decided to incorporate Pismo Research (Malaysia) in Malaysia. For further details of our operating subsidiaries, please refer to the paragraph headed “Our Corporate Development” in this section.

Our Group designed, developed and launched our major product lines, including Balance series, MAX series and MediaFast series routers between 2007 and 2012. Since 2007, our customers have included enterprise and industry users in North America and EMEA. The end users of our products include enterprises and organisations in the transportation, retail, and education industries. To further enhance the functionalities of our products, our Group developed and launched InControl, our proprietary cloud management and administration software for our products, in 2008. The details of our major products and software licences can be referred to the section headed “Business – Products and Services” in this prospectus.

### OUR KEY BUSINESS MILESTONES

We have expanded our business both locally and internationally. Our major business milestones and achievements are set out below:

<u>Year</u>	<u>Events</u>
October 2006 . . . . .	● Pepwave was incorporated for designing, developing and marketing of wireless broadband devices and solutions
August 2007 . . . . .	● Peplink International was incorporated for designing, developing and marketing of Balance series multi-WAN routers
September 2007 . . . . .	● We launched our online store on the Internet
April 2008 . . . . .	● We launched our MAX series wireless routers
September 2008 . . . . .	● We launched InControl cloud management and administrative software, and SD-WAN routers
December 2009 . . . . .	● We filed the first patent application in the U.S. for our WAN bonding technology, which was later branded SpeedFusion
August 2011 . . . . .	● Pismo Research (Malaysia) was incorporated for further expanding our business and providing support services for our Malaysian customers and for the development of our products
July 2012 . . . . .	● We launched MediaFast series routers

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## HISTORY, REORGANISATION AND CORPORATE STRUCTURE

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<u>Year</u>	<u>Events</u>
July 2013 . . . . .	• We sold our MediaFast series routers to a customer in Malaysia for use in education industry
February 2014 . . . . .	• Our MAX series routers were selected for building an emergency communication network for the repair of storm-damaged Dawlish railway station in the U.K.
July 2014 . . . . .	• We provided our MAX series routers to a renowned technology company in the U.S. through a distributor for deployment on buses
November 2014 . . . . .	• We commenced our business relationship with one of the world's leading airlines
January 2015 . . . . .	• One of the world's largest vessels deployed our MAX and Balance series routers
April 2015 . . . . .	• We were granted the first U.S. patent for our WAN bonding technology
May 2015 . . . . .	• Our Company was incorporated in the Cayman Islands
November 2015 . . . . .	• Pepwave was 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)

### OUR CORPORATE DEVELOPMENT

We set out below the corporate history and shareholding changes of our major subsidiaries:

#### **Hong Kong subsidiaries**

##### *Pepwave*

Pepwave was incorporated in Hong Kong on 13 October 2006 by Tramunta Ventures. At the date of its incorporation, Pepwave's authorised share capital was HK\$10,000 divided into 10,000 shares of HK\$1 each, of which one fully-paid share was issued to Tramunta Ventures. As a result of the Reorganisation, on 22 April 2015, Tramunta Ventures transferred its entire equity interest in Pepwave to Protean Holdings at a consideration of HK\$1, being the value of the total share capital of Pepwave.

Pepwave is currently principally engaged in design, development, marketing and sales of SD-WAN routers and solutions.

##### *Peplink International*

Peplink International was incorporated in Hong Kong on 22 August 2007 by Tramunta Ventures. At the date of its incorporation, Peplink International's authorised share capital was HK\$10,000 divided into 10,000 shares of HK\$1 each, of which 1,000 fully-paid shares were issued to Tramunta Ventures. As a result of the Reorganisation, on 22 April 2015, Tramunta Ventures transferred its entire equity interest in Peplink International to Protean Holdings at a consideration of HK\$1,000, being the value of the total share capital of Peplink International.

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## HISTORY, REORGANISATION AND CORPORATE STRUCTURE

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Peplink International is principally engaged in design, development and marketing of SD-WAN routers and solutions.

### *Pismo Labs*

Pismo Labs was incorporated in Hong Kong on 13 October 2006 by Tramunta Ventures. At the date of its incorporation, Pismo Labs's authorised share capital was HK\$10,000 divided into 10,000 shares of HK\$1 each, of which one fully-paid share was issued to Tramunta Ventures. As a result of the Reorganisation, on 22 April 2015, Tramunta Ventures transferred its entire equity interest in Pismo Labs to Protean Holdings at a consideration of HK\$1, being the value of the total share capital of Pismo Labs.

Pismo Labs is principally engaged in the R&D of SD-WAN routers.

### *Pismo Labs Technology*

Pismo Labs Technology was incorporated in Hong Kong on 14 November 2006 by Tramunta Ventures. At the date of its incorporation, Pismo Labs Technology's authorised share capital was HK\$10,000 divided into 10,000 shares of HK\$1 each, of which one fully-paid share was issued to Tramunta Ventures. As a result of Reorganisation, on 22 April 2015, Tramunta Ventures transferred its entire equity interest in Pismo Labs Technology to Protean Holdings at a consideration of HK\$1, being the value of the total share capital of Pismo Labs Technology.

Pismo Labs Technology owns the intellectual property of our Group.

## **Overseas subsidiaries**

### *Pismo Research (Malaysia)*

Pismo Research (Malaysia) was incorporated in Malaysia on 3 August 2011 with an authorised share capital of RM500,000 divided into 500,000 shares of RM1 each, of which one fully-paid share each was issued and allotted to Mr. Chan and Ms. Chow Yuk Lan, respectively, representing 50% each of the issued paid up share capital of Pismo Research (Malaysia).

On 23 September 2011, Mr. Chan and Ms. Chow Yuk Lan transferred their respective equity interest in Pismo Research (Malaysia) at par value to Tramunta Ventures. On the same date, Tramunta Ventures subscribed 349,998 shares in Pismo Research (Malaysia) at par value. As a result of the Reorganisation, on 20 April 2015, Protean Holdings entered into a sale and purchase agreement with Tramunta Ventures to acquire the entire equity interest in Pismo Research (Malaysia) from Tramunta Ventures at a consideration of RM350,000, being the nominal value of the total issued share capital of Pismo Research (Malaysia). As at the Latest Practicable Date, Pismo Research (Malaysia) had an issued share capital of RM350,000 divided into 350,000 shares of RM1 each.

Pismo Research (Malaysia) is principally engaged in development of SD-WAN routers in Malaysia.

### *Peplink Worldwide*

Peplink Worldwide was incorporated in the BVI as a limited liability company on 20 October 2011 with an authorised share capital of US\$50,000 divided into 50,000 shares of US\$1 each, of which one share of US\$1 was issued to Tramunta Ventures.



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## HISTORY, REORGANISATION AND CORPORATE STRUCTURE

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As part of the Reorganisation, on 22 April 2015, Tramunta Ventures transferred its entire equity interest in Peplink Worldwide to Protean Holdings at a consideration of US\$1, being the nominal value of Peplink Worldwide.

Peplink Worldwide was principally engaged in overseas trading of SD-WAN routers and it has ceased operation since January 2016.

### REORGANISATION

We reorganised our corporate structure in preparation for, and in connection with the Listing. Following completion of the Reorganisation, our Company becomes the holding company of our Group. The steps of the Reorganisation are set out below.

1. On 6 February 2015, Pegatrack was incorporated in Hong Kong as a limited liability company. As at the date of incorporation, the share capital of Pegatrack of HK\$1 divided into one share, which was wholly owned by Mr. Chan. Pegatrack is principally engaged in investment holding, including entering into the tenancy agreements for our office premises in Hong Kong.
2. On 8 April 2015, Protean Holdings was incorporated in the BVI as a limited liability company with an authorised share capital of US\$50,000 divided into 50,000 shares of US\$1 each. On 17 April 2015, Mr. Chan subscribed for one share at par value in Protean Holdings. Protean Holdings is principally engaged in investment holding.
3. On 20 April 2015, Protean Holdings entered into a sale and purchase agreement with Tramunta Ventures to acquire the entire issued share capital of Pismo Research (Malaysia) from Tramunta Ventures at a consideration of RM350,000, being the nominal value of the total issued share capital of Pismo Research (Malaysia).
4. On 22 April 2015, Protean Holdings entered into five sale and purchase agreements with Tramunta Ventures to acquire the entire issued share capital of each of our subsidiaries, namely Peplink International, Pepwave, Pismo Labs, Pismo Labs Technology and Peplink Worldwide from Tramunta Ventures. The consideration of each of the transfers was negotiated on an arm's length basis, with reference to their respective value of the total share capital, the details of which are set out in the table below:

<u>Name of our subsidiaries</u>	<u>Date of completion of share transfer</u>	<u>Consideration</u>
Peplink International . . . . .	22 April 2015	HK\$1,000
Pepwave . . . . .	22 April 2015	HK\$1
Pismo Labs . . . . .	22 April 2015	HK\$1
Pismo Labs Technology . . . . .	22 April 2015	HK\$1
Peplink Worldwide . . . . .	22 April 2015	US\$1

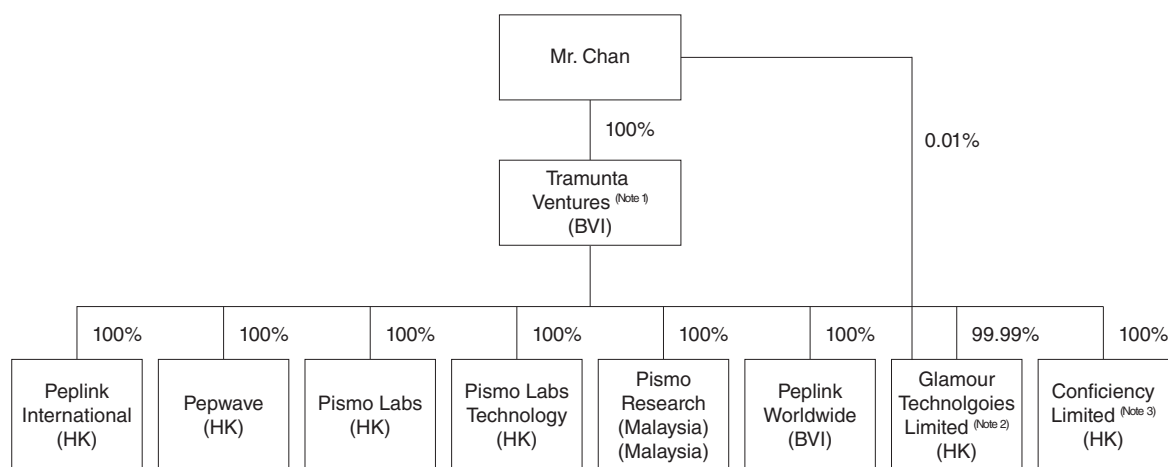
5. On 5 May 2015, our Company was incorporated in the Cayman Islands as an exempted company with limited liability. Our Company was registered as a non-HK company under Part 16 of the Companies Ordinance on 15 July 2015 and becomes the holding company of our Group upon completion of the Reorganisation. As at the date of the incorporation, our Company had an authorised share capital of HK\$380,000 divided into 38,000,000 Shares. On 5 May 2015, one fully paid Share was transferred from Reid Services Limited, an Independent Third Party, to Mr. Chan at par value.

## HISTORY, REORGANISATION AND CORPORATE STRUCTURE

6. On 20 May 2015, Protean Holdings acquired the entire issued share capital in Pegatrack from Mr. Chan at a consideration of HK\$1, being the value of the total share capital of Pegatrack.
7. On 4 September 2015, Pacific Smart was incorporated in Hong Kong as a limited liability company with an authorised share capital of HK\$1 divided into one share wholly owned by Protean Holdings. As at the Latest Practicable Date, Pacific Smart did not commence business.
8. On 15 June 2016, Mr. Chan and our Company entered into a sale and purchase agreement pursuant to which Mr. Chan transferred his entire interest in Protean Holdings to our Company for a consideration of HK\$53,387.25 (being the net asset value of Protean Holdings as at 30 April 2016). As settlement of consideration of such transfer, our Company allotted and issued one Share to Mr. Chan, credited as fully paid. Upon completion of such transfer, our Company becomes the holding company of our Group, Protean Holdings became our direct wholly-owned subsidiary, and Peplink International, Pepwave, Pismo Labs, Pismo Labs Technology, Pismo Research (Malaysia), Peplink Worldwide, Pegatrack and Pacific Smart became the indirect wholly owned subsidiaries of our Group.
9. On 21 June 2016, the authorised share capital of our Company was increased by HK\$39,620,000 from HK\$380,000 divided into 38,000,000 Shares to HK\$40,000,000 divided into 4,000,000,000 Shares.

### SHAREHOLDING AND CORPORATE STRUCTURE

The shareholding and corporate structure of our Group immediately before completion of the Reorganisation is set out as below:



#### Notes:

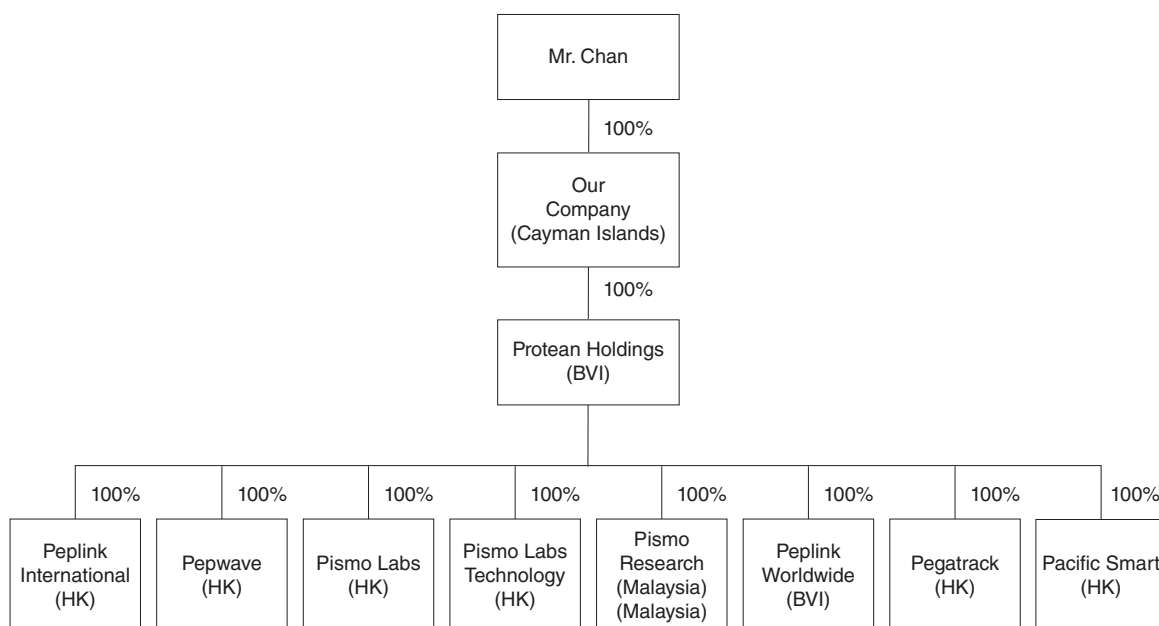
1. Tramunta Ventures was incorporated in the BVI on 22 March 2001 with an authorised share capital of US\$50,000 divided into 50,000 shares of US\$1 each at the date of incorporation. Tramunta Ventures was acquired by Mr. Chan on 2 March 2004 whereupon Mr. Chan became the sole shareholder of Tramunta Ventures. Tramunta Ventures was an investment holding company which held the subsidiaries of our Group, namely Peplink International, Pepwave, Pismo Labs, Pismo Labs Technology, Pismo Research (Malaysia), Peplink Worldwide, as well as other companies, those are Glamour Technologies Limited (輝煌科技有限公司) and Conficiency Limited, prior to the Reorganisation. In preparation of the Listing, after the transfer of Peplink International, Pepwave, Pismo Labs, Pismo Labs Technology, Pismo Research (Malaysia) and Peplink

## HISTORY, REORGANISATION AND CORPORATE STRUCTURE

Worldwide to Protean Holdings as a result of the Reorganisation, Tramunta Ventures was separated from our Group and remains the holding company for Glamour Technologies Limited (輝煌科技有限公司) and Conficiency Limited, the two subsidiaries which were excluded from our Group.

2. Glamour Technologies Limited (輝煌科技有限公司) was incorporated in Hong Kong as a limited liability company on 8 December 2000 with an issued share capital HK\$10,000 divided into 10,000 shares of HK\$1 each. As at the Latest Practicable Date, 9,999 and one issued share of Glamour Technologies Limited (輝煌科技有限公司) were held by Tramunta Ventures and Mr. Chan respectively. Glamour Technologies Limited (輝煌科技有限公司) has been engaged in management services, which were not related to the core business of our Group. Accordingly, it was excluded from our Group as part of the Reorganisation.
3. Conficiency Limited was incorporated in Hong Kong on 21 June 2005, with an issued share capital of HK\$1,104,313 divided into 1,104,313 shares of HK\$1 each, held by Tramunta Ventures as at the Latest Practicable Date. Conficiency Limited is principally engaged in investment holding which was not related to the core business of our Group. As such, it is excluded from our Group as part of the Reorganisation.

The shareholding and corporate structure of our Group after completion of the Reorganisation but before the Global Offering and Capitalisation Issue is set out as below:

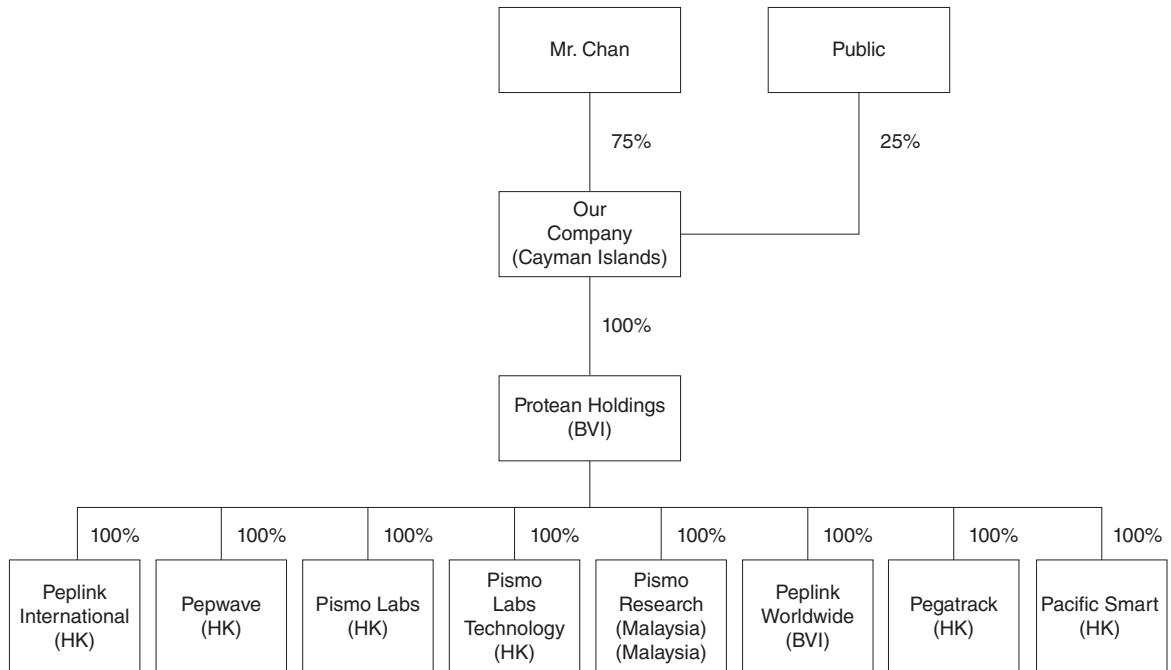


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## HISTORY, REORGANISATION AND CORPORATE STRUCTURE

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The shareholding and corporate structure of our Group immediately after completion of the Global Offering and Capitalisation Issue (taking into no account of any Shares which may be allotted and issued pursuant to exercise of the Over-allotment Option or any options may be granted under the Share Option Scheme) is set out as below:



## BUSINESS

### 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 in 2020.

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.

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

	For the year ended 31 December					
	2013		2014		2015	
	Revenue US\$'000	% of total %	Revenue US\$'000	% of total %	Revenue US\$'000	% of total %
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
<b>Total</b> . . . . .	<b>13,306</b>	<b>100.0</b>	<b>17,946</b>	<b>100.0</b>	<b>21,859</b>	<b>100.0</b>

For each of the three years ended 31 December 2015, our total revenue was approximately US\$13.31 million, US\$17.95 million and US\$21.86 million, respectively. For each of the three years ended 31 December 2015, our net profit was approximately US\$2.57 million, US\$3.74 million and US\$3.36 million, respectively.

We sell our products and services mainly through an extensive network of distributors which consists of Independent Third Parties with whom we generally have entered into non-exclusive framework distribution agreements. As at 31 December 2015, we had 415 distributors in approximately 70 countries, an increase from 309 distributors in the beginning of 2013. For each of the three years ended 31 December 2015, the sale of our products to our distributors contributed to approximately 82.2%, 88.1% and 92.6% of our total revenue, respectively. Apart from sales through our network of distributors, we also sell our products and services to direct customers through our online store.

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.

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## BUSINESS

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Our R&D team, which is based at our headquarters in Hong Kong and in our Malaysia office, is mainly divided into two groups, namely the hardware R&D team and the software R&D team, and is responsible for conducting R&D and quality control. We expect the increasing use of business Internet and mobile connectivity will drive the demand for our SD-WAN routers and SpeedFusion licences. We plan to enrich our product and service portfolio in order for our end users to have reliable and high-bandwidth WAN connections. We will also continue to enhance brand recognition and expand our distribution network to promote sales. Our R&D expenses were approximately US\$3.14 million, US\$3.97 million and US\$3.91 million for each of the three years ended 31 December 2015.

### **COMPETITIVE STRENGTHS**

We believe that the following competitive strengths distinguish us from our competitors and contributed to our success.

#### **We are dedicated to design, develop and market reliable and easy-to-use SD-WAN routers**

We focus on the design, development, marketing and sale of SD-WAN routers. Since 2007, we have been building a comprehensive range of products and services, which enables us to meet different networking demands of our end users effectively. We strive to design and develop our SD-WAN routers with a reliable and easy-to-use software and hardware to satisfy our end users' demands. For our SD-WAN routers which are under warranty or with valid licences, our SD-WAN routers can be easily managed using our InControl cloud service, which can reduce the complexity of installation, maintenance and management of SD-WAN routers. As a standalone service, InControl has been able to increase our recurring revenue. In addition, our SD-WAN routers are supported by our patented SpeedFusion technology. We believe that SpeedFusion distinguishes us from our competitors and is capable of providing secured connections and bonding multiple WAN connections.

We do not have our own manufacturing plants. Instead, we leverage manufacturing services provided by renowned contract manufacturers, which are mainly based in Taiwan and some of them have been manufacturing information and communication technology products, for other technology companies. This allows us to better allocate our resources, reduce manufacturing overheads and maintain high product quality.

#### **We have strong R&D capabilities**

We have strong R&D capabilities with a track record for developing and commercialising innovative routers and services. All of our SD-WAN routers are developed by our R&D team. During the Track Record Period, our R&D team has developed MediaFast series routers and MAX HD4 routers. Our R&D team is committed to develop innovative technology. 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 recognised our continuous innovation excellence. 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. Details of the patents obtained by are set out in the section headed "Statutory and General Information – Further Information about the Business of Our Group – 8. Intellectual property rights of our Group" in Appendix IV to this prospectus.

Our R&D team is specialised in developing solutions that are user-centred and has the ability to cater specific end user needs. For example, MediaFast series was developed for a customer that requires caching and our R&D team was able to develop such product to meet the functionalities and requirements.

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## BUSINESS

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We have been able to introduce products through technological innovations to use in a wide range of industries, including transportation, retail and education. We have also enhanced the hardware of most of our SD-WAN routers with a view to improving performance.

During the Track Record Period, R&D expenses represented approximately 23.6%, 22.1%, and 17.9% of our total revenue, respectively. Our skilled R&D team consists of international and local skilled personnel 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. As at 31 December 2015, we had 51 R&D staff, comprising 10 hardware engineers and 41 software engineers, of which approximately 86.3% attained tertiary education and approximately 27.5% has master's degree or higher qualification.

### **We have established an extensive distribution network**

We have established an extensive distribution network which we built up in approximately ten years to facilitate the sale of our products and services. The number of distributors has increased from 309 at the beginning of 2013 to 415 as at 31 December 2015 in approximately 70 countries.

With the cooperation with our distributors, to whom we provide product education and marketing support, we take full advantage of their sales networks and geographical advantages to make available our products to a wide range of end users in different countries. We believe that such networks and advantages have strengthened our marketing ability and have helped increase the sales of our products. Our Directors consider that our extensive distribution network coverage is difficult to replicate and provides us with a competitive advantage and minimising our reliance on any single sales channel.

### **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 comprehensive website ([www.peplink.com](http://www.peplink.com)) that showcases our products, conducts sales, and hosts an online Community Forum for our distributors, prospective customers and end users to contact us directly.

By focusing on end users' feature requests, we are able to respond quickly and identify challenges that our end users may have encountered. Our marketing team and R&D team will then determine whether there is a market need for solving the challenge and how we should invest resources to develop products and services for such market need.

We mainly rely on our online Community Forum to communicate with our distributors, prospective customers and end users. They can post their enquiries, comments, feature requests, feedback and responses on our online Community Forum from which we seek to identify features and products that we believe our end users look for. There is no restriction on the qualification to obtain free membership of our online Community Forum.

In addition to our online Community Forum, we also discuss with our distributors regularly through conference calls, emails and visits to gather information about their feature requests and ideas for our product improvements.

### **We have a stable and dedicated management team with extensive industry experience**

We are a technology-focused enterprise and believe that our expertise in networking industry is key to our success. As such, we promote innovation with a view to maintaining our technological strength.

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## BUSINESS

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We possess strong innovation capabilities supported by our senior management who has extensive experience in the technological, managerial and industrial fields and is dedicated to product innovation and development. Mr. Chan, the founder of our Group and the Chairman of our Board, possesses over 28 years of experience in electronic engineering and information technology industries and provides leadership and vision to our Group. A majority of our executive Directors have been with us for more than nine years and have been executing business strategies, identifying market opportunities and guiding our development of new products.

We believe that we will be able to continue to capitalise on the industry expertise, professional management skills and strong capability of our senior management team, and successfully formulate and implement our development strategies in the industry where we operate.

### BUSINESS STRATEGIES

Our principal business objective is to further strengthen our position in the design, development, marketing and sale of 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**

We believe that our strong R&D capabilities represent our core competency and are critical in expanding our product offering, strengthening our product features and broadening the functionality and application of our products. Our ability to keep up with the rapidly-evolving technologies for SD-WAN routers provides us with a competitive advantage in capturing growth opportunities in our industry.

#### *Expansion of our R&D team*

After the Listing, we will continue to strengthen our R&D capabilities. The amount budgeted for our Group's R&D activities (excluding capital expenditure for establishment of our R&D centre and upgrade of R&D facilities) is approximately US\$4.25 million, US\$5.34 million, US\$5.77 million and US\$6.12 million for the years ending 31 December 2016, 2017, 2018 and 2019, respectively. Our R&D expenses will be mainly used for salaries and benefits of our engineering, testing and supporting staff, product testing, certification, tooling and components expenses for R&D purposes. The expenditures for our R&D activities will be partly satisfied by the net proceeds from the Global Offering and partly satisfied by our Group's operating cash flow. The increase in the budgeted amount for our Group's R&D activities from 2016 to 2019 is mainly attributable to our expansion plan of our R&D team.

Our R&D team forms our largest department. We intend to further expand it by recruiting more experienced and talented engineers with relevant skills and expertise in the industry. Approximately HK\$26.89 million (equivalent to approximately US\$3.47 million) of the net proceeds from the Global Offering will be used to strengthen our R&D capabilities through expansion of our R&D team. Our plan for use of the net proceeds from the Global Offering for expansion of our R&D team is set out as follows:

<u>Year</u>	<u>Approximate amount of net proceeds used</u>	<u>Description</u>
2016 . . .	US\$67,000 (Note 1)	<ul style="list-style-type: none"><li>To employ one director of information technology, expected to have 10 years of relevant industry and management experience in multinational corporation with relevant university degrees, in the last quarter of 2016 to strengthen our internal information technology system and software development capabilities</li></ul>



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<u>Year</u>	<u>Approximate amount of net proceeds used</u>	<u>Description</u>
		<ul style="list-style-type: none"> <li>To employ three senior software engineers and three junior software engineers, expected to have seven years and three years of relevant industry experience and relevant university degrees, respectively, in the last quarter of 2016 in order to support our new developments</li> </ul>
2017 . . .	US\$942,000 (Note 2)	<ul style="list-style-type: none"> <li>To employ three senior hardware engineers and two senior network engineers, expected to have seven years of relevant industry experience and relevant university degrees, in order to strengthen our hardware and software development capabilities</li> <li>To employ three junior mobile application developers, expected to have three years of relevant industry experience and relevant university degrees, in order to strengthen mobile application development capabilities</li> </ul>
2018 . . .	US\$978,000 (Note 2)	<ul style="list-style-type: none"> <li>To employ three senior hardware engineers and three senior network engineers, expected to have seven years and five years of relevant industry experience and relevant university degrees, respectively, in last quarter of 2018 to strengthen our hardware and software development capabilities</li> </ul>
2019 . . .	US\$1,482,000 (Note 2)	<ul style="list-style-type: none"> <li>To employ two mobile application developers and three quality assurance engineers, expected to have five years of relevant industry experience and relevant university degrees, in order to strength our software development and quality assurance capabilities</li> </ul>

Notes:

- The R&D staff are expected to be employed in the last quarter of 2016, as such the net proceeds to be used for the relevant salaries are comparatively low in 2016. Comparing with 2016 figures, the approximate amount of the net proceeds used in 2017 to 2019 are comparatively high, since those amounts include the salaries of the R&D staff employed in previous year(s).
- The amount includes the salaries of the employees employed in previous year(s).

### *Establishment of R&D centre and upgrade of R&D facilities*

After the Listing, we will continue to invest in capital expenditures for our future expansion. The amount budgeted for total capital expenditures is approximately US\$0.27 million, US\$2.51 million, US\$1.61 million and US\$0.90 million for the years ending 31 December 2016, 2017, 2018 and 2019, respectively. We will enhance our R&D facilities and upgrade our testing equipment, such as establishing a R&D centre to accelerate product development and automate our product testing. Since our existing leased properties do not have enough floor area for establishment of the R&D centre, we will need to locate a property for that purpose. Given the design of the R&D centre has to meet special requirements, relocation and renovation is relatively time consuming and costly. In light of this, we plan to purchase our own property for establishment of our R&D

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## BUSINESS

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centre in mid of 2017 in order to maintain a stable environment for our continuous R&D works. The total capital expenditure for the R&D centre is estimated to be approximately HK\$15.06 million (equivalent to approximately US\$1.94 million) which will be satisfied by the net proceeds from the Global Offering. The total capital expenditure for the R&D centre forms part of the above 2017 budget amount for total capital expenditures. The R&D centre is expected to be ready for use by end of 2017 and will be equipped with infrastructure needed to simulate complex thousand-site SD-WAN networks, giving our R&D team the unprecedented ability to quickly observe the effects of the improvements. It will also contain fully automated regression testing facilities for SpeedFusion networks which will provide our developers with a valuable tool for testing the integrity of new software. Further, it will perform tests in an efficient manner, freeing our resources to focus on new innovations to strengthen our technological leadership.

In addition to the establishment of our R&D centre, we will also upgrade our R&D facilities. The total capital expenditure budgeted for upgrade of our Group's R&D facilities is approximately US\$0.14 million, US\$0.52 million, US\$1.32 million and US\$0.52 million for the years ending 31 December 2016, 2017, 2018 and 2019, respectively. The total capital expenditure for upgrade of our R&D facilities will be satisfied partly by the net proceeds from the Global Offering and partly by our Group's operating cash flow and/or bank borrowings. Approximately HK\$15.00 million (equivalent to approximately US\$1.94 million) of the net proceeds from the Global Offering will be used to upgrade our R&D facilities. Our plan for use of the net proceeds from the Global Offering for upgrading our R&D facilities is set out as follows:

<u>Year</u>	<u>Approximate amount of net proceeds used</u>	<u>Description</u>
2016 . . .	US\$82,000	<ul style="list-style-type: none"><li>• To upgrade our design software and hardware for our R&amp;D facilities at our headquarters in Hong Kong in order to cope with the continuous advancement of technology</li></ul>
2017 . . .	US\$278,000	<ul style="list-style-type: none"><li>• To install new computers, servers, design software and middleware for our R&amp;D team in anticipation of an increased R&amp;D capacity requirement arising from anticipated development projects and to replace old equipment</li></ul>
2018 . . .	US\$1,240,000	<ul style="list-style-type: none"><li>• To take delivery and install one unit of fully-automated machine and to purchase two sets of equipment for our product testing and quality assurance facility at our headquarters in Hong Kong</li></ul>
2019 . . .	US\$340,000	<ul style="list-style-type: none"><li>• To install new computers, servers, design software and middleware for our product development purpose and to purchase one set of equipment for product testing and quality assurance facility at our headquarters in Hong Kong</li></ul>

### *Introduce more new products and improve our cloud services*

We will continue to engage in R&D to address new business opportunities. We aim to invest our capabilities to focus on technologies for emerging high-growth SD-WAN applications such as developing hardware platforms that can support greater throughput and more advanced features. Incorporating next generation semiconductor chips will enable our SD-WAN routers to better address the higher throughput requirements that fibre connections present. We will also make the investments necessary to position ourselves as one of the first to take advantage of upcoming opportunities in the mobile market. We will develop support for the next generation of wireless

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technology — 5G, and introduce SD-WAN routers with lower power consumption with smaller and lighter form factors. This is particularly valuable in vehicular deployments where space and power are both at a premium.

We will continue leveraging the synergies created between our SD-WAN routers, SpeedFusion and InControl cloud service to create an easy-to-manage ecosystem that attracts end users with large SD-WAN routers deployments. We believe that this will continue to bring us opportunities in that we can generate recurring revenue from the use of InControl. In view of this, a continuous improvement in our software development of InControl and investment in the number of cloud servers for it will be made. Thus, the scalability and stability of InControl can continue to be improved in order to support more concurrent users and devices.

### *Protect and acquire intellectual properties rights*

Our ability to develop our own advanced technologies will generate innovations, resulting in a continuous increase in our patents and patent applications. We consider our patent portfolio as an important factor in ensuring our competitiveness and a critical entry barrier for our competitors. As such, we will continue to expand our patent portfolio to protect our intellectual property rights and will explore the possibility of acquiring intellectual property rights that are relevant to our business. As at the Latest Practicable Date, we had not identified any suitable target for such acquisition.

### **Continue to enhance brand recognition and expand the breadth and depth of our international distribution network**

#### *Improve our brand recognition and strengthen our marketing team*

We seek to improve our brand recognition through:

- business development efforts of our partners — we will enhance our partner education by hosting partner events where they can receive in-depth product and sales training. We will continue to support their attendance to internationally recognised trade shows by sponsoring them financially as well as providing professional booth and presentation design services. Our distributors can then focus on presenting our products to prospects, closing deals, and improving our brand recognition;
- hiring technology evangelists in specific sectors and industries — these technology evangelists will leverage their knowledge and connections to promote our products and solutions forward within their sectors and industries through talks, presentations, articles, user demonstration, and recorded demonstration; and
- placing advertisements for our products and services in magazines, blogs and social networks — this should help us to reach potential prospects.

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We also seek to strengthen our marketing capabilities, therefore, approximately HK\$16.12 million (equivalent to approximately US\$2.08 million) of the net proceeds from the Global Offering will be used to expand our marketing team and purchase additional computer design system. Our plan for use of the net proceeds from the Global Offering for improving marketing capabilities is set out as follows:

<u>Year</u>	<u>Approximate amount of net proceeds used</u>	<u>Description</u>
2016 . . .	US\$14,000 <i>(Note 1)</i>	<ul style="list-style-type: none"> <li>● To employ one senior sales and one marketing manager, expected to have five years of relevant industry experience and relevant university degrees, in the last quarter of 2016 to strengthen our marketing capabilities and to enhance our brand recognition in overseas market</li>   <li>● To employ two experienced and reputable marketing executives, expected to have 10 years of relevant industry experience and relevant university degrees, in the last quarter of 2016 in the year ending 31 December 2016 in order to support and promote our new developments, as well as to enter into new overseas markets</li> </ul>
2017 . . .	US\$419,000 <i>(Note 2)</i>	<ul style="list-style-type: none"> <li>● To employ two senior sales, one marketing manager, two senior technical marketing engineers and one designer, expected to have five years, five years, seven years and three years of relevant designing experience and relevant university degrees, respectively, in order to strengthen our marketing capabilities to improve website/online e-commerce platform</li>   <li>● To purchase additional computer design systems in order to strengthen our pre-sales, design and marketing capabilities</li> </ul>

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Year	Approximate amount of net proceeds used	Description
2018 . . .	US\$759,000 <i>(Note 2)</i>	<ul style="list-style-type: none"> <li>● To employ one experienced director of sales and marketing, expected to have 10 years of relevant industry and management experience in multinational corporation with relevant university degrees, in third quarter of 2018 to strengthen our marketing capabilities</li> <li>● To employ one senior technical marketing engineer and one marketing manager, expected to have seven years and five years of relevant industry experience and relevant university degrees, respectively, in order to strengthen our marketing capabilities</li> <li>● To purchase additional computer design systems in order to strengthen our pre-sales, design and marketing capabilities</li> </ul>
2019 . . .	US\$888,000 <i>(Note 2)</i>	<ul style="list-style-type: none"> <li>● To pay salaries for the employees employed during 2016 to 2018</li> </ul>

*Notes:*

1. The sales and marketing staff are expected to be employed in the last quarter of 2016, as such the net proceeds to be used for the relevant salaries are comparatively low in 2016. Comparing with 2016 figures, the approximate amount of the net proceeds used in 2017 to 2019 are comparatively high, since those amounts include the salaries of the sales and marketing staff employed in previous year(s).
2. The amount includes the salaries of the employees employed in previous year(s).

*Improve our online e-commerce platform*

We plan to improve e-commerce platform to facilitate the collaboration between us and our distributors and direct customers in a more effective manner. This platform will make it easier to conduct matters such as products purchases, sales tracking, deal registration, review of sales history, and partner communications. We aim to make it easy for our distributors and direct customers to manage all sales processes themselves. It is expected that this will help us in dealing with increasing number of distributors and direct customers and sales without increasing our administrative overhead.

*Invest in content development*

Further, we plan to strengthen our brand recognition by producing more contents for our distributors, direct customers and end users by hiring more marketing staff. This will allow us to create more advertisements, product videos, customer case studies, and installation videos to demonstrate the reliability, performance, and ease of use of our SD-WAN routers. We also plan to develop templates and a cloud based platform for our partners to upload their own videos.

### *Improve our website*

We will improve our website to make it more mobile friendly and reduce the effort required when updating it. We will also strengthen our search engine optimisation efforts by optimising our existing website contents to increase the prospects of finding us online through search engines.

## **PRODUCTS AND SERVICES**

Our main products are wired and wireless SD-WAN routers which we design and develop. We offer both entry level and high-capacity SD-WAN routers. These products are capable of using our patented and proprietary technology, namely SpeedFusion, and can be managed by our cloud service. In addition, we grant software licences for managing our devices, and add-on features as well as provide warranty and support services in connection with our SD-WAN router products.

SpeedFusion enables our SD-WAN routers to create secured private networks and to bond multiple WAN connections to increase site-to-site bandwidth and reliability. With SpeedFusion, in case of failure or network congestion at one or more WAN connections, other WAN connections can be used to carry network traffic.

InControl is our cloud service for managing and monitoring our SD-WAN routers. With InControl, end users are provided with advanced management tools to configure, manage, log, analyse and visualise the status of their devices. Status of their devices is displayed in charts and reports that are easy to comprehend. The number of devices registered with InControl has increased by approximately 90 folds from approximately 500 in 2013 to approximately 45,000 in 2015.

### **Wired router**

Our wired routers, which comprise our Balance series and MediaFast series, are capable of connecting multiple devices and end users' networks to the Internet through multiple WAN connections. The average selling price of wired routers is approximately between US\$670 and US\$792 during the Track Record Period.

#### *Balance series*

Our Balance series routers allow end users to have multiple WAN connections connected to WAN interfaces of the routers, monitor bandwidth usage, control website access, enjoy quality of service for VoIP and e-commerce as well as manage the access points we offer. A Balance series router deployed at a headquarters that supports multiple SpeedFusion connections can act as a central hub and link with Balance series routers deployed at different branch office. With our Balance series routers, data, voice, and video communications between these locations are kept confidential across the public Internet.




We believe that our Balance series routers have enabled most of our end users to replace expensive private leased lines by using multiple low-cost WAN connections without compromising network reliability.

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The table below sets out the selected models of our Balance series routers:

<b>Selected models of Balance series routers</b>	<b>Features</b>
<p>Balance 30</p> 	<ul style="list-style-type: none"><li>● An entry level SD-WAN router, recommended for small office and branch use</li><li>● Contain three Ethernet WAN ports</li></ul>
<p>Balance 580</p> 	<ul style="list-style-type: none"><li>● A high-capacity SD-WAN router, recommended for mid-size business use</li><li>● Contain five Ethernet WAN ports</li><li>● Possess high availability capability</li></ul>
<p>Balance 2500</p> 	<ul style="list-style-type: none"><li>● A high-capacity SD-WAN router, recommended for large enterprise and campus use</li><li>● Contain twelve Ethernet WAN ports</li><li>● Possess high availability capability</li><li>● With capability of connecting to optical fibre based LAN</li></ul>

### *MediaFast series*

Our MediaFast series routers are capable of caching and can also be configured to download contents in advance during off-peak hours. Web contents, such as videos, audios and images, can be cached in the internal storage of MediaFast series routers. When an end user needs to access the web contents, the web contents will be retrieved from the internal storage. We believe that our MediaFast series routers provide students at education institutions with uninterrupted learning by accessing learning materials anytime from the internal storage of MediaFast series routers.

The table below sets out the selected models of our MediaFast series:

<b>Selected models of MediaFast series routers</b>	<b>Features</b>
<p>MediaFast 200</p> 	<ul style="list-style-type: none"><li>● An entry level SD-WAN router</li><li>● Contain two Ethernet WAN ports</li><li>● With internal storage of 120GB SSD</li></ul>
<p>MediaFast 750</p> 	<ul style="list-style-type: none"><li>● A high-capacity SD-WAN router</li><li>● Contain seven Ethernet WAN ports</li><li>● With internal storage of 1TB SSD</li></ul>

### **Wireless router**

Our wireless routers comprise MAX BR series and MAX HD series. Some of the models in the MAX BR and MAX HD series are specifically designed for vehicular deployments and could be used for fleet tracking and management through our InControl cloud service. The average selling price of our wireless routers is approximately between US\$213 and US\$263 per unit during the Track Record Period.



### *MAX BR series*

Our MAX BR wireless routers support multiple SIM cards. They can be configured to switch from using one SIM card to another SIM card according to different criteria, including wireless network reliability and data usage.

### *MAX HD series*

Our MAX HD series wireless routers are embedded with multiple 4G LTE modems and allow simultaneous wireless WAN connections through multiple wireless networks. The wireless WAN connections can be bonded together using our SpeedFusion technology. This allows better reliability, increase bandwidth, and wireless coverage compared to using only one 4G LTE modem. Our MAX HD2 routers are certified to have shock and vibration resistance and are particularly suitable for railway application.

The table below sets out the selected models of our wireless routers:

<b>Selected models of MAX series routers</b>	<b>Features</b>
<p>MAX BR1</p> 	<ul style="list-style-type: none"><li>● An entry level SD-WAN router</li><li>● Contain one embedded 4G LTE modem</li><li>● Support two SIM cards and connect to one wireless network</li></ul>
<p>MAX HD4</p> 	<ul style="list-style-type: none"><li>● A high-capacity SD-WAN router</li><li>● Contain four embedded 4G LTE modems</li><li>● Support eight SIM cards</li><li>● With capability of connecting to four different wireless networks simultaneously</li></ul>

## **Software licences and warranty and support services**

We grant software licences and provide warranty and support services in connection with our SD-WAN router products.

### *Software licences*

In order to provide more flexibility to our distributors and end users, our products contain features, such as SpeedFusion and InControl, which we can license to our distributors and end users.

For some of our SD-WAN routers, SpeedFusion is an optional feature. For end users of our products who want to use our SpeedFusion, they can purchase licences from us to activate SpeedFusion. A one-time licence fee for SpeedFusion is in the range of approximately US\$600 to US\$1,000 per device during the Track Record Period.

InControl is provided to end users of our SD-WAN routers that are still under warranty coverage at no additional cost and at an annual fee per device for routers where the warranty period has expired. The annual licence fee for InControl was approximately US\$25 per device during the Track Record Period.



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## BUSINESS

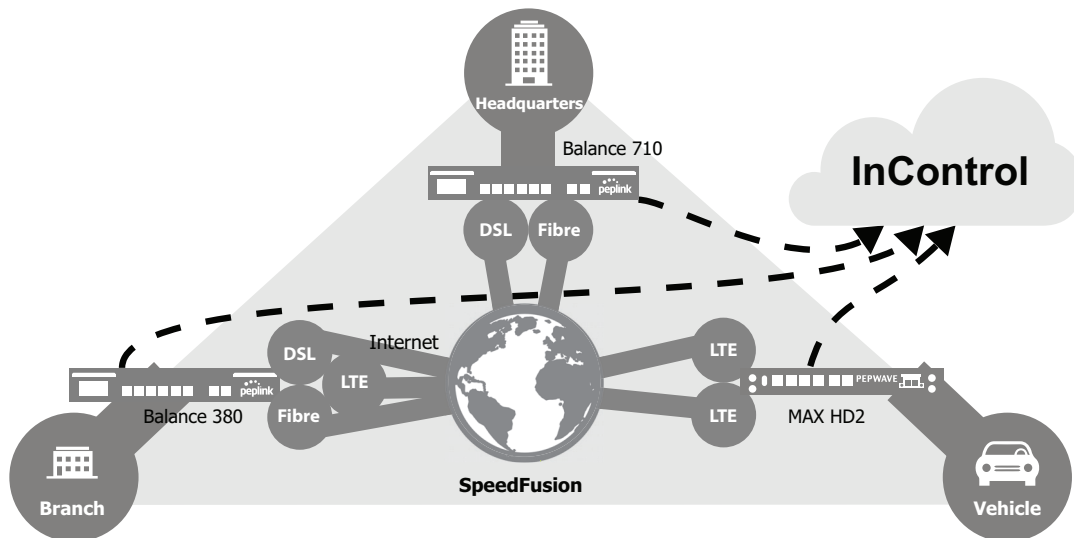
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### *Warranty and support services*

We provide embedded warranty that comes with the sales of our SD-WAN routers. Besides, 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. For details about our warranty policy, please refer to the paragraph headed “Customers and Sales – After-sales Services” in this section.

### **Integration of SD-WAN routers, SpeedFusion and InControl**

The diagram below illustrates how our SD-WAN routers, SpeedFusion technology and InControl cloud services can be used together. Each of our SD-WAN routers (Balance 710, Balance 380 and MAX HD2) can form SpeedFusion with each other. This ensures that, secured connections can be established among the headquarters, branches and vehicles. Further, Balance 710, Balance 380 and MAX HD2 can be managed by InControl to reduce administrative efforts.



### Application Scenarios

We set out below the major industries where our SD-WAN routers are used:



#### Public Safety

Public safety sectors have strict demand and review processes when procuring routers suitable for deployment. Our MAX BR1 routers are ruggedised and perform as required. They have been used by police departments, fire departments and other emergency response units in different countries. The most common application is vehicular wireless connectivity where multiple wireless connections are employed to ensure service vehicles stay connected. Our wireless routers are also used for adding wireless backhaul to remote CCTV networks.



#### Education

It is common for schools network to become slow and congested during lessons due to students' simultaneous access of teaching materials to the schools' network. Our MediaFast routers can reduce network traffic to ease the load on the network. Teachers can store frequently accessed education content, including high definition media, mobile applications, web content and mobile device updates in advance. This reduces network congestion during lessons and provides students with a much improved education content user experience.



#### Retail

The retail sectors generally have to keep their branch networks up and running for applications such as enterprise resource planning, terminal services and point-of-sale systems. By deploying wireless routers, our end users have been able to save significant amount of network costs at their branches by replacing or supplementing their MPLS lines with inexpensive WAN connections.



#### Industrial, Construction, Utilities

The industrial, construction and utilities sectors typically have sites that are remote, isolated or temporary in nature. End users in this sector have been deploying our wireless routers to quickly setup WAN connection through wireless connections. For areas where wireless connectivity coverage is intermittent, our customers have been deploying our MAX HD routers for more bandwidth and reliability by bonding multiple wireless networks through our SpeedFusion technology.



#### Hospitality

A hospitality customer usually requires a network infrastructure that can provide fast Internet access to hundreds of guests. By deploying our Balance series routers, hospitality end users are able to prioritise and separate network traffic to prevent congestion, and use 4G LTE USB modems for an additional resilience and bandwidth.



#### Broadcasting and Media

Broadcasters, including journalists and reporters, usually rely on wireless networks to stream live content back to stations, especially for live broadcast and sports events. Our MAX HD2, MAX HD4 and MAX On-The-Go routers have been selected by end users to employ multiple wireless networks to stream live multimedia contents.

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### Maritime

Vessels often roam between shore networks, wireless networks and satellites. Vessels which have been deploying our wireless routers to improve offshore communications, transmitting oceanographic research data and providing Internet access to its crew and passengers.



### Transportation

Our MAX HD series routers with its multiple embedded wireless modems can keep passengers connected to high speed Internet. Fleet management is also built-in and available to transportation operators via InControl.

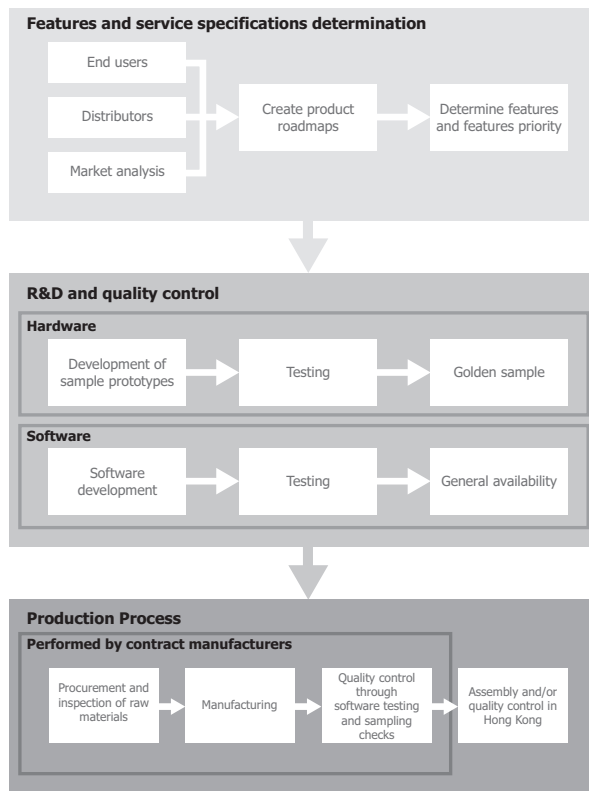


### Energy

It is crucial for stakeholders in the energy sector to access their supervisory control and data acquisition systems reliably and remotely. Our wireless routers help our customers modernise their networking communications part of their supervisory control and data acquisition systems provide them with reliability and resiliency over wireless connections while enabling real-time monitoring and controls.

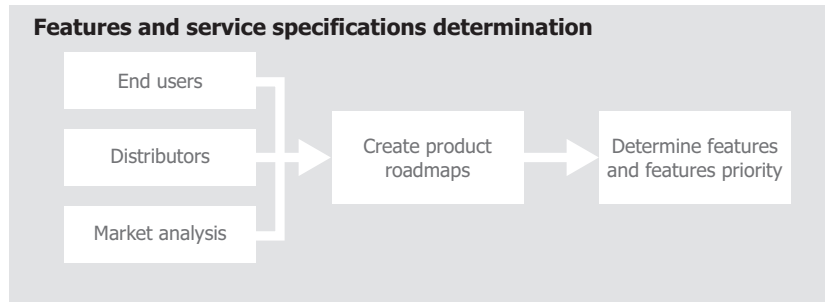
## RESEARCH AND DEVELOPMENT AND PROCESS

The main stages involved in the development of our products are set out below:



The main stages improved in the development of our products are set out below:

### *Product and service specification determination*

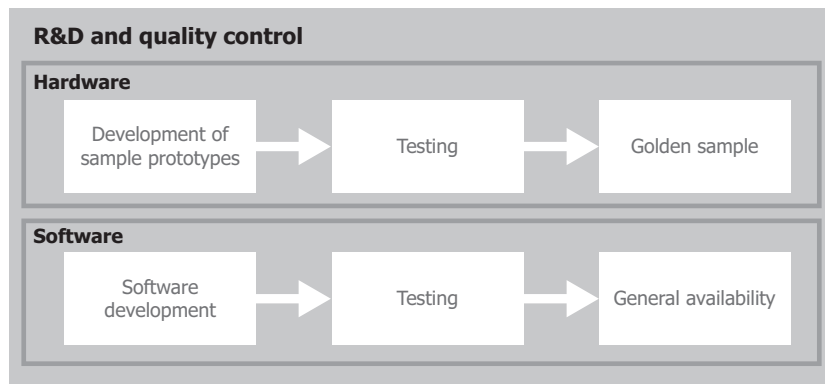


We determine the specifications of our products and services through the following:

- End users – we mainly engage with end users directly through our online Community Forum to understand the challenges and requirement of our end users.
- Distributors – we obtain feedback from our distributors on their local markets and technology trends.
- Market analysis – we conduct our own market analysis to anticipate upcoming market demand, market trends and new growth opportunities.

Based on the information gathered, our marketing team regularly updates our product roadmaps and shares them with our distributors. Further, our marketing team will discuss with our distributors on whether the product roadmaps will help us sell more of our products to customers. Once a product roadmap is determined or updated, our marketing team will determine the features of a particular product. A specification will then be jointly created by our marketing team and our R&D team. The close interaction between our marketing team and our R&D team allows us to act quickly to seize upon new market opportunities. The development of the specification may take a few months after we have gathered the relevant information from end users, distributors and market analysis.

### *R&D and quality control*



Our R&D team, which is based at our headquarters in Hong Kong and our office in Malaysia, is mainly divided into two groups, namely the hardware R&D team and the software R&D team.

### *Hardware R&D and quality control*

We usually commence a hardware R&D project when the specification requires a new form factor, a new communication interface or the use of new semiconductor chips. In general, our hardware R&D engineers design products using a modular approach.

During the design process, our hardware R&D team usually breaks a single product down into multiple components which can be assembled together with ease to become the final product. Components include printed circuit board assembly and casing. There are other components that we may source from suppliers based on the required specifications, including power supply and antennas.

A test plan will first be developed by our hardware R&D team based on the specification of the products. Our hardware R&D team will then develop a few sample prototypes based on the specification for quality control tests, including functional test and stress test. The sample prototypes will have most of the features developed and be built in the specified form factor.

We appoint a contract manufacturer to make the sample prototypes by providing them with manufacturing information, including design files and testing procedures. We typically appoint the same contract manufacturer to make the golden sample and manufacture the final product.

The purpose of quality control tests is to determine whether the sample prototypes will perform according to the specifications under different environments.

We perform functional tests to ensure that the functions of routers are performed as specified in the specifications. Data inputs are fed to the routers and then data outputs are examined. If the data outputs match the expected results, the sample prototype passes the functional test.

During the stress test, we perform:

- temperature test — the sample prototypes are put into oven which is set to 65°C, and freezer which is set to -40°C, for 72 hours, respectively, to ensure the sample prototypes will be able to perform under such harsh temperature;
- hardware reboot test — the sample prototypes are turned on and off continuously for about 500 times to ensure the sample prototypes can still perform after frequent hardware reboot;
- software reboot test — the sample prototypes are rebooted through software continuously for about 500 times to ensure the sample prototypes can still perform after frequent software reboot; and
- throughput test — a large amount of network data is sent to the hardware device continuously for a period of 72 hours to ensure the sample prototypes will perform according to the specification amid heavy network traffic.

After the quality control tests, we may identify areas for improvement, including the performance of our products with a view to ensuring that our products are able to meet the relevant specification based on the sample prototypes, in which case we will instruct the contract manufacturer to make new sample prototypes. We will perform a quality control test on new sample prototypes upon us receiving them from our contract manufacturer. We will repeat the development of sample prototypes and quality control test processes until the target specification is met and no quality issue is identified. The sample prototypes that meet the

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target specification will be the golden sample. Our contract manufacturer will then manufacture the products, subsystems and components according to the design associated with the golden sample.

### *Software R&D and quality control*

We regularly introduce new software-based features for our SD-WAN routers. The new software for our routers usually adds new features to our routers and fixes program bugs found in existing software. When a specification for a new version of software is determined, software development will commence. If a program bug is found, our software R&D team will try to fix the bug during the development of the new version of software.

Before we release the new version of software to our end users and to our contract manufacturers, we generally conduct the following tests:

- feature test — we conduct tests for each of the new features introduced by the new version of software;
- sanity test — we generally test particular components of the new version of software to ensure that new features can function and program bugs have been fixed;
- smoke test — we conduct this test to ensure that the critical features introduced by the new version of software are performing as specified and whether the program bugs have been fixed as well as verify the stability of the new version of software; and
- general availability test — we conduct tests on the new version of software comprehensively.

We perform the above tests through our testing personnel of our R&D team in Hong Kong. As we have different models of SD-WAN routers, the new version of software is uploaded to these different models during the tests. In addition, different network environments will be set in our testing facility in Hong Kong in order to conduct the tests.

When the new version of software is available, we will proceed to create a release candidate version of the software. End users can install the release candidate version to our products to try and test the new version of software. After the release candidate version has been released for a period of time and no issue is reported by our end users, we will create a generally available version of the new software and encourage our end users to install it on their SD-WAN routers.

We will send new version of software to our contract manufacturers for installing into our products that they are manufacturing. The quality control team of our contract manufacturers can conduct tests on our products using our latest software.

In addition, our distributors and end users can download the new version of software from our website directly and then install the new version of software to our products.

The amount of time and resources we spend on our R&D vary depending on the types of technology and products involved. The completion of the R&D for a product may take a few weeks to a year. For each of the three years ended 31 December 2015, our R&D expenses including relevant employment expenses, 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.

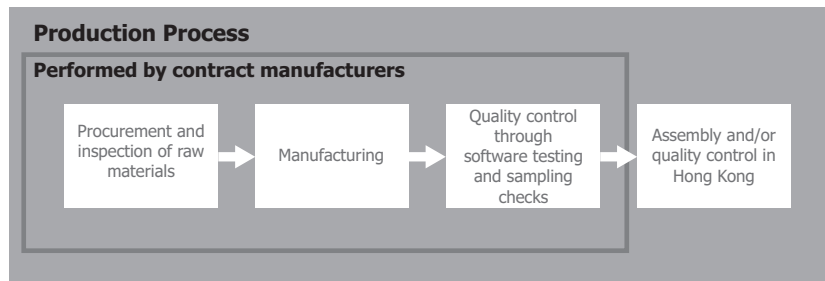
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As at Latest Practicable Date, our R&D team consisted of 55 members most of whom attained tertiary education or higher.

### *Production Process*



We outsource the manufacturing process of our SD-WAN routers to contract manufacturers that are Independent Third Parties. For further details relating to our contract manufacturers, please refer to the paragraph headed "Suppliers" in this section.

We instruct contract manufacturers to manufacture products and components for us based on our product specifications. The whole manufacturing process takes approximately three months. Our contract manufacturers may purchase the raw materials, including CPUs, required for the manufacturing process, based on the specification of our products. Under certain circumstances, we may procure and purchase the raw materials by ourselves and then supply our raw materials to the contract manufacturers.

- Our contract manufacturers and we, in the case where we procure and purchase raw materials, will inspect the raw materials for any defect before the raw materials are used in the manufacturing process.
- Most of our final products and components are shipped to our Hong Kong warehouse for storage before we assemble them.

We have an assembly team in Hong Kong to perform quality control on our products and components manufactured by our contract manufacturers and mainly assemble newly developed products due to small shipping volume during their initial product launch before gaining market acceptance.

For finished goods and components, we generally conduct quality check on randomly selected products once we received the shipment from our contract manufacturers. For products assembled by our assembly team, such as MAX HD4, we will conduct quality check after the assembly. The assembly process for our newly developed products performed by our assembly team includes labelling, packaging, and assembling components, such as wireless communication modules, printed circuit board assembly, casing and antenna. We believe that assembly team in Hong Kong allows us to customise our products more effectively and reduce cost of newly developed products. The amount of revenue for these newly developed products is generally insignificant. When newly developed products have become mature and successfully accepted by the market, we may then delegate the assembly process to contract manufacturers. For details regarding our quality control, please refer to the paragraph headed "Quality Control" in this section.

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### 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 which consists of Independent Third Parties in different regions of the world. Direct customers are mainly end users who purchase our products and services directly from us. The end users of our products and services include enterprises and organisations in the public safety, education, retail, industrial construction, utilities, hospitality, media and broadcasting, energy, maritime and transportation sectors. We recognise our revenue once the shipment of products has occurred or the title and risk of loss have passed to our customers.

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 US\$'000	% of total %	Revenue US\$'000	% of total %	Revenue US\$'000	% of total %
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
<b>Total</b> . . . . .	<b>13,306</b>	<b>100.0</b>	<b>17,946</b>	<b>100.0</b>	<b>21,859</b>	<b>100.0</b>

As at 31 December 2015, we had an extensive network of distributors in particular the North American, EMEA and Asian regions. For each of the three years ended 31 December 2015, approximately 47.4%, 41.9% and 42.0% of our total revenue was derived from North America whereas our revenue from other regions mainly derived from EMEA and Asia.

The table below sets out the breakdown of our revenue which we derived from different regions of the world during the Track Record Period:

	For the year ended 31 December					
	2013		2014		2015	
	Revenue US\$'000	% of total %	Revenue US\$'000	% of total %	Revenue US\$'000	% of total %
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
<b>Total</b> . . . . .	<b>13,306</b>	<b>100.0</b>	<b>17,946</b>	<b>100.0</b>	<b>21,859</b>	<b>100.0</b>

### Distributors

A majority of our sales are conducted through our distributors. We believe that the sales of products under our brands through distributors is an industry norm as some of our distributors sell products of similar nature under different brand names. Our relationships with all distributors are seller/buyer relationship. We retain no ownership control over the products sold to our distributors. Our distributors are responsible for managing their own inventories and anticipate demands from their customers and leads. We typically give at least 30 days advance notice to our distributors when we plan to introduce a new product model or in case of price change, to assist them in managing their inventories and marketing plans. Our distributors place orders with us on a transaction basis and the revenue from the sales of our goods is recognised when the significant risks and rewards of ownership of the goods have been transferred to our distributors. Our Directors believe that the current distribution model allows us to focus on the design, development, marketing and sales of our products and services.



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We do not impose any initial purchase requirements against our distributors. As mentioned above, our distributors are responsible for managing their own inventories as we do not have ownership control over the products they sell and are not responsible for their inventory level. We adopt a stringent credit control policy on our trade receivables and do not generally grant credit terms to our new distributors and require full payment by our distributors before we deliver our products to them. We may extend credit to certain distributors on a case-by-case basis and the credit term period we typically grant ranges from 30 days to 60 days. As at the Latest Practicable Date, we received all of our trade receivables as at 31 December 2015. In addition, we communicate with our distributors to understand their sales performance. According to our distribution agreements, our distributors are generally required to provide sales data to us. We generally have from time to time requested the stock level reports from some of our major distributors during the Track Record Period since mid of 2014 so as to monitor their respective inventory level. We believe that this does not only enable us to estimate the anticipated demands of our products from these distributors, but also allows us to assess if our distributors have unnecessary high inventory level of our products even if we are not responsible for their inventory level. Our distributors (including distributors with whom we had ended our distribution arrangements) are not entitled to return our products (including unsold or obsolete goods), unless the products are defective. During the Track Record Period, we did not experience any material return of products from our customers. For each of the three years ended 31 December 2015, the amount of sales return from our customers were approximately US\$8,000, US\$79,000 and US\$49,000, respectively. Given the above, we do not consider that channel stuffing on the part of our distributors is likely to occur.

### *Selection of distributors*

We carefully select our distributors based on various factors, including the quality of their supporting service their reputation in the industry, their experience in providing supporting service of similar products and their business scale. When we evaluate the qualification and capability of a potential distributor, we carry out the following procedures:

- review the reputation and experience of the potential distributors;
- discuss with the potential distributors about their sales plan and strategy for our products;
- review potential impacts on our existing distributors in the same region to avoid unhealthy cannibalisation among distributors; and
- determine revenue target and sales territory.

We will execute a distribution agreement with the potential distributor if we are satisfied with the evaluation result.

### *Terms with distributors*

During the Track Record Period, we had generally entered into framework distribution agreements with distributors who had transactions with us. We had not entered into any long-term sales contract with our distributors and direct customers.

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The principal terms of the above framework distribution agreements are set out below:

Term . . . . .	One to three years, which is renewable
Territories . . . . .	Geographical location(s)
Warranty . . . . .	One year, which can be extended
Obligation of our Group .	We should use commercially reasonable efforts to deliver our products at the dates specified in our written acceptance of orders
Obligation of our distributors . . . . .	<ul style="list-style-type: none"><li>● Promote and market our products to customers in their territories</li><li>● Provide technical support to end users</li><li>● Not to derogate our trademarks</li><li>● Comply with all laws and regulations</li></ul>
Payment . . . . .	We accept payments by telegraphic transfer and credit card
Confidentiality . . . . .	Distributors are not allowed to disclose our confidential information to third parties without our consent
Credit . . . . .	In general, we do not grant credit terms to our new distributors. All payments should be made before the shipments. We may extend credit to certain distributors on a case-by-case basis. For details of our credit policy, please refer to the paragraph headed “Customers and Sales – Credit Policy” in this section
Minimum purchase amounts . . . . .	Some of our distributors have their own minimum purchase amounts. The amount, if any, are generally mutually agreed between us and our distributors before the distribution agreements are executed. If a distributor does not meet the amount, we are allowed to terminate the distribution agreement
Obsolete/inventory return	We do not accept product return (including obsolete products) or product rotation unless the product is defective
Geographically exclusivity . . . . .	We do not generally offer geographical exclusivity to our distributors for the sale of our products
Pricing of our products . .	We do not generally allow our distributors to advertise our products at a price below our suggested prices. We believe that this arrangement helps avoid unhealthy cannibalisation among our distributors
Sales and expansion targets . . . . .	We do not impose sales and expansion targets on our distributors
Termination arrangement	Upon termination, our distributors should pay us for all products delivered irrespective of the date of delivery and all other amounts due. Our distributors should work with us in good faith for a transition plan to ensure post-termination support for end users who purchased our products from them

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Grounds of termination . . . We may terminate the distribution agreement if our distributor (i) breaches any material terms or condition of the distribution agreement; (ii) becomes insolvent or is unable to repay its debts; and (iii) violates the terms of using our confidential information or trademark. We or our distributor may also terminate the distribution agreement by giving a 30-day advance notice

Use of our trademarks . . . We allow our distributors only to use our trademarks to promote and market our products and services

As at the Latest Practicable Date, none of our top five distributors for each of the three years ended 31 December 2015 had any exclusivity in selling our products and services in any territories.

In order to reward our distributors for their commitments and to manage competition among distributors in a particular region, we have an online deal registration system (the “**DRS**”). Our distributors are encouraged to register their deals with us through the DRS. Once a deal is registered, our distributor may have price advantage over other distributors as it has a set period of time to close the deal and is provided with additional price discounts from us to close the deal. Although the DRS may not be able to completely avoid conflicts among our distributors as our distributors may not register their deals with the DRS and distributors registered or not registered with the DRS may approach the same customer, DRS allows us to systematically (i) reduce conflicts among our distributors so that our distributors can focus on selling to the registered potential buyer without the concern that another distributor may offer our products at a lower price; (ii) know who the end users of our products are; and (iii) manage channel conflict and assist our distributors to close deals when necessary.

Apart from having DRS to avoid conflicts among our distributors in a particular region, we also endeavour to observe any cannibalistic act of our distributors to jeopardise the market through: (i) our regular communication with our distributors to understand their sales performance; (ii) selection of distributors; and (iii) prohibiting our distributors to advertise our products at a price below our suggested price.

Having knowledgeable distributors are likely to increase sales and effectiveness of our customer services. Since 2013, we have been encouraging our distributors and their staff who possess technical knowledge of our products and networking technology to be certified by us as a Peplink Certified Engineer. Our Directors believe that this may positively influence our distributors and their staff to recommend our products and services when our distributors provide their own services, such as network design consultation service and equipment installation service.

As at 31 December 2015, we had more than 200 Peplink Certified Engineers. Peplink Certified Engineers of our distributors help promote our products and services and to provide pre-sale and after-sale technical supports. For new version of software, we educate our distributors on the benefits of upgrading to the new version and provide technical supports to their customers who are interested in using the new version. Distributors and end users can download the new version of software from our website directly.

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The table below sets out the movements in the total number of our distributors during the Track Record Period:

	For the year ended 31 December		
	2013	2014	2015
Beginning of the year . . . . .	309	314	320
Additions . . . . .	93	85	120
Terminations/expirations . . . . .	(88)	(79)	(25)
Total number of distributors as at the end of the year . . . . .	<u>314</u>	<u>320</u>	<u>415</u>

*Note:* The numbers of distributors that purchased products from us during the Track Record Period were 302, 286 and 364 for each of the three years ended 31 December 2015, respectively.

During the Track Record Period, the additions of new distributors mainly reflected our strategic expansion of our distribution network in EMEA and Asian regions in order to reduce our reliance on North American market and the termination/expiration of our distributors mainly reflected the expiration or termination of unsatisfactory or inactive distributors mainly in North American region.

### Direct Customer

Our direct customers may purchase our products and services directly from us.

### Pricing Policy and Seasonality

We price our products on a cost-plus basis as well as considering product model, market price and market condition. For models to be developed, we assess the current material costs and adjust for possible price fluctuation. For models we previously produced, we make reference to material costs and make adjustments for the current market price for the same materials.

We publish suggested price list for our products. During the Track Record Period, our business was not affected by seasonality although we observed that we typically sold more products during the last quarter of each year. We typically provide discount to our distributors who have control on the prices at which they sell to their customers. The discount we give to each distributor varies and is subject to the market condition in relevant countries or regions. 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, and the demand for, our products.

### Credit Policy

We adopt a stringent credit control policy on our trade receivables. We generally do not grant credit terms to our new distributors and direct customers, and generally require full payment by cheques, telegraphic transfer or third-party online credit card payment gateways before the products are delivered.

Under certain circumstances where we decide to grant credit terms to some of our customers based on our relationship and potential business opportunities with these distributors, the credit term period we grant generally ranges from 30 days to 60 days. We may extend credit term to certain of our customers on a case-by-case basis. We assess impairment of our trade receivables based on our analysis of collectability and aging status of the trade receivables from time to time on a case-by-case basis.

## BUSINESS

### Five Largest Customers

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. We had at least one to seven years of business relationship with our five largest customers during the Track Record Period. All of the five largest customers are Independent Third Parties.

Our five largest customers in 2013 and 2014 were mainly located in North America, which was our major market. In 2015, due to expansion of our EMEA market, two of the five largest customers were from North America and two were from EMEA. We believe that the increase in percentage of sales from the largest and five largest customers in 2015 when compared to 2014 was primarily due to (i) the largest customer, being our North American distributor, was willing to commit more resources including manpower and inventory to promote, market and support our products which made them our accredited distributor in North America over the past few years; (ii) the growing demand of our MAX BR and MAX HD series in North America, the largest distributor can offer a short lead time to customers which attracted more sales in return; and (iii) the industry trend of expanding 4G LTE networks globally and the EMEA distributors were able to resell our products to large projects such as transportation and community service in EMEA region during 2015.

None of our Directors, their respective close associates or any Shareholder who, to the best knowledge of our Directors, own more than 5% of our issued Shares had any interest in any of our five largest customers during each of the three years ended 31 December 2015, respectively.

A summary of the five largest customers during the Track Record Period is set out in the table below:

*For the year ended 31 December 2013*

Rank	Name of customers	Background and scope of business	Duration of business relationship	Type of products sold/services rendered	Credit terms	Payment terms
1	Customer A	Based in the U.S. and Netherlands. It provides computer hardware and IT solutions and support to the international business community.	5 years	SD-WAN routers, warranty and support service	Net 30 days	Telegraphic transfer
2	Customer B	Based in the U.S. It is a wholesale distributor of wireless networking products. It distributes products around the world through a global network of resellers.	4 years	SD-WAN routers, warranty and support service	Net 30 days	Telegraphic transfer
3	Customer C	Based in the U.S. It is an online store selling a wide variety of goods to many countries.	2 years	SD-WAN routers, warranty and support service	Net 30 days	Telegraphic transfer
4	Customer D	Based in the U.S. It runs an e-commerce portal to sell mobile broadband products to worldwide customers.	5 years	SD-WAN routers, warranty and support service	Net 45 days	Cheque
5	Customer E	Based in Taiwan. It focuses on OEM services for information and communication technology products, including routers.	7 years	Software licence	Net 30 days after receipt of full payment from a project in which Customer E was involved (Note)	Telegraphic transfer

*Note:* Customer E licensed software from our Group in 2013. Customer E is also one of our major suppliers. For details of the transaction, please refer to the paragraph headed "Suppliers — Our major supplier who is also our major customer" in this section.

## BUSINESS

*For the year ended 31 December 2014*

<u>Rank</u>	<u>Name of customers</u>	<u>Background and scope of business</u>	<u>Duration of business relationship</u>	<u>Type of products sold/services rendered</u>	<u>Credit terms</u>	<u>Payment terms</u>
1	Customer A	Based in the U.S. and Netherlands. It provides computer hardware and IT solutions and support to the international business community.	5 years	SD-WAN routers, warranty and support service	Net 30 days	Telegraphic transfer
2	Customer C	Based in the U.S. It is an online store selling a wide variety of goods to many countries.	2 years	SD-WAN routers, warranty and support service	Net 30 days	Telegraphic transfer
3	Customer D	Based in the U.S. It runs an e-commerce portal to sell mobile broadband products to worldwide customers.	5 years	SD-WAN routers, warranty and support service	Net 45 days	Cheque
4	Customer F	Based in Malaysia. It specialises in delivering a wide range of advanced networking solutions and products in Malaysia.	5 years	SD-WAN routers, warranty and support service	Net 30 days	Telegraphic transfer
5	Customer B	Based in the U.S. It is a wholesale distributor of wireless networking products. It distributes products around the world through a global network of resellers.	4 years	SD-WAN routers, warranty and support service	Net 30 days	Telegraphic transfer

*For the year ended 31 December 2015*

<u>Rank</u>	<u>Name of customers</u>	<u>Background and scope of business</u>	<u>Duration of business relationship</u>	<u>Type of products sold/services rendered</u>	<u>Credit terms</u>	<u>Payment terms</u>
1	Customer A	Based in the U.S. and Netherlands. It provides computer hardware and IT solutions and support to the international business community.	5 years	SD-WAN routers, warranty and support service	Net 30 days	Telegraphic transfer
2	Customer G	Based in Israel. It provides solutions to transportation and mobile communication industry.	1 year	SD-WAN routers, warranty and support service	Paid in advance	Telegraphic transfer
3	Customer D	Based in the U.S. It runs an e-commerce portal to sell mobile broadband products to worldwide customers.	5 years	SD-WAN routers, warranty and support service	Net 45 days	Cheque
4	Customer H	Based in Denmark. It provides equipment, services and total solutions for communications to suit all sectors of the market.	2 years	SD-WAN routers, warranty and support service	Paid in advance	Telegraphic Transfer
5	Customer I	Based in Malaysia. It provides enterprise and small business networking solutions.	2 years	SD-WAN routers, warranty and support service	Net 30 days	Telegraphic transfer

### **After-sales Services**

Our after-sales services mainly include warranty and technical support services.

#### *Warranty*

We provide embedded warranty that comes with the sale of our SD-WAN routers. If a SD-WAN router is under warranty, we will repair the router in case of hardware defect. Further, if the router cannot be repaired, we will ship a replacement unit to the end user after receiving the defective router. Besides, we also 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.

#### *Technical Support*

Our end users can submit support tickets when they have questions or comments for our products that they have purchased from our distributors or directly from us. When we receive a support ticket, our technical support team will first contact our distributors or end users to understand the details of the question or comment and will try to solve any technical problems. If the technical problem or comment is related to the quality of our products, the technical support team will inform our R&D team accordingly. Our R&D team will conduct analysis to determine the source of the problem and try to rectify it.

### **MARKETING**

We have a marketing team to manage and develop relationships with our distributors and manage our online Community Forum and online presence.

To continuously develop our relationship with our distributors, we provide them with the most up to date sales presentations, webinars, datasheets and detailed case studies. These are designed to equip them with information of our latest products and technologies, the latest industry trends and best deployments to date in order to maximise their potential. We have also hired overseas consultants to develop marketing materials to assist our distributors.

Other than product artwork and photos, our online Community Forum can be used by our distributors to respond to leads and sales opportunities. Furthermore, distributors have dedicated discussion areas as a community where they can reach us directly and make new feature requests. We also actively encourage our distributors to attend exhibitions and events, providing them with demo devices and sponsoring them by way of a marketing development fund. Participating distributors will gain exposure on our website and our various social media channels.

We encourage our distributors to offer value-added services when they sell our products to end users by acting as solution providers to the end users. This allows end users to learn the unique features of our products, and appreciate the price performance and reliability our products offer.

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## BUSINESS

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The growth of our business is partially driven by our network of distributors. We believe that by educating our distributors and keeping them informed and up-to-date on our values and technologies, we can create a healthy ecosystem where all parties can benefit. Our objective of setting up a certification program is to ensure that these professionals possess the skills required to support our products and provide solutions to end users. This, in turn, means that our distributors will gain a certain degree of recognition and trust when they are evaluated by the end users.

In addition, keeping our distributors up to date is our priority as it allows us to obtain feedback on new unreleased features. We send out newsletters to our distributors in order to inform them of all the latest happenings. We also hold distributors summits so that they are aware of our development roadmap, and to provide them the opportunity to give feedback based on their respective area of expertise. Our distributors have access to information regarding new products and services and testing of features of new version of software.

We participate in different IT trade shows and conferences overseas to improve our brand recognition among prospective distributors and end users. For example, we have participated in SMAU Padova in 2015 which was held in Italy and dedicated to promote IT and new technologies. Further, we participated in Coach & Bus Live 2015, an exhibition for the bus and coach industry in the U.K. In addition, we have sponsored some of our distributors financially to participate in certain trade shows to promote our brands, products and services in different regions. We have also sponsored innovative use of our products to grow market awareness. For example, MIT Robotics Team in RASC-AL/NASA Exploration Robo-Ops Competition in 2014 used our SpeedFusion technology and won the second place in the competition. Apart from the above, we have been running marketing campaigns and competitions to demonstrate our reliability. For example, end users are encouraged to submit their uptime records and bandwidth usage records to demonstrate the reliability of our SD-WAN routers.

### **SUPPLIERS AND PURCHASE**

Our suppliers comprise contract manufacturers and raw material suppliers. 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.

#### **Contract Manufacturers**

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. In order to better allocate our resources, reduce manufacturing overheads and maintain high product quality, we outsource the manufacturing process of our products to contract manufacturers mainly based in Taiwan that are Independent Third Parties. We work with multiple contract manufacturers with a view to minimising concentration risk and other contract manufacturers as back-up contract manufacturers. Our Directors believe that these back-up contract manufacturers can commence production within three months after we place our manufacturing orders. Further, we maintain certain levels of inventory of our products. Our Directors believe that maintaining certain levels of our inventory and having back-up contract manufacturers can help reduce any impact on, or disruption to, our business operation if our current contract manufacturers are unable to fulfil our manufacturing orders and there is a sudden increase or change in the demand of our products. For each of the three years ended 31 December 2015, we have engaged with four, seven and six contract manufacturers, respectively.



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## BUSINESS

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### *Selection of contract manufacturers*

We carefully select our contract manufacturers based on various factors, including the quality of their products, their reputation in the industry, their experience in manufacturing similar products and their business scale. When we evaluate the qualification and capability of a potential contract manufacturer for a particular product or component, we carry out the following procedures:

- review the reputation of the potential contract manufacturer;
- visit the manufacturing facility of the potential contract manufacturer;
- review the potential contract manufacturer's proposal;
- provide a bill of materials and design information for a sample product to the potential contract manufacturer for quotation; and
- submit a purchase order to the potential contract manufacturer for the manufacturing of the sample product.

We appoint potential contract manufacturers if we are satisfied with the quality of the sample manufactured by these potential contract manufacturers.

### *Terms with contract manufacturers*

During the Track Record Period, we had not entered into long-term purchase agreements with our contract manufacturers. We make all of our purchases from our contract manufacturers on a purchase order basis. Our contract manufacturers will only manufacture our products when they accept our purchase orders. We generally notify a contract manufacturer about the specification of our product in details, and issue a purchase order to the contract manufacturer when the contract manufacturer and us agree on the product specification.

The major terms of the purchase orders include quantity, expected date of delivery, unit cost, shipping terms and payment terms. Some of our contract manufactures require us for initial deposits when we confirm order with them. We typically pay 10% of the purchase price of the purchase order as deposit to our contract manufacturers. Some of our contract manufacturers offer us credit terms of 30 days to 45 days. We generally settle the payment by way of bank transfer or telegraphic transfer in U.S. dollars to our contract manufacturers. If a product we receive from a contract manufacturer is defective, the contract manufacturer will repair or replace the defective product if we return the defective product within the warranty period, which is typically one year. During the Track Record Period, we had not experienced any material price fluctuations, delay or quality issue with our contract manufacturers.

### **Raw Material Suppliers**

The key raw materials we use in the production of our routers are CPUs and wireless communication module.

#### *Selection of raw material suppliers*

We carefully select our raw material suppliers and regularly test new raw materials marketed by our existing suppliers and potential suppliers with a view to further reducing our manufacturing cost, improving performance of our products and introducing new product features. When we evaluate a potential raw material supplier for particular raw materials, we generally request for samples of the raw materials and development kit corresponding to the raw materials and conduct tests on the samples. We place orders for new raw materials if we are satisfied with the quality features, performance, price and availability.

We regularly communicate with our raw material suppliers about features, price and availability of their new or alternative raw materials. We check the price of the raw materials we use and alternative raw materials that we can use regularly with the same raw material suppliers and different raw material suppliers. Our Directors believe that by communicating regularly with different suppliers, we can take advantage of new product introduction and price reduction of various raw materials.

#### *Terms with raw material suppliers*

During the Track Record Period, we did not enter into any long-term agreements with our raw material suppliers. We believe that this allows us to diversify the risk of potential disruption of our operations, maintain sourcing stability and secure competitive pricing for us and use newer and more advanced raw materials, which may have more features and better performance. We did not experience any material price fluctuations or supply delay or shortages of components or raw materials during the Track Record Period.

Our Directors believe that we can obtain alternative sources of raw materials with similar functionality and price in a reasonable time frame and will not have material impact on the sale of our products as we regularly communicate with different raw materials suppliers about new and alternative raw materials.

Our raw material suppliers generally give us a 30 days to 120 days credit period. We generally settle the payment upon delivery of goods, on monthly basis by way of bank transfer or by telegraphic transfer in U.S. dollars to overseas suppliers.

### **Five Largest Suppliers**

Although we do not have any long-term agreements with our suppliers, we maintain stable relationship with our five largest suppliers. 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. We had two to seven years of business relationship with our five largest suppliers during the Track Record Period. All of the five largest suppliers are Independent Third Parties.

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To the best of our knowledge, none of our Directors, chief executive or any person, own more than 5% of our issued share capital or any of our subsidiaries, or any of their respective associates, had any interest in any of our five largest suppliers during each of the three years ended 31 December 2015, respectively.

A summary of the five largest suppliers during the Track Record Period is set out in the table below:

### *For the year ended 31 December 2013*

<u>Rank</u>	<u>Name of suppliers</u>	<u>Background and scope of business</u>	<u>Duration of business relationship</u>	<u>Major products produced or materials supplied</u>	<u>Credit terms</u>	<u>Payment terms</u>
1	Supplier A	It is our contract manufacturer based in Taiwan. It focuses on OEM services for information and communication technology products, including routers.	7 years	Routers	30 days after invoice day	Telegraph transfer
2	Supplier B	It is our contract manufacturer based in Taiwan. It focuses on OEM services for information and communication technology products, including routers.	7 years	Routers	10% deposit, 20% before shipment, 70% 45 days after invoice day	Telegraph transfer
3	Supplier C	It is our raw material supplier based in Taiwan. It is a distributor of semiconductors and components products for many vendors.	4 years	Wireless communication modules	30 days after invoice day	Telegraph transfer
4	Supplier D	It is our raw material supplier based in the PRC and is a distributor of semiconductor products for many vendors.	3 years	Semiconductors	30 days after invoice day	Cheque
5	Supplier E	It is our contract manufacturer based in Taiwan and it focuses on OEM/ODM services for networking communications equipment.	5 years	Routers	Cash on delivery	Cheque

### *For the year ended 31 December 2014*

<u>Rank</u>	<u>Name of suppliers</u>	<u>Background and scope of business</u>	<u>Duration of business relationship</u>	<u>Major products produced or materials supplied</u>	<u>Credit terms</u>	<u>Payment terms</u>
1	Supplier A	It is our contract manufacturer based in Taiwan. It focuses on OEM services for information and communication technology products, including routers.	7 years	Routers	30 days after invoice day	Telegraph transfer
2	Supplier B	It is our contract manufacturer based in Taiwan. It focuses on OEM services for information and communication technology products, including routers.	7 years	Routers	10% deposit, 20% before shipment, 70% 45 days after invoice day	Telegraph transfer
3	Supplier C	It is our raw material supplier based in Taiwan. It is a distributor of semiconductors equipment and components products for many vendors.	4 years	Wireless communication modules	30 days after invoice day	Telegraph transfer
4	Supplier D	It is our raw material supplier based in the PRC and is a distributor of semiconductor products for many vendors.	3 years	Semiconductors	30 days after invoice day	Cheque
5	Supplier F	It is our raw material supplier based in Hong Kong and is a distributor of electronic component for many vendors.	2 years	Wireless communication modules	Paid in advance	Cheque

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*For the year ended 31 December 2015*

Rank	Name of suppliers	Background and scope of business	Duration of business relationship	Major products produced or materials supplied	Credit terms	Payment terms
1	<b>Supplier A</b>	It is our contract manufacturer based in Taiwan. It focuses on OEM services for information and communication technology products, including routers.	7 years	Routers	30 days after invoice day	Telegraph transfer
2	<b>Supplier C</b>	It is our raw material supplier based in Taiwan. It is a distributor of semiconductors and components products for many vendors.	4 years	Wireless communication modules	30 days after invoice day	Telegraph transfer
3	<b>Supplier B</b>	It is our contract manufacturer based in Taiwan. It focuses on OEM services for information and communication technology products, including routers.	7 years	Routers	10% deposit, 20% before shipment, 70% 45 days after invoice day	Telegraph transfer
4	<b>Supplier G</b>	It is our raw material supplier based in Taiwan. It focuses on the design, develop and manufacture of various of radio frequency/microwave and networking solutions.	3 years	Wireless communication modules	Paid in advance	Telegraph transfer
5	<b>Supplier D</b>	It is our raw material supplier based in the PRC and is a distributor of semiconductor products for many vendors.	3 years	Semiconductors	30 days after invoice day	Cheque

### **Our major supplier who is also our major customer**

During the Track Record Period, we had entered into transactions where some of our major customers were also our major suppliers, details of which are set out below:

#### *Sale of raw materials to contract manufacturers*

We purchased and paid for some raw materials and then sold them to our contract manufacturers (the “**Relevant Suppliers**”) who required these raw materials in the manufacturing of our products while the Relevant Suppliers may purchase these raw materials directly, we were able to purchase these raw materials at terms which were generally better than those the Relevant Suppliers would obtain if they were to purchase by themselves. This was mainly due to our long-term relationship with suppliers of these raw materials and the economies of scale we obtained from bulk purchasing of these raw materials.

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The table below sets out the details of our sales to and purchases from these Relevant Suppliers during the Track Record Period:

	For the year ended 31 December					
	2013		2014		2015	
	US\$'000	% of total purchase	US\$'000	% of total purchase	US\$'000	% of total purchase
Purchases from:						
Supplier A . . . . .	2,604	43.0	4,389	46.0	3,987	37.3
Supplier E . . . . .	268	4.4	63	0.7	—	—
Supplier H . . . . .	—	—	12	0.1	59	0.6

	For the year ended 31 December					
	2013		2014		2015	
	US\$'000	% of total sale of raw material	US\$'000	% of total sale of raw material	US\$'000	% of total sale of raw material
Sale of raw materials to: <i>(Note)</i>						
Supplier A . . . . .	782	93.3	1,096	71.2	981	100.0
Supplier E . . . . .	56	6.7	—	—	—	—
Supplier H . . . . .	—	—	65	4.2	—	—

*Note:* In the Accountants' Report, sale of raw material, which is not an income derived from our ordinary course of business, is classified as an other income presenting on a net basis netting with the relevant cost.

### *Licensing of our software to a contract manufacturer*

We entered into a software licence arrangement with one of our contract manufacturers in 2013 to whom we licensed our software for its use in return for the payment of a software licence fee from this contract manufacturer.

The software licence fee we received from this contract manufacturer and our purchases from this contract manufacturer were approximately US\$0.37 million and US\$0.95 million during the year ended 31 December 2013, respectively, details of which are as follows:

	For the year ended 31 December 2013 US\$'000	% of total purchase/revenue %
Goods purchased. . . . .	951	15.7
Software licence fee. . . . .	366	2.8

Save and except for the above contract manufacturers who are both our supplier and customer for the transactions, no other supplier is also our customer or vice versa during the Track Record Period.

### **INVENTORY MANAGEMENT**

Our inventories consist of raw materials and components and finished products. Our Directors believe that it is critical to maintain certain levels of inventory to shorten the delivery time of our products to our customers and to prevent unnecessary storage of raw materials so as to balance the risk of stock obsolescence and possible supply shortage of raw materials.

We closely monitor our inventory level to (i) maintain an inventory level of raw materials and components to satisfy the actual production needs, taking into consideration anticipated inventory turnover, market demand and supply of the relevant raw materials; and (ii) maintain an inventory level of finished products to cope with approximately four to six months of the market demand for our products after taking into consideration anticipated sales of our finished products. During the Track Record Period, we did not encounter any material shortage of key raw materials and components.

Physical inventory count will be carried out on a monthly basis for better control and management of inventories to ensure the accuracy and completeness of stock-in and stock-out information on record. Monthly analysis will be conducted to manage the obsolete inventory by way of making provision or written-off. Provision will be made for inventories which are considered obsolete after taking into account the aging of the inventory items, the movements and usefulness or residual value of the inventories. For each of the three years ended 31 December 2015, we made provision for inventories of approximately US\$0.19 million, US\$0.24 million and US\$0.04 million, respectively.

### **QUALITY CONTROL**

We consider product and service quality to be critical to our business. Therefore, we place great emphasis on the quality control of our products and services. In order to maintain high quality standard, we have a dedicated quality control team of five staff with relevant experience from one to eight years, which is led by our Director of software development and quality assurance to ensure that our internal quality control procedures are duly followed. Depending on different products and services, we may assign more engineers from our R&D team to assist the quality control team whenever necessary.

We carry out our quality control of the hardware and the software of our products from the time we procure components for the manufacturing of the hardware of our products to the post-sale software improvement. When we conduct R&D, we develop test cases along with product specifications for testing the hardware and software of our products. The test cases are used to ensure that the final products and the software developed conform to the product specifications.

We have developed testing tools for contract manufacturers to ensure that the products and components manufactured by them are tested to meet our specifications. Our contract manufacturers are required to use the testing tools to test each product and component manufactured before shipment. The testing tools also record the testing results performed by our contract manufacturers and report the test results back to our server automatically.

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## BUSINESS

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After passing through the quality control performed by contract manufacturers, samples of final products are selected randomly and shipped to our headquarters in Hong Kong for our quality check. If no quality issues are identified and after we have notified our contract manufacturers, the products and components will be shipped by our contract manufacturers to our warehouse in Hong Kong or occasionally to our customers directly. If quality issues are identified, our contract manufacturers will have to notify us before they ship the products to us. Further, our quality control team in Hong Kong performs the same task for products that are assembled in Hong Kong.

As at the Latest Practicable Date, we did not receive any major complaints from our customers which had a material adverse effect on our profitability nor did we receive any material product liability claims or product recall from our customers.

For further details on our quality control during R&D and production processes, please refer to the paragraph headed “Research and Development and Process” in this section.

### INTELLECTUAL PROPERTY RIGHTS

Our intellectual property rights are crucial to us as we rely on our proprietary technologies and recognition of our brands and products. We believe that in order to maintain our competitiveness in the market, we must develop and protect the intellectual property rights of our technologies, products and services. We have established an in-house patent team that devotes its efforts to protecting our rights.

We rely primarily on intellectual property laws and contractual arrangements with our employees, business partners and other parties to protect our intellectual property rights. Our employees are required to enter into employment agreements where they are required to keep confidential relating to our intellectual property and trade secrets. Intellectual property rights associated with the technological achievements developed by our employees during the course of their employment with our Group belong to us.

While we actively take steps to protect our proprietary rights, such measures may not be adequate to eliminate the risk of the infringement or misappropriation of our intellectual property rights. Infringement or misappropriation of our intellectual property rights could materially harm our business. For details of the risk relating to infringement or misappropriation of our intellectual property rights, please refer to the section headed “Risk Factors — Risks related to our Business — We may face possible infringement of our trademarks and other intellectual property rights and possible counterfeiting of our products” in this prospectus.

As at 31 December 2015, we had a total of 37 registered trademarks and 16 trademark applications which are pending registration, four patents granted by the United States Patent and Trademark Office and 161 patent applications internationally and at least three registered domain names. For instance, the U.S. patent 9,019,827 protects a feature in SpeedFusion that optimises throughput of data transmission over bonded multiple WAN connections. In addition, U.S. patent application 14396750 is filed for the purpose of protecting a feature in our wireless router that uses multiple SIMs to select wireless base station. Details of such registrations are set out in the section headed “Statutory and General Information — Further Information about the Business of our Group — 8. Intellectual property rights of our Group” in Appendix IV to this prospectus.

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## BUSINESS

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When required, we obtain licences, including software, software development kits, device drivers and patents, from our raw materials suppliers and third parties for our products and services in order to accelerate product development without infringing others' intellectual properties. The terms of these licences generally specify the licence fee, the licence period, responsibilities and obligations of the particular licensor and our obligations as a licensee. In general, in order to reduce the possibility of infringing third parties' intellectual property rights, we use licensed third parties' intellectual property rights, including open source software, such as Linux, in our products and services. An entity in the U.S. filed a patent lawsuit claiming against us in February 2015 in the United States District Court for the Eastern District of Texas regarding our use of an expired U.S. patent in some of our products sold from 2009 to 2012. The U.S. patent, which expired in October 2012, was mainly about performing network security by filtering data packets using a decision block which is not configurable by a user. Our Group did not use that expired patent in our products, since the decision block of filtering data packet function in our products is configurable by a user. Therefore, we believe that our products did not infringe the said expired patent and such claims were ungrounded. We therefore engaged a U.S. attorney to represent us and negotiated with the entity. In order to avoid lengthy and costly litigation process, we and the entity decided to settle the litigation and entered into a settlement agreement under which we agreed to license from the entity on the basis that no infringement or liability of such claims were admitted by us. The licence was also ensured that our customers will not face litigation from the entity in the use of our products. The lawsuit was settled in June 2015 with an immaterial amount. We have internal control measures to ensure compliance with the law and regulations relating to intellectual property rights. For further details, please refer to the paragraph headed "Internal Control Measures" in this section.

As at the Latest Practicable Date, we were not involved in any pending litigations or legal proceedings for the infringement of intellectual property rights, and we were not aware of any threatened material proceedings or claims relating to intellectual property rights against us.

### 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, while diversified vendors, which typically have a strong legacy of business in the telecommunication carrier sector as well as the 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.

The SD-WAN sector is dominated by a few specialised vendors whose revenues are relatively small when compared to the global enterprise router market. The top five specialised vendors accounted for approximately 75.3% of the entire market share of SD-WAN routers in terms of sales value in 2015. 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. However, the exponential growth of the SD-WAN router market revenues should be able to offset against the potential loss of market share of existing market players. We believe that the growth will fuel demand for our products, which in turn, contribute to the continuous growth of the sales value of our SD-WAN routers with assistance of our extensive distribution network. Moreover, we believe that customers prefer our reliable and easy-to-use routers, due to our strong R&D capabilities for developing innovative products and services.



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## BUSINESS

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### EMPLOYEES

As at the Latest Practicable Date, we had 84 full-time employees, of which 77 and seven of them were based in Hong Kong and Malaysia, respectively.

The table below sets out the breakdown of our employees by function:

<u>Functions</u>	<u>Number of employees</u>
Research, development and quality control . . . . .	60
Marketing . . . . .	10
Patent . . . . .	1
Finance, administrative and operations . . . . .	13
	<u>84</u>

We enter into a standard employment contract with all of our executive officers, managers and employees. These contracts typically include a confidentiality provision.

We have designed an evaluation system to assess the performance of our employees annually. Such system forms the basis of our determinations of whether an employee should receive salary raises, bonuses or promotions. We believe the salaries and bonuses that our employees receive are competitive with market rates. Under applicable laws and regulations, we are subject to insurance schemes. We believe that we have complied with relevant labour and social welfare laws and regulations in Hong Kong and Malaysia in all material respects.

We participate in a mandatory provident fund scheme established under the Mandatory Provident Fund Schemes Ordinance (Chapter 485 of the Laws of Hong Kong). Under such ordinance, the employer and its employees are each required to make monthly contribution to the plan at 5% of the employee's relevant income, subject to a cap of maximum relevant income of HK\$30,000.

We believe that we maintain a good working relationship with our employees and we did not experience any significant labour disputes or any difficulty in recruiting staff for our operations during the Track Record Period.

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## BUSINESS

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### ENVIRONMENTAL PROTECTION, HEALTH AND WORK SAFETY

We have engaged our contract manufacturers to manufacture our products. As such, our daily operations do not involve any manufacturing process and do not result in production of any harmful products.

Pursuant to the Occupational Safety and Health Ordinance (Chapter 509 of the Laws of Hong Kong), employers are required, so far as reasonably practicable, to ensure the safety and health at work of all the employees. Our Directors consider that we have managed our business operations with due consideration to workplace safety and health concerns and comply with the relevant rules and regulations requirements relating to health and safety.

We had not committed any material breach of non-compliance in relation to health and safety matters and we did not receive any improvement notice or suspension notice issued by the Commissioner for Labour against activity of workplace which may create an imminent hazard to its employees during the Track Record Period and up to the Latest Practicable Date.

### INSURANCE

We currently maintain general insurance policies with reputable insurance companies covering our equipment, inventories, employees' compensation, and business interruption. These insurance policies cover losses against accidental damage to office contents, interruption of normal operation of our offices and bodily injury to any person or damage to property. We maintain product liability insurance in respect of some of our products and services. We do not maintain public liability insurance or general third-party liability insurance, nor do we maintain key-man life insurance.

In addition, we maintain insurance policies covering losses incurred during the delivery up to a place where we need to bear the relevant risks according to the terms agreed with our distributors and direct customers. We consider our insurance coverage to be sufficient for our business operations. For details of the risk relating to our insurance coverage, please refer to the section headed "Risk Factors – Risks related to our Business – We may not have adequate insurance coverage to cover potential liabilities or losses" in this prospectus.

During the Track Record Period, the total insurance premiums we had paid amounted to US\$29,000, US\$32,000 and US\$49,000 for each of the three years ended 31 December 2015, respectively.

Our Directors believe that our existing insurance policies are in line with the industry norm. During the Track Record Period, we did not experience any material insurance claims nor did we receive any material claim from our distributors and direct customers to any liability arising from or relating to the use of our products or service.

### AWARDS AND RECOGNITION

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 among these participating companies in this award which have independent intellectual property rights or proprietary technologies, and the technologies are used to bring significant revenues.

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## BUSINESS

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### PROPERTIES

We do not have self-owned properties. As at the Latest Practicable Date:

- we had leased seven properties in Hong Kong with a total gross floor area of approximately 19,645 sq. ft. from several connected parties which are controlled by our Controlling Shareholder for our business operations. We entered into tenancy agreements (the “**Tenancy Agreements**”) with those connected parties dated 29 January 2016 which take effect on the Listing on normal commercial terms. These properties are used by us as office, product development and warehouse. For further details of the Tenancy Agreements, please refer to the section headed “Continuing Connected Transactions” in this prospectus; and
- we had leased a property from an Independent Third Party in Hong Kong with a total gross floor area of approximately 7,367 sq. ft. as office and warehouse, and leased a property from an Independent Third Party in Malaysia with a total gross floor area of approximately 2,655 sq. ft. as office space.

During the Track Record Period, we did not experience any difficulty or failure in renewing any material lease agreements.

### LEGAL PROCEEDINGS

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

### LICENCES, REGULATORY APPROVALS AND COMPLIANCE

Our Directors confirm that during the Track Record Period and up to the Latest Practicable Date, save as incidents set out under the paragraph headed “Non-Compliance Incidents” in this section, we had complied with all relevant laws and regulations in Hong Kong and Malaysia in all material respects and have obtained all requisite licences, approvals and permits from the relevant regulatory authorities for our operations in Hong Kong and Malaysia.

*Non-compliance incidents*

We set out below the non-compliance incidents relating to our Group during the Track Record Period and the measures we have adopted or proposed to adopt to rectify the non-compliances:

Non-compliance incidents	Relevant laws and regulations, legal consequences and potential maximum penalty	Reasons for non-compliance	Rectification actions	Internal control measures to prevent future breach
<p>Failure to inform the IRD of our chargeability to tax under section 51(2) of the Inland Revenue Ordinance arising from a subsidiary incorporated in the BVI for the years of assessment 2012/13, 2013/14 and 2014/15 within the specified time in Hong Kong</p>	<p>Pursuant of section 80(2) of the Inland Revenue Ordinance, any person who fails to comply with section 51(2) of the Inland Revenue Ordinance is liable on conviction to a fine of HK\$10,000 and a further fine of treble the amount of tax which has been undercharged or would have been undercharged if such failure has not been detected.</p> <p>If no prosecution under section 80(2) has been instituted, then under section 82A of the Inland Revenue Ordinance, an administrative penalty by way of an assessment to additional tax as a penalty, not exceeding treble the amount of tax which has been undercharged or would have been undercharged if such late submission had not been detected.</p>	<p>Peplink Worldwide, a BVI company, was established to handle transactions where no assembly work, sales or purchases were performed in Hong Kong. As such, the director of Peplink Worldwide considered Peplink Worldwide was not subject to Hong Kong profits tax. The non-compliance was mainly due to (i) inadequate understanding of the relevant tax regulatory requirements possessed by our relevant staff who had been responsible for our tax filing matters; and (ii) failure to seek proper tax advice from external advisers.</p>	<p>Peplink Worldwide has taken initiative to submit its tax computation to the IRD on 5 February 2016 and has applied for tax registration. We estimate the total tax involved for the years of assessment 2012/13, 2013/14 and 2014/15 amounts to approximately US\$0.18 million.</p> <p>Tax provisions have been made with respect of the tax amount not yet paid.</p> <p>Peplink Worldwide has informed the IRD its chargeability to tax, though not within the specified statutory time limit. Based on the facts, Mr. Richard Leung of Counsel has opined that, as this is a first offence for the BVI subsidiary, the likely penalty will be 10% of the amount of tax undercharged, and even in the more serious scenario that tax return is filed after two or more assessments are issued, the penalty will be 20% of the tax undercharged.</p> <p>Tax penalty provisions of approximately US\$16,930, US\$12,359 and US\$6,579, for the years of assessment 2012/13, 2013/14 and 2014/15, respectively, around 20% of the tax undercharged, have been provided.</p>	<p>We have formulated and adopted an internal control manual which includes the procedures for tax filing and recording to prevent recurrence of non-compliance incidents. For further details, please refer to the paragraph head "Internal Control Measures" in this section.</p>

Non-compliance incidents	Relevant laws and regulations, legal consequences and potential maximum penalty	Reasons for non-compliance	Rectification actions	Internal control measures to prevent future breach
<p>We did not obtain Radio Dealers Licences (Unrestricted) for our certain operating Hong Kong subsidiaries carrying on business in the sales and exportation of our products, namely Peplink International, Pepwave and Pismo Labs (collectively "HK Subsidiaries") prior to 6 July 2015, 2 September 2015 and 2 September 2015, respectively.</p>	<p>Pursuant to section 9 of the Telecommunications Ordinance (Chapter 106 of the Laws of Hong Kong), save under and in accordance with a permit granted by the Authority, no person shall import into Hong Kong or export therefrom any radiocommunications transmitting apparatus unless he is the holder of a licence authorising him to deal in the course of trade or business in such apparatus.</p> <p>Under section 21 of the Telecommunications Ordinance, any person who contravenes section 9 shall be guilty of an offence and shall be liable on summary conviction to a fine of HK\$25,000 and to imprisonment for 12 months.</p> <p>Based on the facts, Mr. Richard Leung of Counsel has opined that, as this is the first offence of Peplink International, Pepwave and Pismo Labs, the possible penalty, if any, is likely to be a fine that is lower than the maximum level of fines stipulated under the Telecommunications Ordinance, and it is extremely remote that a penalty of imprisonment would be imposed on the directors of these companies.</p>	<p>We were not aware that Radio Dealers Licences (Unrestricted) were required for the HK Subsidiaries carrying on business in the sales and exportation of our products, and had mistakenly believed that our products were exempted from obtaining import and export licences under the Import and Export (Strategic Commodities) Regulations, and accordingly, no other licences or permits were required for the sales and exportation of our products.</p> <p>However, in about July 2015, as part of the preparation work for the Listing, our Directors were informed that Radio Dealers Licences (Unrestricted) are required for the HK Subsidiaries carrying on its business in the sales and exportation of our products. As a result, we took immediate steps to apply for the Radio Dealers Licences (Unrestricted).</p>	<p>As soon as we become aware that Radio Dealers Licences (Unrestricted) are required for the HK Subsidiaries carrying on the business in the sale and exportation of our products in about July 2015, we took immediate steps in submitting applications for Radio Dealers Licences (Unrestricted) to the Office of Communications Authority for the HK Subsidiaries. The Radio Dealer Licences (Unrestricted) were granted to the HK Subsidiaries on 6 July 2015, 2 September 2015 and 2 September 2015, respectively.</p>	<p>We have formulated and adopted an internal control manual which includes the procedures for licences application and renewal to prevent recurrence of non-compliance incidents. For further details, please refer to the paragraph headed "Internal Control Measures" in this section.</p>

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## BUSINESS

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### **BUSINESS ACTIVITIES WITH CUSTOMERS FROM SANCTIONED COUNTRIES**

The U.S., other jurisdictions or organisations, including the E.U., the U.N. and Australia, have comprehensive or broad economic sanctions targeting the Sanctioned Countries.

#### **Sales to 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 entered 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 a 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 the listing, trading and clearing of our Shares including the Stock Exchange and its related group companies as a result of the Listing and trading in our Shares on the Stock Exchange and their involvement in the Global Offering, and therefore these sales present a low sanctions risk.

Our Directors confirm that up to the Latest Practicable Date, we had not been notified that any sanctions would be imposed on us in relation to our sales to customers from the Sanctioned Countries during the Track Record Period.

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## BUSINESS

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We may undertake new businesses in the Sanctioned Countries if such businesses will not expose us to any sanctions risk to maximise the interests of our Group and our Shareholders. To achieve this, we have implemented a number of measures to control our exposure to sanctions risk. For details of the measures we have implemented to control our sanctions risk, please refer to the paragraph headed “Internal Control Measures – Internal control measures to identify and monitor our exposure to risks associated with sanction laws” in this section.

### **Our undertaking**

We have undertaken to the Stock Exchange:

- (i) that we will not use the proceeds from the Global Offering, 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;
- (ii) 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;
- (iii) to disclose on the respective websites of the Stock Exchange and our Company if we believe that the transactions our Group entered into in relation to a Sanctioned Country would put us or our Shareholders and investors at risk of being sanctioned; and
- (iv) to disclose in our annual reports or interim reports our efforts in monitoring our business exposure to sanctions risk, the status of future business, if any, in the Sanctioned Countries and our business intention relating to the Sanctioned Countries.

If we breach these undertakings to the Stock Exchange after the Listing, it is possible that the Stock Exchange may delist our Shares.

For details of the sanction laws relevant to our business, please refer to the section headed “Regulatory Overview – Sanction Laws” in this prospectus.

### **INTERNAL CONTROL MEASURES**

We believe that the above non-compliance incidents and the exposure to the risks associated with sanction laws and intellectual property rights are not crucial to our operation and would not materially affect our business and results of operation and our Directors are of the view that we have taken all reasonable steps to establish a proper internal control system to prevent future recurrence of non-compliance incidents and the exposure to the risks associated with sanction laws. Our Directors are also of the view that our internal control measures in relation to due compliance with the law and regulations on intellectual property right have been effective and the patent lawsuit filed in the U.S. in February 2015 regarding an expired patent should not be considered as an ineffectiveness as we believe our products did not infringe the said expired patent, and the claim was settled on a no admission of infringement and liability basis to avoid lengthy and costly litigation process.

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## BUSINESS

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In order to prevent future recurrence of non-compliance incidents and to identify and monitor our exposure to risks associated with sanction laws and intellectual property rights, we will adopt, before the Listing, enhanced internal control measures, including:

*Internal control measures on tax non-compliance*

- (a) We engaged a reputable firm as our tax representative to handle our Hong Kong profits tax filing matters to prevent the reoccurrence of its non-compliance and to review our Group's tax compliance system and conduct tax compliance review on a regular basis.
- (b) We have strengthened the internal control measures in respect of the possible tax liability of each member of our Group. All tax computations for the existing members and newly established members will be prepared by an experienced accountant and will be reviewed and approved by our finance controller on a monthly or quarterly basis.
- (c) With the support from external advisers, we have formulated annual tax plans and have prepared fiscal budgets with appropriate tax provisions based on the prevailing charging rates at the places/jurisdictions where the relevant members of our Group are incorporated or having a permanent place of business. If there is any material discrepancy between the amount of tax provision and the actual amount of the tax payment, our financial controller will report to our Board and will review the difference with further advice obtained from the external tax advisers. Our Directors are of the view that all of these measures are reasonable in the circumstance in seeking to prevent similar non-compliant incidents from happening again in the future.

*Internal control measure on non-compliance with licensing requirements*

- (a) Our risk management committee will regularly review the licencing status of each member of our Group to ensure that licence renewals are carried out prior to the expiry of the licences, and consider whether there are any requirements to obtain new licences or permits relevant to our business.
- (b) If we become aware of any possible requirements to obtain new licences or permits which are relevant to our Group's business, our Risk Management Committee will assess such requirements and we will carry out steps in applying for such licences and permits if they are required. In the event that there is any uncertainty as to whether new licences or permits are required, we will seek professional advice.

*Internal control measures to identify and monitor our exposure to risks associated with sanction laws*

- (a) to further enhance our existing internal risk management functions, our Board has established the Risk Management Committee. Members of the Risk Management Committee include Mr. Chan, Mr. Chau Kit Wai and Mr. Yip Kai Kut Kenneth, and of whom Mr. Chan serves as the chairman of our Risk Management Committee. Our Risk Management Committee is principally responsible for monitoring our exposure to sanction risk and overseeing our implementation of the related internal control policies;
- (b) our credit and risk control department will assist our Risk Management Committee in the day-to-day monitoring of our sanction risk, including (i) maintaining and updating a control list of the Sanctioned Countries and Sanctioned Persons from time to time; (ii) reviewing the existing customers' information against our control list of Sanctioned Countries and Sanctioned Persons and, if needed, report to the Risk Management



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- Committee; (iii) preparing summary of the use of proceeds from the Global Offering for Risk Management Committee's review; and (iv) monitoring our transactions against sanction risk as requested by our Risk Management Committee;
- (c) for potential distributors and direct customers from the Sanctioned Countries, our Risk Management Committee must review and approve these potential distributors and direct customers, with the help of external legal advisers, before we can enter into any agreements with these potential distributors and direct customers;
  - (d) our Risk Management Committee may also engage external legal advisers with necessary expertise and experience in sanctions matter to evaluate sanction risk as and when necessary and will adhere to appropriate advice provided by such external legal advisers;
  - (e) our Risk Management Committee will convene monthly meetings with our credit and risk control department, and to the extent necessary, our sales, procurement, finance and internal audit departments, to assess the latest sanction risk our operations may be exposed to;
  - (f) trainings relating to sanctions law will be provided to our Directors, senior management members and other relevant personnel;
  - (g) the proceeds from the Global Offering or any other funds raised through the Stock Exchange will be deposited in a designated bank account separate from other funds of our Group; and
  - (h) our Risk Management Committee will monitor our use of proceeds from the Global Offering, as well as the performance of our undertaking to the Stock Exchange relating to sanctions matters.

*Internal control measures to ensure compliance with the law and regulations relating to intellectual property rights*

We have an internal intellectual property team to review third party patents, to protect our freedom to operate, and to establish our own intellectual property rights. Our internal intellectual property team is led by Mr Yip Kai Kut Kenneth, one of our Directors and our in-house patent attorney, and consists of R&D engineers that review patents related to our operations to reduce the risk of infringement. Our patent application team is also led by Mr Yip Kai Kut Kenneth, and consists of three supporting members that establish our intellectual property rights by selectively converting some of our innovations into patents. As intellectual property is of fundamental importance to our business, we plan to continue to invest in our internal intellectual property team, patent application team and to engage external intellectual property legal advisers where necessary.

Our Directors and the Sole Sponsor are of the view that the above measures will provide reasonably adequate and effective framework to assist us in preventing future non-compliant incidents, and in identifying and monitoring any material risks relating to sanctions law and intellectual property rights so as to protect the interests of our Shareholders, potential investors and us.

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## RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDER

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### CONTROLLING SHAREHOLDER

Mr. Chan will directly hold approximately 75% of the issued share capital of our Company immediately following completion of the Global Offering, assuming the Over-allotment Option is not exercised and without taking into account any Shares to be allotted and 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 did not have any direct or indirect interest in any business or companies, save as disclosed in this prospectus, that engage in any business activities that compete or may compete with our business activities. For further details, please refer to the section headed “Substantial Shareholders” in this prospectus.

### DEED OF NON-COMPETITION

In order to ensure that our Controlling Shareholder will not engage in any business undertaking in competition with our Group, Mr. Chan (the “**Covenantor**”) has entered into the Deed of Non-Competition in favour of our Company (for itself and as trustee for its subsidiaries from time to time) pursuant to which, the Covenantor has irrevocably undertaken with our Company that at any time during the Relevant Period (as defined below), the Covenantor shall, save for the Restricted Business (as defined below), not, and shall procure that none of his close associates (except any members of our Group) shall, directly or indirectly, among other things, carry on, participate or be interested in or be engaged in any business which is or may compete with the principal business engaged by our Group as described or contemplated in this prospectus, including but not limited to the design, development, manufacturing and marketing of wired and wireless routers and the related businesses ancillary to any of the foregoing (the “**Restricted Business**”).

For the above purposes, the “**Relevant Period**” means the period commencing from the Listing Date and shall expire upon the earliest of the dates below:

- (i) the date on which the Covenantor and his close associates, individually or taken as a whole, ceases to be our Controlling Shareholder for the purpose of the Listing Rules; or
- (ii) the date on which our Shares cease to be listed on the Stock Exchange.

Notwithstanding the above, the non-competition undertaking as set out above shall not apply where:

- (a) any opportunity to invest, participate, be engaged in and/or operate with a third party any Restricted Business has first been offered or made available to our Group, the offer should contain all information reasonably necessary for our Group to consider whether (i) such opportunity would constitute competition with any Restricted Business; and (ii) it is in the interest of our Group and the Shareholders of our Company as a whole to pursue such opportunity has been offered to our Group, and our Company has, after review by the independent non-executive Directors, declined such opportunity to invest, participate, be engaged in or operate the Restricted Business with such third party or together with the Covenantor and/or his close associate(s), provided that the principal terms by which that Covenantor (or his close associate(s)) subsequently invests, participates, engages in or operates the Restricted Business are not more favourable than those disclosed to our Company. If our Company decides and offers to invest, participate, be engaged in and/or operate any Restricted Business with the Covenantor and/or his close associates (or any of them, as the case may be), pursuant to the above, the Covenantor and/or his close associates can invest, participate, be

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## RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDER

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engaged in and/or operate such Restricted Business with our Company. Our Company will comply with the requirements of the Listing Rules in case of such cooperation with the Covenantor and/or his close associates (or any of them, as the case may be);

- (b) the investments in and operations of companies which are engaging in the Restricted Business in which the Covenantor (and his close associates) is already, directly or indirectly, interested as at the date of the prospectus and details of which have been specifically disclosed in the prospectus; and
- (c) having interests in the shares or other securities in a company engaged in Restricted Business whose shares are listed on a recognised Stock Exchange provided that:
  - (i) any Restricted Business conducted or engaged in by such company (and assets relating thereto) accounts for less than 10% of the relevant company's consolidated turnover or consolidated assets, as shown in that company's latest audited accounts; and
  - (ii) the total number of the shares held by the Covenantor and/or his close associates or in which they are together interested does not exceed 5% of the issued shares of that class of our company in question, provided that the Covenantor and/or his close associates are not entitled to appoint a majority of the directors of that company and that at all times there is a holder of such shares holding (together, where appropriate, with its associates) a larger percentage of the shares in question than the Covenantor and his close associates together hold.

Our Controlling Shareholder confirms that he is, and his close associates are neither engaged, nor interested, in any business (except for our Group's business) which, directly or indirectly, competes or may compete with our Group's business and would require disclosure under Rule 8.10 of the Listing Rules. Our Directors confirm that none of them is interested in any business (except for our Group's business) which competes or is likely compete, either directly or indirectly with our business.

### INDEPENDENCE FROM CONTROLLING SHAREHOLDER

Our Directors consider that our Group is capable of carrying on its business independent of, and does not place undue reliance on, our Controlling Shareholder and his close associates (other than members of our Group) for the following reasons:

#### Management independence

Our Board comprises five executive Directors and three independent non-executive Directors. One of our Directors, Mr. Chan, is our Controlling Shareholder, and all our other Directors and senior management possess relevant management and/or industry-related experience to act as Directors or senior management of our Company and to make management decisions independent from our Controlling Shareholder. Please refer to the section headed "Directors, Senior Management and Staff" in this prospectus.

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

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## RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDER

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transactions and shall not be counted in the quorum. In addition, we have a senior management team to make business decisions independently. Our independent non-executive Directors will also bring independent judgment to the decision-making process of our Board.

Based on the above, our Directors are of the view that our Board, as a whole, together with our senior management team, are capable of managing our business independently from our Controlling Shareholder.

### Operational independence

Our Directors consider that our operations do not depend on our Controlling Shareholder for the following reasons:

- (a) we have independent access to our customers;
- (b) we have also established a set of internal control policies to facilitate the effective operation of our business;
- (c) we have our own registered patents and computer software copyrights which we can use for producing our products and providing our services. We have also registered trademarks which we can use for marketing our products and services;
- (d) there is no competing business between our Group and our Controlling Shareholder; and
- (e) except for the lease of office premises in Hong Kong as described in the section headed "Continuing Connected Transactions" in this prospectus, all of which our Directors consider can be replaced if necessary within a short period of time without incurring significant costs, there is no connected transaction between our Controlling Shareholder or his close associates and any member of our Group.

Based on the above, our Directors are of the view that we are capable of carrying on our business independently of our Controlling Shareholder and his close associates.

### Financial independence

Our Group has an independent financial system and makes financial decisions according to our Group's own business needs. We have our own internal control and accounting systems and accounting and finance department to perform independent treasury function on cash receipts and payments, independent accounting and reporting functions and independent internal control function. We are able to obtain financing from third parties or from our internally generated funds without reliance on our Controlling Shareholder.

As at 31 December 2013, 2014 and 2015, the amounts due to Mr. Chan, our Controlling Shareholder, and/or his close associates (details of which are set out in Note 18 to the Accountants' Report in Appendix I to this prospectus) were approximately US\$246,079, US\$153,633 and US\$1,808,699, respectively. All amounts due to Mr. Chan and/or his close associates were subsequently fully settled in June 2016. Mr. Chan provided limited guarantees of HK\$22.00 million, HK\$22.00 million and HK\$30.60 million (equivalent to approximately US\$2.84 million, US\$2.83 million and US\$3.95 million) for each of the three years ended 31 December 2015, respectively, for our Group's bank facilities in favour of the banks. All limited guarantees given to the banks will be released upon the Listing.

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## RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDER

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### Confirmation given by our Directors

Each Director confirms that he does not have any competing business with our Group.

### CORPORATE GOVERNANCE MEASURES

Our Company will adopt the following measures to manage the conflict of interests arising from competing business and to safeguard the interests of our Shareholders:

- (i) as part of our preparation for the Global Offering, we have amended our Articles of Association to comply with the Listing Rules. In particular, our Articles of Association provide that, unless otherwise provided, a Director shall not vote on any resolution approving any contract or arrangement or any other proposal in which such Director or any of his/her close associates have a material interest nor shall such Director be counted in the quorum present at the meeting;
- (ii) our independent non-executive Directors will review, on an annual basis, the compliance with the undertaking by the Covenantor under the non-competition undertaking set out in the paragraph headed “Deed of Non-Competition” in this section;
- (iii) pursuant to Rule 3A.19 of the Listing Rules, we have appointed Southwest HK Capital as our compliance adviser with effect from the Listing Date;
- (iv) the Covenantor undertakes to provide all information requested by our Company which is necessary for the annual review by our independent non-executive Directors and the enforcement of the non-competition undertaking set out in the paragraph headed “Deed of Non-Competition” in this section;
- (v) our Company will disclose decisions on matters reviewed by our independent non-executive Directors relating to compliance and enforcement of the undertaking of the Covenantors under the non-competition undertaking set out in the paragraph headed “Deed of Non-Competition” in this section, in the annual reports of our Company;
- (vi) if our independent non-executive Directors consider it necessary or desirable, they may also engage professional advisors (including an independent financial advisor) at the costs of our Company to advise them on matters relating to the non-competition agreement or on any business opportunities which may be referred to us by our Controlling Shareholder; and
- (vii) the Covenantors will make an annual declaration in compliance with their undertaking under the Deed of Non-Competition in the annual report of our Company.

## CONTINUING CONNECTED TRANSACTIONS

### NON-EXEMPT CONTINUING CONNECTED TRANSACTIONS UNDER RULE 14A.76(2) OF THE LISTING RULES

Following the Listing, we will continue to have certain continuing connected transactions which will, on an aggregate basis, constitute exempt continuing connected transactions under Rule 14A.76(2) of the Listing Rules and will be exempt from the circular (including independent financial advice) and shareholders' approval requirements. Details of the continuing connected transactions are as follows:

#### Tenancy Agreements

Pegatrack, our wholly-owned subsidiary, as tenant, has entered into the following tenancy agreements (the "Tenancy Agreements") which will continue after the Listing:

Landlord	Location	Gross area	Term	Annual rent payable	Purpose of property	Historical rent
Open Gain Limited . . .	Unit A2, 5/F., Hong Kong Spinners Industrial Building, Phase 6, 481 Castle Peak Road, Cheung Sha Wan, Kowloon	1,276 sq. ft.	1 February 2016 to 31 December 2018	2016: HK\$220,000 2017: HK\$264,000 2018: HK\$290,400	Product development	2013: US\$30,194 2014: US\$30,163 2015: US\$29,412
PBS Ventures Limited.	Unit A5, 5/F., Hong Kong Spinners Industrial Building, Phase 6, 481 Castle Peak Road, Cheung Sha Wan, Kowloon	2,953 sq. ft.	1 February 2016 to 31 December 2018	2016: HK\$484,000 2017: HK\$580,800 2018: HK\$638,880	Office and product development	2013: US\$54,194 2014: US\$54,139 2015: US\$68,111
Nice Achieve Limited .	Unit A6, 5/F., Hong Kong Spinners Industrial Building, Phase 6, 481 Castle Peak Road, Cheung Sha Wan, Kowloon	1,844 sq. ft.	1 February 2016 to 31 December 2018	2016: HK\$308,000 2017: HK\$369,600 2018: HK\$406,560	Office and product development	2013: US\$34,065 2014: US\$34,030 2015: US\$42,724
Perfect Giant Limited .	Unit A7, 5/F., Hong Kong Spinners Industrial Building, Phase 6, 481 Castle Peak Road, Cheung Sha Wan, Kowloon	2,083 sq. ft.	1 February 2016 to 31 December 2018	2016: HK\$341,000 2017: HK\$409,200 2018: HK\$450,120	Office and product development	2013: US\$3,548 2014: US\$42,538 2015: US\$47,988
Talent Trend International Limited. . . . .	Unit A8, 5/F., Hong Kong Spinners Industrial Building, Phase 6, 481 Castle Peak Road, Cheung Sha Wan, Kowloon	2,083 sq. ft.	1 February 2016 to 31 December 2018	2016: HK\$341,000 2017: HK\$409,200 2018: HK\$450,120	Office and product development	2013: US\$32,516 2014: US\$32,484 2015: US\$47,988
Advance Action Limited. . . . .	Unit A9, 5/F., Hong Kong Spinners Industrial Building, Phase 6, 481 Castle Peak Road, Cheung Sha Wan, Kowloon	2,083 sq. ft.	1 February 2016 to 31 December 2018	2016: HK\$341,000 2017: HK\$409,200 2018: HK\$450,120	Office	2013: US\$44,903 2014: US\$44,858 2015: US\$47,988

## CONTINUING CONNECTED TRANSACTIONS

Landlord	Location	Gross area	Term	Annual rent payable	Purpose of property	Historical rent
Plan Smart Limited. . .	Unit B, 5/F., Dragon Industrial Building, 93 King Lam Street, Cheung Sha Wan, Kowloon	7,323 sq. ft.	1 February 2016 to 31 December 2018	2016: HK\$902,000 2017: HK\$1,082,400 2018: HK\$1,190,640	Office and warehouse	2013: Nil 2014: Nil 2015: US\$30,369

Open Gain Limited, PBS Ventures Limited, Nice Achieve Limited, Perfect Giant Limited, Talent Trend International Limited, Advance Action Limited and Plan Smart Limited (collectively, the “**Landlord Companies**”) are wholly owned by Mr. Chan, our Controlling Shareholder and executive Director. Therefore, each of Mr. Chan and the Landlord Companies is a connected person of our Company for the purposes of the Listing Rules.

With respect to the transactions contemplated under the Tenancy Agreements, the historical amounts during the Track Record Period and the proposed aggregated annual caps for the three years subsequent to the Track Record Period are as follows:

	Historical amounts for the year ended 31 December			Proposed aggregated annual caps for the year ending 31 December		
	2013	2014	2015	2016	2017	2018
	US\$	US\$	US\$	HK\$	HK\$	HK\$
Aggregated rental paid/ payable. . . . .	199,420	238,212	314,580	2,937,000 (equivalent to approximately US\$378,968)	3,524,400 (equivalent to approximately US\$454,761)	3,876,840 (equivalent to approximately US\$500,237)
Total gross area as at 31 December. . . . .	12,322 sq. ft.	12,322 sq. ft.	19,645 sq. ft.	19,645 sq. ft.	19,645 sq. ft.	19,645 sq. ft.
Average monthly rent per sq. ft. as at 31 December	US\$1.61	US\$1.61	US\$1.74	HK\$13.59 (equivalent to approximately US\$1.75)	HK\$14.9 (equivalent to approximately US\$1.92)	HK\$16.45 (equivalent to approximately US\$2.12)

The proposed aggregated annual caps are based on the monthly rental under the Tenancy Agreements, which were determined by reference to the terms and conditions of the Tenancy Agreements, the historical rental (if any) and the prevailing market rate, and is determined on terms no less favourable to our Group than terms available from Independent Third Parties. An independent property valuer is of the view that the Tenancy Agreements (including the rental payable thereunder) are fair and reasonable and the rental payment thereunder reflects the prevailing market rate as at the date of commencement of the Tenancy Agreements.

The transactions under the Tenancy Agreements are aggregated pursuant to Rules 14A.81 to 14A.83 of the Listing Rules. Based on the respective annual caps for the transactions under the Tenancy Agreements on an aggregated basis, it is expected that each of the percentage ratios for the Tenancy Agreements (other than the profits ratio), where applicable, calculated by reference to Rule 14A.77 of the Listing Rules, will be less than 5%, but the aggregated annual amount for rental payment is more than HK\$3,000,000. Accordingly, the Tenancy Agreements (on an aggregated basis) are subject to the reporting, announcement, annual review requirements but exempt from circular and the independent shareholders’ approval requirements under Rule 14A.76(2) of the Listing Rules.

### Application for waiver

In accordance with Rule 14A.105 of the Listing Rules, the Sole Sponsor, on behalf of our Company, has applied to the Stock Exchange for ,and the Stock Exchange has granted, a waiver from compliance with the announcement requirement under Chapter 14A of the Listing Rules for the non-exempt continuing connected transactions contemplated under the Tenancy Agreements.

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## CONTINUING CONNECTED TRANSACTIONS

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### **Confirmations**

#### *Directors' confirmation*

Our Directors (including our independent non-executive Directors) have confirmed that the transactions contemplated under each Tenancy Agreement have been entered into in the ordinary and usual course of business of our Group, have been based on arm's length negotiations, are on normal commercial terms, fair and reasonable and in the interest of our Company and our Shareholders as a whole. Our Directors (including our independent non-executive Directors) have also confirm that the proposed maximum aggregated annual caps are fair and reasonable and in the interest of our Company and our Shareholders as a whole.

#### *Sponsor's confirmation*

The Sole Sponsor confirms that the transactions contemplated under each Tenancy Agreement have been entered into in the ordinary and usual course of business of our Group, are on normal commercial terms, fair and reasonable, and in the interest of our Company and our Shareholders as a whole. The Sole Sponsor confirms that the proposed maximum aggregated annual caps are fair and reasonable and in the interest of our Company and our Shareholders as a whole.



## DIRECTORS, SENIOR MANAGEMENT AND STAFF

### DIRECTOR, SENIOR MANAGEMENT AND STAFF

#### DIRECTORS

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

The table below sets out the information regarding our Directors:

Name	Age	Position title	Date of joining our Group	Date of appointment as Director	Role and principal responsibilities	Relationship with other Directors or senior management
<b>Executive Directors</b>						
Chan Wing Hong Alex (陳永康) . . .	49	Executive Director and Chairman	Founder	5 May 2015	Formulating overall strategies, planning and business development of our Group	No
Chau Kit Wai (周傑懷) . . . . .	41	Executive Director and chief executive officer	1 October 2007	27 November 2015	Overall management of product development, managing and implementing sales and marketing strategies	No
Yip Kai Kut Kenneth (葉繼吉) . . . . .	41	Executive Director	1 September 2011	27 November 2015	Overseeing the intellectual property and legal aspects of our Group	No
Chong Ming Pui (莊明沛) . . . . .	39	Executive Director	1 January 2007	27 November 2015	Overall management of hardware development and purchasing and production	No
Yeung Yu (楊瑜) . . .	40	Executive Director	1 January 2007	27 November 2015	Overall management of software development and quality assurance	No
<b>Independent Non-Executive Directors</b>						
Yu Kin Tim (余健添) . . . . .	58	Independent non-executive Director	21 June 2016	21 June 2016	Supervising and providing independent judgment on the business and operations of our Group to our Board	No
Ho Chi Lam (何志霖) . . . . .	57	Independent non-executive Director	21 June 2016	21 June 2016	Supervising and providing independent judgment on the business and operations of our Group to our Board	No
Wan Sze Chung (溫思聰) . . . . .	41	Independent non-executive Director	21 June 2016	21 June 2016	Supervising and providing independent judgment on the business and operations of our Group to our Board	No

## DIRECTORS, SENIOR MANAGEMENT AND STAFF

### Executive Directors

**Mr. Chan Wing Hong Alex (陳永康) (“Mr. Chan”)**, aged 49, is our executive Director and Chairman, and the founder of our Group. Mr. Chan was appointed as Director on 5 May 2015 and designated as executive Director and Chairman of the Board on 27 November 2015. Mr. Chan has over 28 years of experience in electronic engineering and information technology industry. He is responsible for formulating overall strategies, planning and business development of our Group.

From September 1988 to March 1991, Mr. Chan was a Regional Network Engineer in Telerate Asia-Pacific(s) Pte Ltd., a computerised network providing financial information such as prices, rates, market data and news covering major financial markets. He was responsible for building the data communications infrastructure and the fault-tolerant computing systems in Asia Pacific.

Before establishing our Group in 2006, Mr. Chan found a group of companies, including Unitech Networks Limited (collectively, the “**Unitech Group**”), in 1991, which was engaged in trading of networking products and provision of consultancy and system integration services. The Unitech Group ceased its business and commenced its winding up process since 2006. For further details, please refer to paragraph headed “Disclosure required under Rule 13.51(2) of the Listing Rules” below. Mr. Chan has not been a director of any publicly listed company during the three years preceding the date of this prospectus.

Mr. Chan received a higher certificate in electronic engineering from the Hong Kong Polytechnic (currently known as The Hong Kong Polytechnic University) in November 1988, and obtained an executive master of business administration degree at The Hong Kong University of Science and Technology in May 2004.

#### *Disclosure required under Rule 13.51(2) of the Listing Rules*

Mr. Chan was a director of the following companies prior to their dissolution:

<b>Name of company</b>	<b>Place of incorporation</b>	<b>Principal business activities prior to dissolution</b>	<b>Date of dissolution</b>	<b>Means of dissolution</b>	<b>Reasons for dissolution</b>
Unitech Networks Limited <sup>(1)</sup> . . .	Hong Kong	Investment holding	16 January 2013	By creditors' voluntary winding up	Insolvency
Unitech Computer Systems Limited <sup>(1, 2)</sup> . . . . .	Hong Kong	Design, implementation of Internet computer and networking systems and provision of related services	23 September 2009	By creditors' voluntary winding up	Insolvency
Peplink Limited <sup>(1, 2, 3)</sup> . . . . .	Hong Kong	Design, engineering, marketing and distribution of networking products and embedded devices	11 September 2009	By creditors' voluntary winding up	Insolvency
Unitech Group Limited <sup>(1, 2)</sup> . . . . .	Hong Kong	Investment holding	7 August 2009	Deregistration	Cessation of business
Unitech Networks (China) Limited <sup>(1, 2)</sup> . . . . .	Hong Kong	Investment holding and trading of networking products and provision of related professional services	13 June 2008	Deregistration	Cessation of business
Unitech Services Limited <sup>(1, 2)</sup> . . . . .	Hong Kong	Developing and trading of networking products and the provision of related professional services	7 March 2008	Deregistration	Cessation of business
Unitech Communications Limited <sup>(1, 2)</sup> . . . . .	Hong Kong	Trading of networking products and provision of related professional services	7 March 2008	Deregistration	Cessation of business

## DIRECTORS, SENIOR MANAGEMENT AND STAFF

Name of company	Place of incorporation	Principal business activities prior to dissolution	Date of dissolution	Means of dissolution	Reasons for dissolution
Sonnex Technologies Limited <sup>(1, 2)</sup>	Hong Kong	Trading of networking products	7 March 2008	Deregistration	Cessation of business
Unitech Communications Pte Ltd. <sup>(1, 2)</sup>	Singapore	Trading of networking products	22 February 2007	Struck off	Cessation of business
UNS SDN BHD <sup>(1, 2)</sup>	Malaysia	Inactive	19 June 2008	Struck off	Cessation of business
Unitech Network China (GZ) Ltd.* (優力達電子技術(廣州)有限公司) <sup>(1, 2, 4)</sup>	The PRC	Software development, sales and provision of technical services	Not applicable	Business licence revoked	Not applicable
Infodata Technology Limited . . .	Hong Kong	Sales of networking products	19 June 1999	Members' voluntary winding up	Cessation of business
Advanced Network Services Limited . . . . .	Hong Kong	Provision of networking solutions	13 June 2003	Deregistration	Cessation of business

\* English translation for identification purpose only

Notes:

- (1) In 1999, Mr. Chan, together with two other individuals (the “**Individual Shareholders**”) and five investors, who are venture capital funds (“**Investors**”), had entered into a subscription agreement for subscribing interest-bearing, convertible redeemable preference shares in Unitech Networks Limited (“**UNL**”) by the Investors (the “**Unitech Subscription Agreement**”). Pursuant to the Unitech Subscription Agreement, the Investors agreed to subscribe for the interest-bearing convertible redeemable preference shares in UNL at the amount of US\$3.00 million, and they were entitled to convert such preference shares into ordinary shares in UNL on the earliest date of either the date falling five years after the date of issue of the preferred shares or the occurrence of certain events, such as the shares listed on a recognised stock exchange or over-the-counter market. It was also agreed that if the preferred shares were not converted by the Investors, UNL was required to redeem any outstanding preferred shares on the date falling five years after the date of issue of the preference shares.

According to the terms of the Unitech Subscription Agreement, Mr. Chan and the Individual Shareholders agreed to procure the appointment of two nominees of the Investors as directors of UNL on or before the completion contemplated under the Unitech Subscription Agreement. Mr. Chan, Individual Shareholders, the Investors and UNL entered into a shareholders’ agreement for the purpose of regulating the business, affairs and management of UNL pursuant to the Unitech Subscription Agreement. Following the burst of the dot-com bubble in early 2000 and the subsequent recessions in the region, the Unitech Group had gone through a downturn over the years. Due to the generally sluggish investment climate in 2004, neither the Investors converted the preference shares to ordinary shares of UNL, nor UNL had sufficient funds in hand to fully pay for the redemption money of the preference shares. Subsequent discussions had led to UNL entering into a loan agreement with the Investors (the “**Unitech Loan Agreement**”) in September 2005 pursuant to which the Investors agreed to grant a loan solely for the purpose of redemption of the preference shares, and such loan would be repaid by instalments within 10 years from the drawdown date. Despite various efforts being made afterward, the operation of the Unitech Group had no turnaround and it was unable to repay the outstanding liabilities, including the loan to the Investors under the Unitech Loan Agreement. The Unitech Group ceased its business and commenced its winding up process since 2006, including deregistration or striking off of certain subsidiaries, while UNL, Unitech Computer Systems Limited and Peplink Limited (collectively, the “**Creditors’ Wound Up Companies**”) were wound up by way of creditor’s voluntary winding up.

Pursuant to the Statement of Voluntary Winding Up in Case of Inability to Continue Business filed by the respective Creditors’ Wound Up Companies with the Companies Registry, as these companies’ sales and revenue were not able to cover the direct costs and operation expenses, it was considered necessary to wind up the Creditors’ Wound Up Companies under section 228A of the Predecessor Companies Ordinance because it was not reasonably practicable for winding up to be commenced under another section or the Predecessor Companies Ordinance. The Liquidator’s Final Statement of Account of each of the Creditors’ Wound Up Companies had also been filed with the Companies Registry, and pursuant to which there were no indication of any findings of non-compliance of the Predecessor Companies Ordinance nor any causes of delay of the termination of the winding up of the Creditors’ Wound Up Companies. Further, according to searches conducted against Mr. Chan, no disqualification order or any application for such order has been made against Mr. Chan personally. There is also no record of any claim against Mr. Chan personally as a defendant made by the liquidators or creditors of the Creditors’ Wound Up Companies.

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## DIRECTORS, SENIOR MANAGEMENT AND STAFF

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Based on these facts, Mr. Richard Leung of Counsel has opined that as: (i) the liquidator of the respective Creditor's Wound Up Companies has not made any findings or report of misfeasance; (ii) there has been no disqualification order made against Mr. Chan and there will not be any prospects of such an order being made against Mr. Chan; (iii) there has been no evidence or allegations of non-compliance with the Companies Ordinance for the Unitech Group at the time under Mr. Chan's management; and (iv) there has been no challenge as to the character and integrity of Mr. Chan in his capacity as the director of the Creditors' Wound Up Companies before their dissolution and the dissolution of the Creditors' Wound Up Companies has no negative implication on Mr. Chan's integrity and character, Mr. Chan would be an appropriate candidate for Director of our Company under the Listing.

- (2) Subsidiary of Unitech Networks Limited.
- (3) Peplink Limited, being a subsidiary of Unitech Networks Limited, had no relationship with our Group except having a common controlling shareholder and director, Mr. Chan. Peplink Limited did not register and use the brand name "Pepwave". Although the brand name "Peplink" was used by Peplink Limited for marketing and distribution of networking products and embedded devices prior to its dissolution, Peplink Limited did not register "Peplink" as its trademark. Hence "Peplink" by then was not itself an intellectual property right owned by Peplink Limited. Our Group first engaged in wireless broadband devices business in 2006 under the brand "Pepwave", and then we entered into the wired router market in 2007 under the brand "Peplink". As we believed "Pepwave" implies the wireless nature, we applied for registration of trademark on 30 April 2008 and successfully registered and owned the brand "PeP wave" as our trademark in Hong Kong on 19 September 2008. We also believed that "Peplink" implies the wired nature of our products, and therefore we decided to use "Peplink" as the brand name for our wired routers products and accordingly, we applied for registration of trademark on 31 August 2007 and successfully registered and owned "peplink" as our trademark in Hong Kong on 28 March 2008. Please refer to section headed "Statutory and General Information — Further Information about the Business of our Group — 8. Intellectual property rights of our Group" in Appendix IV to this prospectus for further details of our trademark registrations in other jurisdictions. Mr. Richard Leung of Counsel advised us that since there was no objection raised by Peplink Limited in the course of the registration of "peplink" as a registered trademark in 2007 by our Group and that Peplink Limited has been dissolved since 2009, it is unlikely that our use of "peplink" as our trademark subsequent to such registration, which is an intellectual property right owned by our Group will expose us to any potential liability. The common law of passing off does not offer protection to anyone who is no longer in existence, i.e. Peplink Limited was a dissolved entity. Our Directors confirm that the dissolution of Peplink Limited had no impact on our Group.
- (4) Unitech Networks China (GZ) Ltd. ("Unitech GZ") was one of the subsidiaries of Unitech Networks Limited. In or around 2007, Unitech GZ ceased all its business activities, and its business licence was revoked on 2 January 2007. No formal liquidation procedures has been carried out and subsequently the sole beneficial owner of Unitech GZ, namely Unitech Networks (China) Limited, was wound up on 13 June 2008. Mr. Chan confirmed that Unitech GZ had no outstanding contributions liability, and had discharged all its obligations in respect of any payment for social insurance contributions, housing fund, tax and government fines prior to its cessation of business.

Based on these facts, Wei Tu Law Firm has opined that (i) there is now no actual means for Unitech GZ to carry out liquidation as its shareholder has already wound up; (ii) the shareholder of Unitech GZ had the responsibility to carry out liquidation of Unitech GZ and Mr. Chan, as a director, is not liable for the failure to carry out liquidation of Unitech GZ; and (iii) as the ultimate beneficial owner of Unitech GZ, Mr. Chan may under specific circumstances be responsible for outstanding liability of Unitech GZ towards creditors, but such claims are now time-barred, except for contribution to social insurance or housing fund, tax, or government fines, which have no time bar.

Mr. Chan confirmed that there is no wrongful act on his part leading to the above winding up and dissolution of the companies and he is not aware of any actual or potential claim has been or will be made against him as a result of the winding-up and dissolution of the companies.

**Mr. Chau Kit Wai (周傑懷) ("Mr. Chau")**, aged 41, is our executive Director, chief executive officer and general manager, who joined our Group in October 2007. Mr. Chau was appointed as Director on 27 November 2015 and designated as executive Director on 27 November 2015. He is responsible for product development, and managing and implementing sales and marketing strategies of our group.

Mr. Chau had over 18 years of experience in sales and marketing in information technology industry. Mr. Chau joined our Group in October 2007 as a manager of product management and marketing, and was then promoted to general manager in April 2008. Before joining our Group, Mr. Chau joined Unitech Computer Systems Limited, a company principally engaged in the

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## DIRECTORS, SENIOR MANAGEMENT AND STAFF

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design and implementation of Internet computer and networking systems and provision of related services, as a system engineer from June 1996, was promoted to network consultant in January 1998 for IP/network solutions design for ISPs and telecom customers, and then was transferred to the software development group as product manager in April 1999 for product management and marketing of in-house developed software products. He was later promoted as consultant in sales development in July 2002 and was responsible for sales and marketing of the products. Mr. Chau joined Cyber Express Communication Limited, a company which provides Internet access services through broadband connections, leased line, ISDN, 56K dialup, and virtual hosting service and professional homepage design, as a business development manager from October 2003 and Unitech Computer Systems Limited as product manager from November 2004 to September 2007. Mr. Chau has not been a director of any publicly listed company during the three years preceding the date of this prospectus.

Mr. Chau graduated with a Bachelor of Science degree from The Chinese University of Hong Kong in December 1996, and obtained a degree of master of business administration at The Hong Kong University of Science and Technology in November 2006.

**Mr. Yip Kai Kut Kenneth (葉繼吉) (“Mr. Yip”)**, aged 41, is our executive Director and patent counsel. Mr. Yip was appointed as Director on 27 November 2015 and designated as executive Director on 27 November 2015. He is responsible for overseeing the intellectual property and legal aspects of our Group. Before joining our Group in 2011, from May 2001 to June 2002, Mr. Yip was a technology manager in Decima Ventures Inc, a technology investment company in New York City, the United States, where he was conducting technology research and market analysis. He then joined Hong Kong Applied Science and Technology Research Institute Company Limited, a research institute established by the Government of Hong Kong for enhancing Hong Kong’s competitiveness in technology-based industries through applied research, from August 2002 to August 2007 to manage the creation and maintenance of its intellectual property portfolio. Mr. Yip later joined Deacons, a law firm in Hong Kong, in August 2008 as a trainee solicitor and left the firm as an associate of the intellectual property department in August 2011. Mr. Yip has been qualified as a solicitor of Hong Kong since December 2010. Mr. Yip has not been a director of any publicly listed company during the three years preceding the date of this prospectus.

Mr. Yip graduated with a bachelor’s degree from University of Waterloo in electrical engineering in May 1997 and a master’s degree from Leland Stanford Junior University in electrical engineering in January 1999. He obtained a master of laws degree in Chinese and Comparative Law from City University of Hong Kong in November 2004. He then studied as an external student and obtained a bachelor of laws degree from the University of London in August 2006, and later received a postgraduate certificate in laws from City University of Hong Kong in July 2008.

**Mr. Chong Ming Pui (莊明沛) (“Mr. Chong”)**, aged 39, is our executive Director and director of hardware engineering. Mr. Chong was appointed as Director on 27 November 2015 and designated as executive Director on 27 November 2015. He is responsible for overall management of hardware development and purchasing and production. Before joining our Group in January 2007, Mr. Chong was a senior hardware engineer from May 2005 to March 2006 and then was promoted to engineering manager from April 2006 to December 2006 in Unitech Computer Systems Limited. He was mainly responsible for the hardware products development. In January 2007, Mr. Chong joined our Group as a product development manager and then was promoted to director of hardware engineering in February 2011. Mr. Chong has not been a director of any publicly listed company during the three years preceding the date of this prospectus.

Mr. Chong graduated with a bachelor of engineering degree in electrical energy systems engineering in November 2000 and obtained a master of science degree in engineering (communication engineering) in December 2004 from the University of Hong Kong.

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## DIRECTORS, SENIOR MANAGEMENT AND STAFF

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**Mr. Yeung Yu (楊瑜) (“Mr. Yeung”)**, aged 40, is our executive Director and director of software engineering. Mr. Yeung was appointed as Director on 27 November 2015 and designated as executive Director on 27 November 2015. He is responsible for overall management of software development and quality assurance. Before joining our Group in January 2007, Mr. Yeung was a test engineer of LynuxWorks Inc., a company incorporated in the United States and provides real-time operating systems and virtualization for safety and security applications, from May 2000 to May 2002. He served as an assistant software engineer in the research and development department from July 2002 to February 2003 in CCT Mobile (HK) Limited. He later worked as a software engineer in EMSOFT Ltd., a software developer providing multimedia solutions for consumer electronics manufacturers in Asia, from February 2003 to May 2005, and joined Unitech Computer Systems Limited as a senior software engineer, from May 2005 to December 2006. In January 2007, Mr. Yeung joined our Group as a lead engineer of product development department and then was promoted to director of software engineering in February 2011. Mr. Yeung has not been a director of any publicly listed company during the three years preceding the date of this prospectus.

Mr. Yeung graduated with a bachelor of science degree in electrical and computer engineering from the Ohio State University in March 2000.

### Independent Non-executive Directors

**Dr. Yu Kin Tim (余健添) (“Dr. Yu”)**, aged 58, was appointed as our independent non-executive Director on 21 June 2016. Dr. Yu is currently a director of Brighton Energy Hong Kong Ltd, a company that operating manufacturing facility for casting, forging, machining, fabricating and finishing the large steel components required for nuclear and conventional power generation, for petrochemical and coal liquefaction pressure vessels, and for other heavy industry uses. From May 2004 to October 2006, Dr. Yu became the managing director for North Asia of Allied Telesyn Hong Kong Limited, a provider of secure IP and Ethernet access solutions, and from November 2006 to May 2008 he served as the managing director of Blue Coat Systems HK Limited, a company provides services of business applications, network infrastructure and information technology solutions. He subsequently worked as a senior manager, channel and alliance in SAP Hong Kong Co. Limited, an enterprise application software provider with its headquarters in Germany, from July 2008 to May 2009. From June 2009 to January 2010 and from February 2010 to December 2014, Dr. Yu was general manager of engineering service group and the president of Brighton Equipment Corporation Limited, respectively, a company that provides pre-sale support, installation and after-sale support. Dr. Yu has not been a director of any publicly listed company during the three years preceding the date of this prospectus.

Dr. Yu received a higher diploma from The Hong Kong Polytechnic (currently known as The Hong Kong Polytechnic University) in November 1981. He then obtained a master of business administration degree and a doctorate of business administration degree from The University of South Australia in December 1997 and December 2001, respectively.

**Mr. Ho Chi Lam (何志霖) (“Mr. Ho”)**, aged 57, was appointed as our independent non-executive Director on 21 June 2016. Mr. Ho was employed by Cable & Wireless HKT Limited, a company listed on the Main Board (stock code: 00008) (which was acquired by and merged to Pacific Century Cyberworks in 2000 and was renamed to PCCW-HKT Limited), a provider of telecommunications services in Hong Kong, from August 1980 to February 2000, and his last position was group manager, corporate planning and development department. He then joined SUNeVision Holdings Limited, a company listed on the Growth Enterprise Market of the Stock Exchange (stock code: 08008), a company which provides services such as carrier-neutral data centre services, installation and maintenance of satellite distribution network, fibre-optic cable, networking and security surveillance systems, and consultancy service for wireless and broadband network projects, as a chief technology officer during its initial public offering in

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## DIRECTORS, SENIOR MANAGEMENT AND STAFF

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2000 and appointed as an executive director in June 2000, and resigned from the same position in February 2001. Mr. Ho joined The Hong Kong and China Gas Company Limited, a company listed on the Main Board (stock code: 00003), an energy supplier in Hong Kong, as a strategic programme manager of information technology department from August 2002 to October 2003. He later joined United Luminous International (Holdings) Limited, a company designs and manufactures sealed LED which are used for full colour video screens, information signs, traffic signals, automotive lighting, LED Backlights for LCD TV and specialty lighting, as a director of operation from June 2007 to February 2009. Mr. Ho has been a general manager of The Institute of Network Coding of The Chinese University of Hong Kong since April 2010. Mr. Ho has not been a director of any publicly listed company during the three years preceding the date of this prospectus.

Mr. Ho obtained a higher diploma in electronic engineering from The Hong Kong Polytechnic (currently known as The Hong Kong Polytechnic University) in November 1978, a bachelor of science degree in engineering in November 1980 and master of science degree in engineering in November 1988 from The University of Hong Kong, and also completed extramural studies on a diploma course in business management from The Chinese University of Hong Kong in January 1986. He was admitted as a member and has become a fellow member of The Hong Kong Institution of Engineers since March 1986 and June 1996, respectively.

### *Disclosure required under Rule 13.51(2) of the Listing Rules*

Mr. Ho was a director of the following companies prior to their dissolution:

<u>Name of company</u>	<u>Place of incorporation</u>	<u>Principal business activities prior to dissolution</u>	<u>Date of dissolution</u>	<u>Means of dissolution</u>	<u>Reason for dissolution</u>
AQ2 Limited. . . . .	Hong Kong	Consulting services	24 December 2010	Deregistration	Cessation of business
Southern Digital Limited . . . . .	Hong Kong	Development of engineering products	2 February 2007	Dissolved by striking off	Struck off by Companies Registry

**Mr. Wan Sze Chung (溫思聰) (“Mr. Wan”)**, aged 41, was appointed as our independent non-executive Director on 21 June 2016. Mr. Wan is currently the chief executive officer in Jacob Walery Limited, a company specialising in providing corporate consultancy and training, a position Mr. Wan has held since 1 March 2007, and an independent non-executive director of E.Bon Holdings Limited, a company listed on the Main Board (stock code: 00599), since 27 September 2004 which is principally engaged in the supply of architectural hardware, bathroom, kitchen collection and designer furniture in Hong Kong. He also holds certain workshops at the Hong Kong Polytechnic University and the Hong Kong Institute of Certified Public Accountants. Save as disclosed above, Mr. Wan has not been a director of any publicly listed company during the three years preceding the date of this prospectus.

Mr. Wan graduated with a bachelor degree of arts in accountancy from The Hong Kong Polytechnic University in November 1997 and a master of business administration degree from The Chinese University of Hong Kong in December 2002. He then obtained a bachelor of law from Tsinghua University in January 2006, a master of education degree from University of Newcastle upon Tyne, in July 2006, and a graduate diploma in management research from University of South Australia in August 2008. Mr. Wan is a member of the Hong Kong Institute of Certified Public Accountants and a fellow of the Association of Chartered Certified Accountants since April 2002 and April 2007, respectively. He is also a fellow of the Hong Kong Institute of Directors and an associate member of the Chartered Institute of Arbitrators since July 2012 and February 2003, respectively.

## DIRECTORS, SENIOR MANAGEMENT AND STAFF

*Disclosure required under Rule 13.51(2) of the Listing Rules*

Mr. Wan was a director of the following companies prior to their dissolution:

<u>Name of company</u>	<u>Place of incorporation</u>	<u>Principal business activities prior to dissolution</u>	<u>Date of dissolution</u>	<u>Means of dissolution</u>	<u>Reason for dissolution</u>
J & W Consultants Group Limited . . . .	Hong Kong	Trading, education, training and consulting	3 July 2009	Deregistration	Cessation of business
Mind Development Association Limited . . . . .	Hong Kong	Training	30 January 2009	Deregistration	Cessation of business

### SENIOR MANAGEMENT

The table below sets out certain information regarding members of the senior management:

<u>Name</u>	<u>Age</u>	<u>Position</u>	<u>Date of joining our Group</u>	<u>Role and principal responsibilities</u>
Ng Shun Ying (吳舜瑛) . . . . .	39	Financial controller and company secretary	20 January 2015	Overall management of finance and administrative department of our Group
Wong Shiu Kau (黃紹裘) . . . . .	44	E-commerce manager	17 March 2014	Overall management of online ordering system, information management system and operation system
Yip Sun Nin (葉新年) . . . . .	54	Business development general manager	20 July 2015	Overall management of sales and business development in Asia

**Ms. Ng Shun Ying (吳舜瑛) (“Ms. Ng”)**, aged 39, is our financial controller. Ms. Ng joined our Group in January 2015. She is responsible for overall management of finance and administration of our Group. Ms. Ng was an audit assistant from March 2000 to March 2003, and served as audit senior from April 2003 to February 2004 in a certified public accountants firm Nexia Charles Mar Fan & Co. She subsequently joined KPMG, an international accounting firm, in February 2004 and worked as an assistant manager before she left KPMG in July 2006. From August 2006, she was a finance manager, and from January 2007 to November 2011, she was promoted as a senior finance manager in Funmobile Ltd., which was a company providing mobile phone infotainment products and services. Before joining our Group, Ms. Ng was a senior finance manager in Premier Consultancy Services Limited, a consultatory firm providing corporate consulting services, from December 2011 to June 2014. Ms. Ng has not been a director of any publicly listed company during the three years preceding the date of this prospectus.

Ms. Ng graduated with a bachelor of arts degree in accountancy in the Hong Kong Polytechnic University in December 1999. She is a fellow member of the Association of Chartered Certified Accountants and a member of the Hong Kong Institute of Certified Public Accountants since August 2008 and April 2008, respectively.

**Mr. Wong Shiu Kau (黃紹裘) (“Mr. Wong”)**, aged 44, is our e-commerce manager. Mr. Wong joined our Group in March 2014. He is responsible for overall management of online ordering system, information management system and operation system. Mr. Wong was a software developer in Oracle Corporation, a company engaged in software supply for enterprise



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## DIRECTORS, SENIOR MANAGEMENT AND STAFF

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information management from March 1997 to April 2003. Mr. Wong was a senior system analyst from February 2005 to March 2007, and was promoted to a development manager from April 2007 to February 2008, in YesAsia.com Limited, a company engaged in online store for Asian entertainment products. He then worked as a senior software engineer in TVB.com Limited, a company under the major commercial television station company in Hong Kong from March 2008 to July 2008.

He founded a company named FoodWee Limited, which was engaged in the business of advertising platform, in July 2010, and later he joined as an architect from July 2013 to March 2014 in Asurion Asia Pacific Limited, a company engaged in mobile technology device support. Mr. Wong has not been a director of any publicly listed company during the three years preceding the date of this prospectus.

Mr. Wong graduated with a bachelor of science degree in electrical engineering and obtained a master of science degree in electrical engineering in December 1993 and May 1995, respectively, in University of Wisconsin-Madison. He also obtained a master of science degree in marketing in the Chinese University of Hong Kong in December 2009.

### *Disclosure required under Rule 13.51(2) of the Listing Rules*

Mr. Wong was a director of the following company prior to its dissolution:

<u>Name of company</u>	<u>Place of incorporation</u>	<u>Principal business activities prior to dissolution</u>	<u>Date of dissolution</u>	<u>Means of dissolution</u>	<u>Reason for dissolution</u>
FoodWee Limited . . .	Hong Kong	Advertising platform	3 January 2014	Deregistration	Cessation of business

**Mr. Yip Sun Nin (葉新年) (“Mr. Joseph Yip”)**, aged 54, is our business development general manager. He is responsible for overall management of sales and business development in Asia. Mr. Joseph Yip joined our Group in July 2015. From June 2007 to September 2010, he worked at Aruba Networks Hong Kong Limited, a company engaged in the design and delivery of mobility-defined networks for enterprise customers, as the general manager of China, Hong Kong and Macau until September 2010. From October 2010 to September 2012, Mr. Joseph Yip was the general manager of Greater China Region at LifeSize Communications Pte Ltd., a division of Logitech, which provides high definition video conference products for business. Mr. Joseph Yip was a sales manager at Hewlett-Packard AP (Hong Kong) Limited, a company engaged in providing information technology related products, technologies, software, solutions and services, from March 2013 to April 2015. Mr. Yip has not been a director of our public listed company during the three years preceding the date of this prospectus.

Mr. Joseph Yip graduated with a Bachelor of Science degree in electrical engineering from the Oklahoma State University in May 1984.

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## DIRECTORS, SENIOR MANAGEMENT AND STAFF

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Disclosure required under Rule 13.51(2) of the Listing Rules

Mr. Joseph Yip was a director of the following company prior to its dissolution:

<u>Name of company</u>	<u>Place of incorporation</u>	<u>Principal business activities prior to dissolution</u>	<u>Date of dissolution</u>	<u>Means of dissolution</u>	<u>Reason for dissolution</u>
Treasure View Industries Limited . . . . .	Hong Kong	Investment holding	16 July 2004	Deregistration	Cessation of business
Well Creative Development Limited . . . . .	Hong Kong	Company did not engage in any business activity since incorporation	6 November 2015	Deregistration	Company did not engage in any business activity since incorporation

### COMPANY SECRETARY

**Ms. Ng Shun Ying (吳舜瑛)**, aged 39, is our company secretary. For a description of her biography, please refer to the paragraph headed “Senior Management” in this section.

### BOARD COMMITTEES

Each of the three board committees has written terms of reference. The committees operate in accordance with the terms of reference established by our Board.

#### Audit Committee

We have established an Audit Committee pursuant to a resolution of our Directors passed on 21 June 2016. Our Audit Committee has written terms of reference in compliance with Rule 3.21 of the Listing Rules and the Corporate Governance Code and Corporate Governance Report (“**CG Code**”) as set out in Appendix 14 to the Listing Rules. The primary duties of the Audit Committee of our Company are mainly to make recommendations to our Board on the appointment and dismissal of the external auditor, review the financial statements and information and provide advice in respect of financial reporting and oversee the internal control procedures of our Company. At present, the Audit Committee consists of three members: all three independent non-executive Directors, being Mr. Wan Sze Chung, who will serve as chairman of the committee, Dr. Yu Kin Tim and Mr. Ho Chi Lam.

#### Remuneration Committee

We have established a Remuneration Committee pursuant to a resolution of our Directors passed on 21 June 2016. Our Company has written terms of reference in compliance with Rule 3.25 of the Listing Rules and the CG Code. The primary functions of the Remuneration Committee of our Company are to make recommendation to our Board on the overall remuneration policy and the structure relating to all Directors and senior management of our Group, review performance-based remuneration and ensure none of our Directors determine their own remuneration. At present, the Remuneration Committee consists of three members: one executive Director, being Mr. Chan Wing Hong Alex, who will serve as chairman of the committee, and two independent non-executive Directors, being Dr. Yu Kin Tim and Mr. Wan Sze Chung.

#### Nomination Committee

We have established a Nomination Committee pursuant to a resolution of our Directors passed on 21 June 2016. Our Company has written terms of reference in compliance with the CG Code. The primary functions of the Nomination Committee of our Company are to review the structure, size and composition (including the skills, knowledge and experience) of our Board at least annually and make recommendation to our Board on any proposed changes to our Board to

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## DIRECTORS, SENIOR MANAGEMENT AND STAFF

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complement our Company's corporate strategy; identify individuals suitably qualified as potential board members and select or make recommendations to our Board on the selection of individuals nominated for directorships; to assess the independence of our independent non-executive Directors; and make recommendations to our Board on the appointment or reappointment of Directors and succession planning of Directors, in particular that of our Chairman and the chief executive officer. At present, the Nomination Committee consists of three members: one executive Director, being Mr. Chan Wing Hong Alex, who will serve as chairman of the committee, and two independent non-executive Directors, being Dr. Yu Kin Tim and Mr. Wan Sze Chung.

### **Risk Management Committee**

We have established a Risk Management Committee pursuant to a resolution of our Directors passed on 29 February 2016. Our Company has written terms of reference in compliance with the CG Code. The primary functions of the Risk Management Committee of our Company are to enhance our Company's risk management ability and improve corporate governance of our Company, as well as to assess the latest sanctions-related risks our operations may be exposed to. At present, the Risk Management Committee consists of three members, being Mr. Chan Wing Hong Alex, who will serve as chairman of the committee, Mr. Chau Kit Wai and Mr. Yip Kai Kut Kenneth.

### **REMUNERATION POLICY**

Our Directors and senior management receive compensation in the form of salaries, discretionary bonuses, contributions to pension schemes, long-term incentives, housing and other allowances and benefits in kind subject to applicable laws, rules and regulations.

The aggregate amount of remuneration including salaries, allowances and benefits in kind which were paid to our Directors for each of the three years ended 31 December 2015 were approximately US\$0.72 million, US\$1.03 million and US\$0.95 million, respectively.

The aggregate amount of remuneration including salaries, allowances and benefits in kind which were paid to our five highest paid individuals (excluding the Directors amongst the five highest paid individuals) for each of the three years ended 31 December 2015 were approximately US\$0.11 million, nil and nil, respectively.

Our Company regularly reviews and determines the remuneration and compensation packages of our Directors and senior management. After the Listing, the Remuneration Committee of our Company will review and determine the remuneration and compensation packages of our Directors and senior management with reference to salaries paid by comparable companies, time commitment and responsibilities of our Directors and performance of our Group. Under such arrangement and pursuant to our Directors' service contracts and letters of appointment referred to in the section headed "Statutory and General Information – Further Information about our Directors – 9. Particulars of service contracts" in Appendix IV to this prospectus, the aggregate amount of remuneration including salaries, allowances and benefits in kind payable to our Directors (excluding any discretionary bonuses) for the year ending 31 December 2016 is estimated to be approximately US\$1.00 million.

During the Track Record Period, no remuneration was paid by our Group to, or received by, our Directors or senior management as an inducement to join or upon joining our Group or as a compensation for loss of office. None of our Directors waived any remuneration during the same period.

**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 prospectus.

**COMPLIANCE ADVISER**

We have appointed Southwest HK Capital as our compliance adviser pursuant to Rule 3A.19 of the Listing Rules. Pursuant to Rule 3A.23 of the Listing Rules, our Company must consult with and, if necessary, seek advice from the compliance adviser on a timely basis in the following circumstances:

- (i) before the publication of any regulatory announcement, circular or financial report;
- (ii) where a transaction, which might be a notifiable or connected transaction, is contemplated, including but not limited to share issues and share repurchases;
- (iii) where our Company proposes to use the proceeds of the Global Offering in a manner different from that detailed in this prospectus or where our business activities, development or results of our Company deviate from any forecast, estimate, or other information in this prospectus; and
- (iv) where the Stock Exchange makes inquiries of our Company regarding unusual movements in the price or trading volume of Shares, the possible development of a false market in its securities, or any other matters as mentioned under Rule 13.10 of the Listing Rules.

The term of appointment of our compliance adviser will commence on the Listing Date and will end on the date of despatch of our annual report in respect of our financial results for the first full financial year commencing after the Listing Date.

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## SUBSTANTIAL SHAREHOLDERS

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So far as the Directors are aware, the following persons or entities will, immediately following the completion of the Global Offering (assuming the Over-allotment Option is not exercised and taking no account of any Shares that may be allotted and issued upon the exercise of any options which may be granted under the Share Option Scheme), have an interest or a short position in our Shares or underlying Shares which would fall to be disclosed to our Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who will be directly and/or indirectly interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of our Company and our subsidiaries:

<u>Name</u>	<u>Capacity</u>	<u>Number of Shares held (L) (Note 1)</u>	<u>Approximate percentage of shareholding in our Company</u>
Mr. Chan . . . . .	Beneficial owner	750,000,000	75%

*Notes:*

1. The letter "L" denotes the entity/person's long position in our Shares.

Save as disclosed above, our Directors are not aware of any person who will, immediately following completion of the Global Offering (assuming the Over-allotment Option is not exercised and without taking into account any Shares to be allotted and issued upon the exercise of any options which may be granted under the Share Option Scheme), have interests or short positions in our Shares or underlying Shares which would fall to be disclosed to our Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, who is, directly or indirectly, interested in 10% or more of the nominal value of any class of shares carrying rights to vote in all circumstances at general meetings of our Company and our subsidiaries.

## SHARE CAPITAL

### AUTHORISED AND ISSUED SHARE CAPITAL

The authorised share capital of our Company is as follows:

Authorised share capital	HK\$
4,000,000,000 Shares	40,000,000

Assuming the Over-allotment Option is not exercised, the share capital of our Company immediately following the completion of the Capitalisation Issue and the Global Offering will be as follows (without taking into account any Shares which may be issued and allotted upon the exercise of any options that have been may be granted under the Share Option Scheme):

*Shares issued or to be issued, fully paid or credited as fully paid:*

Number of Shares	Description of Shares	Aggregate nominal value of Shares (HK\$)	Approximate percentage of issued share capital
2	Shares in issue at the date of this prospectus	0.02	0.00%
749,999,998	Shares to be allotted and issued pursuant to the Capitalisation Issue <i>(Note 1)</i>	7,499,999.98	75.00%
250,000,000	Shares to be allotted and issued in the Global Offering	2,500,000.00	25.00%
1,000,000,000	Total	10,000,000.00	100.00%

Assuming the Over-allotment Option is exercised in full, the share capital of our Company immediately following the completion of the Capitalisation Issue and the Global Offering will be as follows (without taking into account any Shares which may be issued and allotted upon the exercise of any options that may be granted under the Share Option Scheme):

*Shares issued or to be issued, fully paid or credited as fully paid:*

Number of Shares	Description of Shares	Aggregate nominal value of Shares (HK\$)	Approximate percentage of issued share capital
2	Shares in issue at the date of this prospectus	0.02	0.00%
749,999,998	Shares to be allotted and issued pursuant to the Capitalisation Issue <i>(Note 1)</i>	7,499,999.98	72.29%
250,000,000	Shares to be allotted and issued in the Global Offering	2,500,000.00	24.10%
37,500,000	Shares to be allotted and issued upon exercise of the Over-allotment Option in full	375,000.00	3.61%
1,037,500,000	Total	10,375,000.00	100.00%

Notes:

- (1) Pursuant to the written resolutions passed by our then Shareholder on 21 June 2016, conditional on the share premium account of our Company being credited as a result of the Global Offering, our Directors were authorised to capitalise an amount of HK\$7,499,999.98 standing to the credit of the share premium of our Company as a result of the Global Offering and apply such sum in paying up in full at par 749,999,998 Shares for allotment and issue to the persons whose names appear on the register of members of our Company as at 21 June 2016 in proportion to their then existing shareholdings in our Company, and our Shares to be allotted and issued pursuant to the Capitalisation Issue shall rank *pari passu* in all respects with the existing issued.

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## SHARE CAPITAL

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### Assumptions

The above table assumes the Global Offering has become unconditional and the issue of Shares pursuant thereto is made as described herein. It does not take into account: (i) any Shares which may be allotted and issued (a) pursuant to the exercise of the Over-allotment Option or (b) pursuant to the exercise of the options which may be granted under the Share Option Scheme; (ii) any Shares which may be allotted and issued pursuant to the issuing mandate (as described below); or (iii) any Shares which may be repurchased by our Company pursuant to the repurchase mandate (as described below).

### Ranking

The Offer Shares will rank *pari passu* in all respects with all of our Shares now in issue or to be issued as mentioned in this prospectus, and in particular, will rank in full for all dividends or other distributions hereafter declared, made or paid on our Shares on or after the date on which they are issued, save for entitlements to the Capitalisation Issue.

### SHARE OPTION SCHEME

We have conditionally adopted the Share Option Scheme. The principal terms of the Share Option Scheme are summarised in the section headed “Other Information – 15. Share Option Scheme” in Appendix IV to this prospectus.

### ISSUING MANDATE

Subject to the Global Offering becomes unconditional, our Directors have been granted a general and unconditional mandate to allot, issue and deal with Shares with a total nominal value of not more than the sum of:

- (i) 20% of the aggregate nominal value of the share capital of our Company in issue immediately following completion of the Capitalisation Issue and the Global Offering (excluding any Shares which may be allotted and issued upon the exercise of the Over-allotment Option or any options which may be granted under the Share Option Scheme); and
- (ii) the aggregate nominal amount of the share capital of our Company repurchased by our Company (if any) pursuant to the repurchase mandate as referred to below.

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## SHARE CAPITAL

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The issuing mandate will expire at the earliest of:

- (i) the conclusion of our Company's next annual general meeting;
- (ii) the expiration of the period within which the next general meeting of our Company is required to be held pursuant to the Articles and the applicable laws of the Cayman Islands; or
- (iii) the passing of an ordinary resolution by our Shareholders in the general meeting of our Company revoking, varying or renewing such mandate given to our Directors.

For further details of this issuing mandate, please refer to the section headed "Further Information about our Group — 3. Resolutions in writing passed by our sole Shareholder" in Appendix IV to this prospectus.

### REPURCHASE MANDATE

Subject to the Global Offering becoming unconditional, our Directors have been granted a general mandate to exercise all the powers of our Company to repurchase Shares with an aggregate nominal value of not more than 10% of the aggregate nominal amount of the share capital of our Company in issue following the completion of the Capitalisation Issue and the Global Offering (excluding any Shares which may be allotted and issued upon the exercise of the Over-allotment Option or any options which may be granted under the Share Option Scheme).

The repurchase mandate only relates to repurchases made on the Stock Exchange and/or on any other stock exchange on which our Shares may be listed (and which is recognised by the SFC and the Stock Exchange for this purpose) and which are in accordance with the Listing Rules and all other applicable laws, regulations and rules.

The repurchase mandate will expire at the earliest of:

- (i) the conclusion of our Company's next annual general meeting;
- (ii) the expiration of the period within which the next annual general meeting of our Company is required to be held pursuant to the Articles and the applicable laws of the Cayman Islands; or
- (iii) the passing of an ordinary resolution by our Shareholders in the general meeting of our Company revoking, varying or renewing such repurchase mandate given to our Directors.

For further details of this repurchase mandate, please refer to the section headed "Statutory and General Information — Further Information about our Group — 6. Repurchase by our Company of its own securities" in Appendix IV to this prospectus.

### CIRCUMSTANCES UNDER WHICH GENERAL MEETING AND CLASS MEETING ARE REQUIRED

As a matter of Cayman Companies Law, an exempted company is not required by law to hold any general meetings or class meetings on an annual or regular basis. The holding of a general meeting or class meeting is prescribed for under the articles of association of a company. Accordingly, we will hold general meetings as prescribed for under our Articles, a summary of which is set out in the section headed "Summary of the Constitution of our Company and Cayman Islands Companies Law" in Appendix III to this prospectus.



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## FINANCIAL INFORMATION

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*You should read the following discussion of our financial condition and results of operations in conjunction with our combined financial statements and related notes set out in the Accountants' Report included in Appendix I to this prospectus. The Accountants' Report contains our audited combined financial statements as at and for each of the three years ended 31 December 2015. Our combined financial statements have been prepared in accordance with HKFRSs, which may differ in material respects from generally accepted accounting principles in other jurisdictions. This discussion contains forward-looking statements that involve risks and uncertainties. Our future results could differ materially from those anticipated in these forward-looking statements as a result of various factors, including those described in the sections headed "Forward-Looking Statements" and "Risk Factors" and elsewhere in this prospectus.*

### 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. We market and sell our products and services to customers and end users under our own brands namely "Peplink" and "Pepwave". We mainly sell our products and warranty and support services provided by us through an extensive network of distributors which consists of Independent Third Parties in different regions of the world.

We have experienced rapid growth during the Track Record Period. 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 listing expense and an increase in staff cost and general office expenses which was in line with our business expansion.

### BASIS OF PRESENTATION

Our Company was incorporated in the Cayman Islands on 5 May 2015. We underwent a Reorganisation in anticipation of the Global Offering, pursuant to which our Company became the holding company of the companies now comprising our Group. As the companies now comprising our Group were under the common control of our Controlling Shareholder before and after the Reorganisation, the Reorganisation has been accounted for on the basis of merger accounting as if the Reorganisation had been completed at the beginning of the Track Record Period. Accordingly, our combined statements of profit or loss and other comprehensive income, combined statements of changes in equity and combined statements of cash flows for any year during the Track Record Period include the results and cash flows of all companies now comprising our Group from the earliest date presented or since the date when the relevant subsidiaries or businesses first came under the common control of our Controlling Shareholder, where this is the shorter period. Our combined statements of financial position as at each reporting date during the Track Record Period have been prepared to present the assets and liabilities of the subsidiaries using the existing book values from our Controlling Shareholder's perspective. No adjustments are made to reflect fair values or recognise any new assets or liabilities as a result of the Reorganisation.

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## FINANCIAL INFORMATION

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### MAJOR FACTORS AFFECTING OUR RESULTS OF OPERATIONS

Our financial condition and results of operations are affected by a number of factors, including those set out below:

#### Product/Service Mix

We generated our revenue primarily from the design, development, marketing and sale of our SD-WAN routers as our principal products. We have developed and will continue to develop new products to expand and diversify our product portfolio. We also generated revenue from other businesses such as software licences, and warranty and support services. The profitability of our product sales and provision of services varies according to factors including the nature of the products and services, technological development and market supply and demand. As different products generally have different demand and prices and are in different stages of their product cycles, changes in revenue mix in connection with the sales of products and provision of services may affect our revenue and financial results.

#### Market Demand for our Products

We develop and sell our SD-WAN routers to our customers in international markets. The demand for our products is affected by the level of continuous growth in the use of Internet, particularly access the Internet through 3G/4G LTE in the countries that our customers reside. If the infrastructure is unable to support the growing use of the Internet, end users' use of the Internet may be hindered and demand for our products 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 revenue and growth could be adversely affected.

#### Pricing and Cost of Raw Materials and Components

Our cost of inventories sold accounted for approximately 87.6%, 87.7% and 91.7% of our cost of sales during each of the three years ended 31 December 2015. Our major raw materials used for our products include CPUs and wireless communication modules. The availabilities and prices of these components and raw materials depend on domestic and global market conditions and our relationships with suppliers. Fluctuations in the prices of these components and raw materials may affect the manufacturing and service costs of ourselves and our suppliers. We price our products generally based on our estimated or actual costs incurred plus a profit margin. Our results of operations are therefore affected by our ability to price our products at our desired profit margins and to accurately estimate and account for our product costs under this cost-plus pricing structure. Our pricing and bargaining power can be affected by market factors such as intensified competition from other competitors and any decrease in wholesale or retail prices to our customers in the market, as well as changes in demand for our products.

#### Technology Change

The market for our products 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 by our direct competitors or others 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 render our existing products obsolete, unmarketable, or less competitive. In particular, an industry-wide adoption of new standards could reduce the importance of the functionality of our products and materially adversely affect the

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## FINANCIAL INFORMATION

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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 to gain the trust of the new regional market or new industry.

Our success depends upon our ability to enhance existing products, to respond to changing customer requirements, technological and competitive developments and emerging industry standards, and to conduct research and development, work with raw materials suppliers and contract manufacturers and introduce new products in a timely manner. We cannot guarantee that we will not experience delays in releasing new products, new software and product enhancements as we experienced such delays in the past. It is possible that some of our distributors and end users defer purchasing our products until the new products, new software or product enhancements are released. Further, even if we are able to develop new products, new software and product enhancements, we cannot assure that they will achieve market acceptance.

### CRITICAL ACCOUNTING POLICIES, ESTIMATES AND JUDGEMENTS

We have identified certain accounting policies that are significant to the preparation of our combined financial statements. Some of our accounting policies involve subjective assumptions and estimates, as well as complex judgments relating to accounting items. In each case, the determination of these items requires management to make subjective and complex judgments based on information and financial data that may change in future periods. When reviewing our combined financial statements, you should consider (i) our significant accounting policies; (ii) the judgments and other uncertainties affecting the application of such policies; and (iii) the sensitivity of reported results to changes in conditions and assumptions. We set out below those accounting policies that we believe are of critical importance to us or involve the most significant estimates and judgments used in the preparation of our financial statements:

- Revenue recognition
- Intangible assets
- Impairment of tangible and intangible assets other than goodwill
- Inventories
- Taxation

Please refer to notes 4 and 5 to our combined financial statements included in the Accountants' Report in Appendix I to this prospectus for further details of the significant accounting policies, judgments and estimates, which are important for an understanding of our financial condition and results of operations.

## FINANCIAL INFORMATION

### DESCRIPTION OF SELECTED ITEMS IN COMBINED STATEMENTS OF PROFIT OR LOSS

The table below summarises the combined statements of profit or loss data from the Financial Statements during the Track Record Period, details of which are set out in the Accountants' Report in Appendix I to this prospectus:

	For the year ended 31 December		
	2013	2014	2015
	US\$'000	US\$'000	US\$'000
<b>Revenue</b> . . . . .	13,306	17,946	21,859
Cost of sales . . . . .	(4,655)	(6,910)	(9,166)
<b>Gross profit</b> . . . . .	8,651	11,036	12,693
Other income . . . . .	34	129	69
(Allowance for) reversal of allowance for doubtful debts . . . . .	—	177	—
Selling and distribution expenses . . . . .	(830)	(1,035)	(1,003)
Administrative expenses . . . . .	(1,706)	(2,049)	(2,710)
Research and development expenses . . . . .	(3,136)	(3,969)	(3,907)
Listing expenses . . . . .	—	—	(1,001)
Finance costs . . . . .	(4)	(4)	(1)
<b>Profit before taxation</b> . . . . .	3,009	4,285	4,140
Income tax expenses . . . . .	(444)	(542)	(783)
<b>Profit for the year</b> . . . . .	<u>2,565</u>	<u>3,743</u>	<u>3,357</u>

### Revenue

During the Track Record Period, we generated revenue mainly from the sale of SD-WAN routers and 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 products. Our revenue represents the net invoiced value of (i) the products sold, after deducting allowances for returns and trade discounts; and (ii) services rendered.

Our product/service consist mainly of the following categories: (i) SD-WAN routers which are further divided into wired and wireless products; (ii) warranty and support services; and (iii) software licences. While we historically generated our revenues mainly from the sale of SD-WAN routers, we expect our business in the grant of software licences and the provision of warranty and support service will become a more important source of income in the next few years due to the fact that accumulated number of SD-WAN routers is increasing and they require extended services or warranties.

The table below sets out our revenue by product/service category 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
<b>Total</b> . . . . .	<u>13,306</u>	<u>100.0</u>	<u>17,946</u>	<u>100.0</u>	<u>21,859</u>	<u>100.0</u>

Our revenue experienced continuous growth in each year from 2013 to 2015, primarily due to introduction of new and improved products, such as MAX BR series with 4G LTE capabilities, enhanced awareness of our brand and growing customer base for our products which was in line with strong market demand for Internet connectivity in recent years.

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In order to capture the potential growth in wireless Internet connectivity due to the industry trend of expanding 4G LTE networks and decrease of the network costs, as such in 2013 we strategically changed our focus from wired routers to wireless routers in response to increasing demand for wireless networks and the intention to expand our customer base. Our revenue derived from the sales of wireless routers accounted for approximately 33.8%, 42.5% and 48.9% of total revenue for each of the three years ended 31 December 2015, respectively and the amount exceeded the revenue from the sale of wired routers since 2014.

The table below sets out the breakdown of revenue from the sale of major products during the Track Record Period:

	For the year ended 31 December					
	2013		2014		2015	
	Revenue US\$'000	Sales volume units	Revenue US\$'000	Sales volume units	Revenue US\$'000	Sales volume units
<b>Major products</b>						
Wired routers:						
Balance small network series . . . . .	972	5,349	1,364	5,412	1,478	6,389
Balance enterprise series . . . . .	5,508	4,331	5,685	3,839	5,207	3,412
Others . . . . .	7	5	444	213	302	127
<b>Total</b> . . . . .	<b>6,487</b>	<b>9,685</b>	<b>7,493</b>	<b>9,464</b>	<b>6,987</b>	<b>9,928</b>
Wireless routers:						
MAX HD series . . . . .	1,115	913	2,344	1,560	2,979	1,726
MAX BR series . . . . .	912	3,774	2,594	10,158	5,221	23,347
MAX USB series . . . . .	957	3,107	933	4,636	811	4,718
Others . . . . .	1,519	13,394	1,764	12,724	1,674	15,694
<b>Total</b> . . . . .	<b>4,503</b>	<b>21,188</b>	<b>7,635</b>	<b>29,078</b>	<b>10,685</b>	<b>45,485</b>

We sell products mainly to customers in North America. We expect the North American market will continue to account for a major part of our revenue in the foreseeable future. In terms of absolute sales amount, sales to North America, EMEA and Asia experienced continuous growth during the Track Record Period.

For the year ended 31 December 2013, our revenue was mainly derived from North America which accounted for approximately 47.4% of our total revenue. In order to reduce the reliance on North American market, we strategically expanded our distribution network to EMEA and Asian regions starting from 2014. The growth in sales from EMEA exceed 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. For the year ended 31 December 2015, our sales in EMEA experienced a strong growth by approximately 50.7% when compared to year 2014, which was driven by the demand for MAX BR series for the transportation market and was in line with the expansion of 4G LTE networks in that region.

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 US\$'000	% of total %	Revenue US\$'000	% of total %	Revenue US\$'000	% of total %
North America . . . . .	6,310	47.4	7,519	41.9	9,179	42.0
EMEA . . . . .	3,045	22.9	4,878	27.2	7,352	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
<b>Total</b> . . . . .	<b>13,306</b>	<b>100.0</b>	<b>17,946</b>	<b>100.0</b>	<b>21,859</b>	<b>100.0</b>

## FINANCIAL INFORMATION

### Cost of Sales

Cost of sales represents cost and expenses directly attributable to the sale of our products, warranty and support services, it comprises mainly (i) cost of inventories sold; (ii) warranty costs; and (iii) other direct expenses. Cost of inventories sold is our main component of cost of sales and accounted for approximately 87.6%, 87.7% and 91.7% of our total cost of sales for each of the three years ended 31 December 2015, respectively, which mainly included purchase costs of routers made by contract manufacturers, components, raw materials and accessories. Warranty costs represent costs of provision for customer support services and repair services. Other direct expenses mainly include labour cost, direct shipping expense and insurance.

The table below sets out the breakdown of cost of sales by components of cost of sales in terms of absolute amount and as a percentage of total cost of sales during the Track Record Period:

	For the year ended 31 December					
	2013		2014		2015	
	Cost of Sales US\$'000	% of total %	Cost of Sales US\$'000	% of total %	Cost of Sales US\$'000	% of total %
Cost of inventories sold	4,077	87.6	6,060	87.7	8,407	91.7
Warranty costs	485	10.4	420	6.1	530	5.8
Other direct expenses	93	2.0	430	6.2	229	2.5
<b>Total</b>	<b>4,655</b>	<b>100.0</b>	<b>6,910</b>	<b>100.0</b>	<b>9,166</b>	<b>100.0</b>

### Gross Profit and Gross Profit Margin

For each of the three years ended 31 December 2015, our gross profit was 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.

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 US\$'000	Gross profit margin %	Gross profit US\$'000	Gross profit margin %	Gross profit US\$'000	Gross profit margin %
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
<b>Total</b>	<b>8,651</b>	<b>65.0</b>	<b>11,036</b>	<b>61.5</b>	<b>12,693</b>	<b>58.1</b>

Our wireless routers recorded the lowest profit margin among all of our products and services while the 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. Our business was not affected by seasonality and 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 distributors, and the cost of raw materials and components.

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

	For the year ended 31 December														
	2013					2014					2015				
	Sales volume units	Average selling price US\$	Average unit cost US\$	Average gross profit US\$	Gross profit margin %	Sales volume units	Average selling price US\$	Average unit cost US\$	Average gross profit US\$	Gross profit margin %	Sales volume units	Average selling price US\$	Average unit cost US\$	Average gross profit US\$	Gross profit margin %
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%
<b>Total . . . . .</b>	<b>30,873</b>					<b>38,542</b>					<b>55,413</b>				
Overall gross profit margin of SD-WAN routers . . . . .					<u>60.4%</u>					<u>57.1%</u>					<u>51.1%</u>

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.

Our gross profit increased by approximately US\$1.65 million from approximately US\$11.04 million in 2014 to approximately US\$12.69 million in 2015. This was mainly contributed by increase in sale of wireless routers and warranty and support services which was partially offset by decrease in gross profit from sale of wired routers. Due to strong U.S. dollars in 2015, the sale of our wired router, especially the high-priced wired models, in the Asian region was affected. In response to the currency fluctuation and our continuous effort to expand market share, we adjusted our pricing strategy in order to make our products more competitive especially in the Asian region. As a result, the average selling price, average gross profit and gross profit margin of our wired routers in 2015 were lower than those of 2014. Our sales in the Asian region only recorded a low growth of approximately 2.9% in 2015.

For our wireless routers, in additions to the above change of pricing strategy, the sale of lower margin wireless models in our product mix of our wireless routers increased from approximately 57.1% in 2014 to approximately 64.5% in 2015 and also contributed the decrease in the average selling price, average gross profit and gross profit margin of our wireless routers in 2015. Although the average selling price of our wireless products sold decreased in 2015, the significant increase in sales volume offset and overrode the negative effect to our gross profit caused by the decrease in the average selling price, which resulted in an increase in our gross profit of wireless products in 2015. 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 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 sale of our wireless routers, the gross profit margin of wireless routers decreased from approximately 46.4% in 2013 to approximately 44.7% in 2014.

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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 illustration purpose only, the table below sets out sensitivity analysis of our net profit for the year with reference to the fluctuation on the average selling price of routers and total cost of inventories sold during the Track Record Period:

	Hypothetical increase/ decrease in average selling price of routers by 5%	Hypothetical increase/ decrease in average selling price of routers by 10%	Hypothetical increase/ decrease in total cost of inventories sold by 5%	Hypothetical increase/ decrease in total cost of inventories sold by 10%
	US\$'000	US\$'000	US\$'000	US\$'000
Decrease/Increase in our net profit for the year:				
Year ended 31 December 2013 .....	459	918	170	340
Year ended 31 December 2014 .....	632	1,263	253	506
Year ended 31 December 2015 .....	738	1,476	351	702

It demonstrates the impact of the hypothetical increase or decrease in the average selling price of routers and total cost of inventories sold on our net profit for the year, while all other factors remain unchanged.

### Other Income

Other income comprises mainly (i) bank interest income; and (ii) net gain on sales of parts material to contract manufacturers. For more details, please refer to the section headed "Business — Suppliers" in this prospectus.

### Allowance for (Reversal of Allowance for) Doubtful Debts

The allowance for doubtful debts is provided on an individual basis for those trade debtors which have either been in severe financial difficulties or default payments. For the year ended 31 December 2013, approximately US\$147 allowance for doubtful debts was recognised on trade receivables and for the year ended 31 December 2014, a reversal of allowance for doubtful debts of approximately US\$0.18 million was recognised. Other than the above, no other allowance for (reversal of allowance for) doubtful debts was noted during the Track Record Period.

### Selling and Distribution Expenses

Selling and distribution expenses comprise mainly (i) salaries and benefits of our sales and marketing staff; (ii) advertising and promotion expenses incurred to promote our products; and (iii) others represent entertainment and overseas travelling expenses relating to our sales and marketing activities.



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The table below sets out the breakdown of selling and distribution expenses during the Track Record Period:

	For the year ended 31 December		
	2013	2014	2015
	US\$'000	US\$'000	US\$'000
Staff costs . . . . .	350	495	536
Advertising and promotion expenses . . . . .	360	425	408
Others . . . . .	120	115	59
<b>Total</b> . . . . .	<u>830</u>	<u>1,035</u>	<u>1,003</u>

### Administrative Expenses

Administrative expenses comprise mainly (i) salaries and benefits of our administrative, finance and other supporting staff; (ii) depreciation and amortisation; (iii) office and rental expenses; (iv) computer expenses; (v) exchange difference, net; and (vi) miscellaneous expenses.

The table below sets out the breakdown of administrative expenses during the Track Record Period:

	For the year ended 31 December		
	2013	2014	2015
	US\$'000	US\$'000	US\$'000
Staff costs . . . . .	748	740	1,062
Depreciation and amortisation . . . . .	201	244	332
Office and rental expenses . . . . .	493	651	843
Computer expenses . . . . .	50	107	62
Exchange difference, net . . . . .	49	123	217
Others <sup>(Note)</sup> . . . . .	165	184	194
<b>Total</b> . . . . .	<u>1,706</u>	<u>2,049</u>	<u>2,710</u>

*Note: Others mainly include bank charges, audit fee and office expenses.*

### Research and Development Expenses

R&D expenses comprise mainly (i) salaries and benefits of our engineering, testing and supporting staff; (ii) R&D costs including product testing fee, certification cost, tooling, components and parts used for product research and development purpose; and (iii) consultancy fee incurred for research and development purpose.

The table below sets out the breakdown of R&D expenses during the Track Record Period:

	For the year ended 31 December		
	2013	2014	2015
	US\$'000	US\$'000	US\$'000
Staff costs . . . . .	2,428	3,208	3,104
R&D costs . . . . .	549	493	517
Consultancy fee . . . . .	159	268	286
<b>Total</b> . . . . .	<u>3,136</u>	<u>3,969</u>	<u>3,907</u>

For each of the three years ended 31 December 2015, approximately US\$21,000, US\$78,000 and US\$0.27 million of our R&D expenses were capitalised as intangible assets for development and protection of our intellectual properties.

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### Listing Expenses

Listing expenses represent the legal, professional and other fees with respect to the Listing. We recorded listing expenses of approximately US\$1.00 million for the year ended 31 December 2015.

### Finance Costs

Finance costs consist of interest on bank borrowings incurred in connection with the credit facilities provided by commercial banks in Hong Kong.

### Income Tax Expenses

During the Track Record Period, we provided for Hong Kong profits tax at a rate of 16.5% on our estimated assessable profits arising in Hong Kong. Taxation arising in other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions.

Our income tax expenses consist primarily of corporate income tax and movements in deferred tax assets and liabilities. For each of the three years ended 31 December 2015, our income tax expenses were approximately US\$0.44 million, US\$0.54 million and US\$0.78 million, respectively, and our effective income tax rate was approximately 14.8%, 12.6% and 18.9%, respectively. For the years ended 31 December 2013 and 2014, the effective tax rates were lower than 2015 due to the utilisation of tax loss carried forward from the previous financial years before the Track Record Period. The related tax losses arose in the previous financial years in which Pepwave made adjusted accumulated tax losses of approximately US\$1,154,000 due to Pepwave spent several years since its incorporation in developing and marketing the wireless broadband devices and solutions so as to penetrate the market, and Pismo Labs made adjusted accumulated tax losses of approximately US\$806,000 due to the intra-group income earned by Pismo Labs not sufficient in fully covering the R&D expenses and other administrative expenses incurred. The tax losses of approximately US\$268,000 and US\$12,000 in 2013, and approximately US\$886,000 and US\$55,000 in 2014, were subsequently utilised to offset against taxable income which were computed based on profit before tax of Pepwave and Pismo Labs, respectively, adjusted by income not taxable and expenses not deductible for tax purposes, in years 2013 and 2014.

For the year ended 31 December 2015, the higher effective tax rate than the domestic income tax rate of 16.5% was mainly due to the listing expenses incurred not deductible for tax purposes. In addition, Pismo Research (Malaysia) made adjusted loss of approximately US\$117,000 due to the intra-group income earned by Pismo Research (Malaysia) not sufficient in fully covering the supporting services and administrative expenses incurred and Peplink International made adjusted loss of approximately US\$42,000 due to lesser sale orders were concluded during the year by Peplink International. Pismo Labs used its tax losses of approximately US\$538,000 carried forward from previous years to set off against its taxable income in year 2015.

As at the Latest Practicable Date, we had paid or made provisions for all taxes and did not have any material disputes with tax authorities.

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## FINANCIAL INFORMATION

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### RESULTS OF OPERATIONS

#### Year Ended 31 December 2015 Compared with Year Ended 31 December 2014

##### *Revenue*

Our revenue increased by approximately US\$3.91 million or 21.8% from US\$17.95 million for the year ended 31 December 2014 to approximately US\$21.86 million for the year ended 31 December 2015. The increase was mainly attributable to an increase of approximately US\$3.05 million and US\$1.37 million in the sale of wireless routers, software licences, and warranty and support services, respectively, which was partially offset by a decrease of approximately US\$0.50 million in the sales of wired routers. General increase in sales was primarily due to (i) increasing demand from our distributors in North American and EMEA regions; and (ii) an increase in the sale volume in our products, in particular, the increase in sales driven by the MAX BR and MAX HD series for use in transportation passenger Wi-Fi services found in buses, coaches and ferries. This was in line with the industry trend of expanding 4G LTE networks globally and the decrease of such network costs. The resulting increase in sales from increased sales volume outweighed the impact of decrease in average selling price of products.

##### *Cost of Sales*

Our cost of sales increased by approximately US\$2.26 million or approximately 32.7% from US\$6.91 million for the year ended 31 December 2014 to approximately US\$9.17 million for the year ended 31 December 2015. The increase in our total cost of sales was generally in line with the increase in our sales volume.

Our total cost of sales for wired routers increased slightly by approximately 1.3% to approximately US\$2.30 million for the year ended 31 December 2015 from approximately US\$2.27 million for the year ended 31 December 2014 and are in line with the increase in sales volume of wired routers. Our total cost of sales for wireless routers increased by approximately 50.2% to approximately US\$6.34 million for the year ended 31 December 2015 from approximately US\$4.22 million for the year ended 31 December 2014 as a result of increase in sales volume.

##### *Gross Profit and Gross Profit Margin*

As a result of the foregoing, our gross profit increased by approximately US\$1.65 million or 14.9% from approximately US\$11.04 million for the year ended 31 December 2014 to approximately US\$12.69 million for the year ended 31 December 2015. Our overall gross profit margin decreased from approximately 61.5% for the year ended 31 December 2014 to approximately 58.1% for the year ended 31 December 2015.

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The table below sets out the breakdown of our gross profit and gross profit margin of each product/service category for the year ended 31 December 2014 and 2015, as well as the percentages of change in gross profit from the year ended 31 December 2014 to the year ended 31 December 2015:

	For the year ended 31 December						Change in gross profit %
	2014			2015			
	Gross profit US\$'000	% of total %	Gross profit margin %	Gross profit US\$'000	% of total %	Gross profit margin %	
SD-WAN routers:							
Wired . . . . .	5,227	47.4	69.8	4,687	36.9	67.1	(10.3)
Wireless . . . . .	3,411	30.9	44.7	4,350	34.3	40.7	27.5
Warranty and support services . . . . .	2,161	19.6	83.7	3,374	26.6	86.4	56.1
Software licences . . . . .	237	2.1	100.0	282	2.2	100.0	19.0
<b>Total . . . . .</b>	<b>11,036</b>	<b>100.0</b>	<b>61.5</b>	<b>12,693</b>	<b>100.0</b>	<b>58.1</b>	<b>15.0</b>

The gross profit for wired routers decreased from approximately US\$5.23 million for the year ended 31 December 2014 to approximately US\$4.69 million for the year ended 31 December 2015 where the gross profit margin decreased from approximately 69.8% to 67.1% during the same period. A majority of our products was priced and traded in U.S. dollars. Due to strong U.S. dollars in 2015, the sale of our wired routers, especially those high-priced models, in the Asian region was affected. In response to the currency fluctuation and our continuous effort to expand market share, we adjusted our pricing strategy in order to make our products more competitive especially in the Asian region. As a result, the average selling price, average gross profit and gross profit margin of our wired routers in 2015 were lower than those of 2014. Our sales in the Asian region only recorded a low growth of approximately 2.9% in 2015.

The gross profit for wireless routers increased from approximately US\$3.41 million for the year ended 31 December 2014 to approximately US\$4.35 million for the year ended 31 December 2015 where the gross profit margin decreased from approximately 44.7% to 40.7% in the same period. The increase in the gross profit was primarily due to an increase in the sale volume of our lower margin wireless products. In addition to the impact from the above change of pricing strategy, the decrease in our gross profit margin of wireless routers in 2015 was also 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.

The gross profit for warranty and support services increased from approximately US\$2.16 million for the year ended 31 December 2014 to approximately US\$3.37 million for the year ended 31 December 2015, and the gross profit margin increased from approximately 83.7% to 86.4% in the same period. The increase in the gross profit was mainly due to the increase in the product warranty service fee along with our increase in sale volume of routers.

The gross profit for software licences increased slightly from approximately US\$0.24 million for the year ended 31 December 2014 to approximately US\$0.28 million for the year ended 31 December 2015. All R&D costs of software licences are recognised as R&D expenses when incurred. Therefore, the gross profit margin of software licences is 100% during the Track Record Period.

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### *Other Income*

Other income decreased by approximately US\$0.06 million from approximately US\$0.13 million for the year ended 31 December 2014 to approximately US\$0.07 million for the year ended 31 December 2015. The decrease was mainly due to the decrease in net gain from the sale of parts material.

### *Allowance for (Reversal of Allowance for) Doubtful Debts*

Reversal of allowance for doubtful debts of approximately US\$0.18 million was recognised for the year ended 31 December 2014 due to receipt of settlement for trade receivables for which allowance for doubtful debts had previously been made, and no such amount was noted for the year ended 31 December 2015.

### *Selling and Distribution Expenses*

Our selling and distribution expenses decreased slightly by approximately US\$0.04 million or approximately 3.9% from approximately US\$1.04 million for the year ended 31 December 2014 to US\$1.00 million for the year ended 31 December 2015. The decrease was mainly attributable to decrease in overseas travelling expenses as we mainly invited customers to visit our office in Hong Kong for product updates and technical training in 2015.

### *Administrative Expenses*

Our administrative expenses increased by approximately US\$0.66 million or approximately 32.2% from approximately US\$2.05 million for the year ended 31 December 2014 to approximately US\$2.71 million for the year ended 31 December 2015. The increase in the administrative expenses was in line with our expansion of business scale and was mainly attributable to (i) the increase in staff costs as a result of the combined effect of an increase in the average salaries and wage and an increase in the total number of our administrative and operation staff; (ii) the increase in office and rental expenses as we expanded our office space during second half of 2014; (iii) the exchange loss resulted from currency fluctuation; and (iv) the increase in depreciation and amortisation as a result of the increase in our property, plant and equipment and intangible assets.

### *Research and Development Expenses*

Our R&D expenses decreased slightly by approximately US\$0.06 million or 1.5% from approximately US\$3.97 million for the year ended 31 December 2014 to approximately US\$3.91 million for the year ended 31 December 2015. The decrease was primarily due to the decrease in performance bonus distributed to engineering staff.

### *Listing Expenses*

Listing expenses represent the legal, professional and other fees with respect to the Listing. We recorded Listing expenses of nil and approximately US\$1.00 million for the two years ended 31 December 2015, respectively.

### *Finance Costs*

Our finance costs decreased by approximately US\$3,000 or approximately 75.0% from approximately US\$4,000 for the year ended 31 December 2014 to approximately US\$1,000 for the year ended 31 December 2015.

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### *Income Tax Expenses*

Our income tax expenses increased by approximately US\$0.24 million or approximately 44.4% from approximately US\$0.54 million for the year ended 31 December 2014 to approximately US\$0.78 million for the year ended 31 December 2015. Our effective income tax rate increased from approximately 12.6% for the year ended 31 December 2014 to approximately 18.9% for the year ended 31 December 2015, primarily due to utilisation of tax loss by Pismo Labs for the year ended 31 December 2014 and the increase in non-deductible listing expenses for year ended 31 December 2015.

### *Profit for the Year*

As a result of the foregoing, our profit for the year decreased by approximately US\$0.38 million, or approximately 10.2% from approximately US\$3.74 million for the year ended 31 December 2014 to approximately US\$3.36 million for the year ended 31 December 2015.

### **Year ended 31 December 2014 compared with year ended 31 December 2013**

#### *Revenue*

Our revenue increased by approximately US\$4.64 million or approximately 34.9% from approximately US\$13.31 million for the year ended 31 December 2013 to US\$17.95 million for the year ended 31 December 2014. The increase was mainly attributable to an increase of approximately US\$1.00 million, approximately US\$3.14 million and approximately US\$0.50 million in the sale of wired routers, wireless routers and software licences and warranty and support services, respectively. General increase in sales was primarily due to introduction of new products, such as high end MediaFast series and sales volume of products, particularly, the increase in sale driven by the MAX BR and MAX HD series which was in line with the industry trend of expanding 4G LTE networks globally.

#### *Cost of Sales*

Our cost of sales increased by approximately US\$2.25 million or approximately 48.3% from approximately US\$4.66 million for the year ended 31 December 2013 to approximately US\$6.91 million for the year ended 31 December 2014. The increase in our total cost of sales was mainly due to the increase in the sale volume of wireless routers contributed by MAX series.

Our cost of sales for wired routers increased by approximately US\$0.33 million or approximately 17.0% to approximately US\$2.27 million for the year ended 31 December 2014 from approximately US\$1.94 million for the year ended 31 December 2013 and were in line with the increase in revenue of wired routers. Our total cost of sales for wireless routers increased by approximately US\$1.80 million or approximately 74.4% to approximately US\$4.22 million for the year ended 31 December 2014 from approximately US\$2.42 million for the year ended 31 December 2013 as a result of the increase in the sale volume.

#### *Gross Profit and Gross Profit Margin*

As a result of the foregoing, our gross profit increased by approximately US\$2.39 million or 27.6% from approximately US\$8.65 million for the year ended 31 December 2013 to approximately US\$11.04 million for the year ended 31 December 2014. 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.

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The table below sets out the breakdown of our gross profit and gross profit margin of each product/service category for the year ended 31 December 2013 and 2014, as well as the percentages of change in gross profit, from the year 2013 to year 2014:

	For the year ended 31 December						Change in gross profit %
	2013			2014			
	Gross profit US\$'000	% of total %	Gross profit margin %	Gross profit US\$'000	% of total %	Gross profit margin %	
SD-WAN routers:							
Wired . . . . .	4,547	52.6	70.1	5,227	47.4	69.8	15.0
Wireless . . . . .	2,088	24.1	46.4	3,411	30.9	44.7	63.4
Warranty and support services . . . . .	1,532	17.7	83.6	2,161	19.6	83.7	41.1
Software licences . . . . .	484	5.6	100.0	237	2.1	100.0	(51.0)
<b>Total . . . . .</b>	<b>8,651</b>	<b>100.0</b>	<b>65.0</b>	<b>11,036</b>	<b>100.0</b>	<b>61.5</b>	<b>27.6</b>

The gross profit for wired routers increased from approximately US\$4.55 million for the year ended 31 December 2013 to approximately US\$5.23 million for the year ended 31 December 2014, where the gross profit margin remained stable during the same period. The increase in the gross profit was primarily due to the increase in sale volume of high-priced wired routers.

The gross profit for wireless routers increased from approximately US\$2.09 million for the year ended 31 December 2013 to approximately US\$3.41 million for the year ended 31 December 2014, where the gross profit margin decreased slightly from approximately 46.4% to 44.7% during the same period. The increase in gross profit was primarily due to an increase in sale volume. The decrease in gross profit margin of wireless router was mainly due to 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 sale of our wireless routers in 2014.

The gross profit for warranty and support services increased from approximately US\$1.53 million for the year ended 31 December 2013 to approximately US\$2.16 million for the year ended 31 December 2014, and the gross profit margin increased slightly from approximately 83.6% to approximately 83.7% during same period. The increase in the gross profit was mainly due to the increase in product warranty service fee along with the increase in our sale volume of routers.

The gross profit for software licences decreased from approximately US\$0.48 million for the year ended 31 December 2013 to approximately US\$0.24 million for the year ended 31 December 2014. All R&D costs of software licences are recognised as R&D expenses when incurred. Therefore, the gross profit margin of software licences is 100% during the Track Record Period.

### *Other Income*

Our other income increased by approximately US\$0.10 million from approximately US\$0.03 million for the year ended 31 December 2013 to approximately US\$0.13 million for the year ended 31 December 2014. The increase was mainly due to the increase in the net gain from the sale of parts material.

### *Allowance for (Reversal of Allowance for) Doubtful Debts*

Allowance for doubtful debts of approximately US\$147 was recognised for the year ended 31 December 2013 and reversal of allowance for doubtful debts of approximately US\$0.18 million was recognised for the year ended 31 December 2014 due to receipt of settlement for trade receivables for which allowance for doubtful debts had previously been made.

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### *Selling and Distribution Expenses*

Our selling and distribution expenses increased by approximately US\$0.21 million or approximately 25.3% from approximately US\$0.83 million for the year ended 31 December 2013 to approximately US\$1.04 million for the year ended 31 December 2014. The increase was mainly attributable to (i) an increase in the average salaries and wages of our selling and distribution staff; and (ii) an increase in advertising and promotion expenses as a result of our increased efforts, including overseas exhibitions and fees paid to a marketing agency, to promote our products.

### *Administrative Expenses*

Our administrative expenses increased by approximately US\$0.34 million or approximately 19.9% from approximately US\$1.71 million for the year ended 31 December 2013 to approximately US\$2.05 million for year ended 31 December 2014. The increase in administrative expenses was in line with our expansion of business scale and was mainly attributable to (i) the increase in office and rental expenses as we expanded our office space in Hong Kong during second half of year 2014; (ii) exchange loss resulted from currency fluctuation; and (iii) the increase in amortisation as a result of the increase in amortisation for our intangible assets.

### *Research and Development Expenses*

R&D expenses increased by approximately US\$0.83 million or approximately 26.4% to approximately US\$3.97 million for the year ended 31 December 2014 from approximately US\$3.14 million for the year ended 31 December 2013. The increase was primarily due to (i) the increase in average salaries and wages of engineering, testing and supporting staff; and (ii) the increase in consultancy fee for product testing activities of new development projects.

### *Finance Costs*

Our finance costs remained stable at approximately US\$4,000 for each of the two years ended 31 December 2014.

### *Income Tax Expenses*

Our income tax expenses increased by approximately US\$0.1 million or approximately 22.7% from approximately US\$0.44 million for the year ended 31 December 2013 to approximately US\$0.54 million for the year ended 31 December 2014, primarily due to the increase in profit before taxation. Our effective income tax rate decreased from approximately 14.8% in year 2013 to approximately 12.6% in year 2014, mainly due to utilisation of tax loss by Pepwave and Pismo Labs in year 2014.

### *Profit for the Year*

As a result of the foregoing, the profit for the year increased by approximately US\$1.17 million or approximately 45.5% to approximately US\$3.74 million for the year ended 31 December 2014 from US\$2.57 million for the year ended 31 December 2013.

## **LIQUIDITY AND CAPITAL RESOURCES**

We have historically met our liquidity requirements through cash flows from operations and bank borrowings. Our primary liquidity requirements are to fund working capital, capital expenditures and payments of principal and interest due on our borrowings. Going forward, we



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expect these requirements to continue to be our principal requirements of liquidity and we may use a portion of the net proceeds from the Global Offering to finance some of our capital requirements.

### Cash Flows

The table below sets out a summary of our 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
Net increase/(decrease) in cash and cash equivalents. . .	1,766	(416)	2,306
Cash and cash equivalents at the beginning of the year .	2,365	4,133	3,696
Effect of foreign exchange rate changes on cash and cash equivalents . . . . .	2	(21)	60
<b>Cash and cash equivalents at the end of the year . . .</b>	<b>4,133</b>	<b>3,696</b>	<b>6,062</b>

#### *Net Cash Flow from Operating Activities*

During the Track Record Period, our cash inflow from operating activities was principally from the receipt of the proceeds from the sale 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 our contract manufacturers, raw materials and accessories and for salary payments.

Cash generated from operating activities reflects our profit before taxation, adjusted for (i) non-cash items and all other items for which the cash effects are non-operating (such as depreciation of property, plant and equipment, amortisation of intangible assets, provision of inventories, allowance for doubtful debts); and (ii) the effects of changes in working capital, such as changes in inventories, trade and other receivables, trade and other payables, deferred revenue and amount due to related companies. Cash flows from operating activities can be significantly affected by factors such as the timing of collections of trade receivables from customers and payments of trade payables to suppliers during the ordinary course of business.

For the year ended 31 December 2015, we recorded net cash inflows from operating activities of approximately US\$3.02 million, primarily as a result of the cash inflow from operating activities before movements in working capital of approximately US\$4.51 million. Working capital adjustments reflected: (i) an increase in trade and other receivables of approximately US\$0.53 million mainly due to the revenue generated during year 2015 which was not yet due for settlements; (ii) an increase in inventories of approximately US\$0.52 million due to the purchase of components, raw materials and finished goods made in 2015 according to our manufacturing demands; and (iii) a decrease in trade and other payables of approximately US\$0.94 million due to decrease in trade deposits received from customers upon fulfilment of sales orders before end of 2015. Such negative adjustments were partially offset by an increase in deferred revenue of approximately US\$1.21 million due to the fact that more customers purchase our warranty and support services, which was in line with increased sales volume. We paid income tax of approximately US\$0.78 million for the year ended 31 December 2015.

For the year ended 31 December 2014, net cash generated from operating activities was approximately US\$3.09 million. Our operation cash flow before working capital adjustments was approximately US\$4.58 million. Working capital adjustments reflected (i) an increase in trade and other receivables of approximately US\$1.01 million due to the increase in sale during the last two

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months in 2014 compared with the same period in 2013; (ii) an increase in inventories of approximately US\$1.30 million; and (iii) a decrease of amount due to related companies of approximately US\$0.20 million which was partially offset by (a) an increase in trade and other payables of approximately US\$0.47 million and primarily due to increase in accruals and trade deposits received from customers for purchase of products; and (b) an increase in deferred revenue of approximately US\$0.91 million due to the fact that more customers purchased warranty and support services which was in line with increased sales volume. We paid income tax of approximately US\$0.36 million for the year ended 31 December 2014.

For the year ended 31 December 2013, net cash generated from operating activities was approximately US\$3.07 million. Our operation cash flow before working capital adjustments was approximately US\$3.40 million. Working capital adjustments reflected (i) an increase in trade and other receivables of approximately US\$1.20 million due to the increased sales during the last two months in 2013 compared with the same period in 2012; and (ii) an increase in inventories of approximately US\$0.58 million which was partially offset by (a) an increase in trade payables and advances from customers of approximately US\$0.86 million, primarily due to an increase in the sale and purchase volume; and (b) an increase in the deferred revenue of approximately US\$0.69 million. We paid income tax of approximately US\$0.10 million for the year ended 31 December 2013.

### *Net Cash Flow used in/from Investing Activities*

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.

For the year ended 31 December 2015, we recorded net cash outflows from investing activities of approximately US\$0.91 million, primarily due to (i) payments for acquisition of property, plant and equipment of approximately US\$0.21 million; (ii) payments of application cost for patent, trademark, test and certificate of approximately US\$0.26 million; and (iii) repayment of borrowings on behalf of the related companies of approximately US\$0.52 million.

For the year ended 31 December 2014, we recorded net cash inflows from investing activities of approximately US\$0.13 million, primarily due to (i) payments for acquisition of property, plant and equipment of approximately US\$0.35 million; and (ii) advances to a director of approximately US\$2.53 million, which was offset by receipts on advances to a director of approximately US\$3.19 million.

For the year ended 31 December 2013, we recorded net cash outflows from investing activities of approximately US\$0.02 million, primarily due to (i) payments for acquisition of property, plant and equipment of approximately US\$0.24 million; and (ii) advances to a director of approximately US\$1.05 million, which was partially offset by receipts on advances to a director of approximately US\$1.32 million.

### *Net Cash Flow used in/from Financing Activities*

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.

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For the year ended 31 December 2015, we recorded net cash from financing activities of approximately US\$0.20 million, primarily due to dividends paid to a Shareholder of approximately US\$2.80 million which was offset by (i) new bank loans of approximately US\$1.24 million; and (ii) advances from a director of approximately US\$2.15 million which were subsequently fully settled in June 2016.

For the year ended 31 December 2014, we recorded net cash used in financing activities of approximately US\$3.64 million, primarily due to dividends paid to a Shareholder of approximately US\$3.70 million, which was partially offset by the net advances from related companies of approximately US\$0.06 million.

For the year ended 31 December 2013, we recorded net cash used in financing activities of approximately US\$1.29 million, primarily due to the dividends paid to a Shareholder of approximately US\$1.30 million, which was partially offset by the net advances from related companies of approximately US\$0.01 million.

### **Working Capital**

Taking into account the financial resources available to our Group, including the internally generated funds, available banking facility and the estimated net proceeds of the Global Offering, our Directors are of the opinion that our Group has sufficient working capital for our present requirements, that is, for at least the next 12 months from the date of this prospectus.

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### Net Current Assets

The table below sets out our combined current assets, current liabilities and net current assets as at the dates indicated extracted from the combined statements of financial position:

	As at 31 December			As at
	2013	2014	2015	30 April
	US\$'000	US\$'000	US\$'000	2016
				US\$'000
				(unaudited)
<b>Current Assets</b>				
Inventories . . . . .	2,585	3,651	4,138	4,263
Trade and other receivables . . . . .	2,136	3,328	3,857	4,505
Amount due from a director . . . . .	665	—	—	—
Amounts due from related companies . . . . .	728	816	459	494
Bank balance and cash . . . . .	4,133	3,696	6,062	5,397
<b>Total Current Assets . . . . .</b>	<b>10,247</b>	<b>11,491</b>	<b>14,516</b>	<b>14,659</b>
<b>Current Liabilities</b>				
Trade and other payables . . . . .	1,514	1,983	1,045	1,298
Amount due to a director . . . . .	—	2	1,794	20
Amounts due to related companies . . . . .	246	152	15	15
Deferred revenue . . . . .	1,257	1,768	2,852	2,837
Tax liabilities . . . . .	342	499	516	725
Bank borrowings . . . . .	59	60	1,239	1,010
<b>Total Current Liabilities . . . . .</b>	<b>3,418</b>	<b>4,464</b>	<b>7,461</b>	<b>5,905</b>
<b>Net Current Assets . . . . .</b>	<b>6,829</b>	<b>7,027</b>	<b>7,055</b>	<b>8,754</b>

As at 31 December 2013, 2014 and 2015 and 30 April 2016, our net current assets amounted to approximately US\$6.83 million, US\$7.03 million, US\$7.06 million and US\$8.75 million, respectively. Our net current assets position as at each of these dates was mainly attributable to our inventories, trade and other receivables and cash and cash equivalents, partially offset by our trade and other payables, deferred revenue, bank borrowings and amounts due to a director and related companies which were subsequently settled in June 2016.

Our net current assets increased by approximately 23.9% from US\$7.06 million as at 31 December 2015 to US\$8.75 million as at 30 April 2016, primarily due to (i) an increase in inventories of approximately US\$0.12 million resulted from our purchase of raw materials and finished goods to fulfil estimated demand for our products; (ii) an increase in trade and other receivables of approximately US\$0.65 million due to increase in prepayment for deferred listing expenses; and (iii) a decrease in amount due to a director of approximately US\$1.77 million due to settlement of dividend declared for year 2015, partially offset by an increase in trade and other payables of approximately US\$0.25 million mainly resulted from increase in trade deposits received from customers for purchase of products.

Our net current assets increased slightly by approximately 0.4% to approximately US\$7.06 million as at 31 December 2015 from approximately US\$7.03 million as at 31 December 2014. This increase in net current assets was primarily due to (i) an increase in bank balance and cash of approximately US\$2.36 million resulting from the increase in our revenue earned during the year 2015 and bank borrowing of approximately US\$1.24 million obtained in December 2015; (ii) an increase in inventories of approximately US\$0.49 million primarily as a result of an increase in raw materials and finished goods to fulfil estimated demand for our products; (iii) an increase in trade and other receivables of approximately US\$0.53 million due to increase in trade receivables resulted from (a) delay in settlement from some of our customers and majority of which was subsequently settled up to the Latest Practicable Date; and (b) increase in prepayment for

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deferred listing expenses during the year; and (iv) a decrease in trade and other payables of approximately US\$0.93 million resulting from settlement to suppliers and decrease in deposits received from customers since most orders were fulfilled before end of 2015; partially offset by an increase in amount due to a director of approximately US\$1.79 million mainly related to dividend declared for year 2015.

Our net current assets increased slightly by approximately 2.9% from approximately US\$6.83 million as at 31 December 2013 to approximately US\$7.03 million as at 31 December 2014, primarily due to (i) an increase in trade and other receivables of approximately US\$1.19 million resulted from the increase in our sale during the last two months of 2014; and (ii) an increase in inventories of approximately US\$1.06 million which was mainly caused by the fact that we purchased more inventories to prepare for the increase in sales orders and partially offset by (a) a decrease in amount due from a director of approximately US\$0.67 million; (b) an increase of approximately US\$0.51 million in deferred revenue in relation to the provision of warranty and support services; and (c) an increase in trade and other payables of approximately US\$0.47 million due to increase in accruals and trade deposits received from customers for purchase of products.

### DESCRIPTION OF CERTAIN ITEMS OF COMBINED STATEMENTS OF FINANCIAL POSITION

#### Inventories

Inventories comprise raw materials and consumables and finished goods. As at 31 December 2013, 2014 and 2015, our inventories amounted to approximately US\$2.59 million, US\$3.65 million and US\$4.14 million. Our raw materials mainly include CPUs and wireless communication modules. Finished goods represent SD-WAN routers ready to be sold.

The table below sets out the components of our inventories as at the dates indicated:

	As at 31 December		
	2013 US\$'000	2014 US\$'000	2015 US\$'000
Raw materials and consumables . . . . .	1,057	1,618	1,866
Finished goods . . . . .	1,528	2,033	2,272
<b>Total</b> . . . . .	<u>2,585</u>	<u>3,651</u>	<u>4,138</u>

We adopt stringent inventory control through effective inventory management. We also periodically review our inventory levels for slow moving inventory, obsolescence or declines in market value. Provision is made when the net realisable value of inventories falls below the cost or any of the inventories is identified obsolete at period end. The net amount of our impairment of inventories for each of the three years ended 31 December 2015 was approximately US\$0.19 million, US\$0.24 million and US\$0.04 million, respectively.

Our Group does not have manufacturing plant and relies on the supply of inventory from our suppliers in order to secure our product supply and shorten our lead time to customers, our Group maintains an inventory level to cope with approximately four to six months market demand. Our management constantly adjust the purchase and stock of inventories according to the market demands of our products. Our balance of inventories increased by approximately US\$1.06 million from approximately US\$2.59 million as at 31 December 2013 to approximately US\$3.65 million as at 31 December 2014, and by approximately US\$0.49 million to approximately US\$4.14 million as at 31 December 2015, primarily as a result of the increase in our raw materials, consumables and finished goods which are in line with the increase in our sales volume.

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The table below sets out our inventory turnover days during the Track Record Period:

	For the year ended 31 December		
	2013	2014	2015
Average inventory turnover days <sup>(1)</sup> . . . . .	187	165	155

*Note:*

(1) Average inventory turnover days equal to the average of the opening and closing inventories balances of the relevant year divided by the cost of sales of the relevant year multiplied by 365 days.

Average inventory turnover days indicates the average time required for us to sell the inventories. Our average inventory turnover days decreased from 187 days for the year ended 31 December 2013 to 165 days for the year ended 31 December 2014, then further decreased to 155 days for the year ended 31 December 2015, primarily due to (i) having better inventory management and purchase plan after frequent communication with major distributors for sales forecast; and (ii) greater demands for our products as a result of increasing use of business Internet and mobile connectivity. As at the Latest Practicable Date, approximately 60.1% of inventories as at 31 December 2015 was subsequently utilised.

### Trade and Other Receivables

As at 31 December 2013, 2014 and 2015, our trade and other receivables amounted to approximately US\$2.14 million, US\$3.33 million and US\$3.86 million, respectively.

The table below sets out the components of our trade and other receivables as at the dates indicated:

	As at 31 December		
	2013 US\$'000	2014 US\$'000	2015 US\$'000
Trade receivables . . . . .	1,448	2,398	2,702
Other receivables . . . . .	261	230	183
Trade deposits paid . . . . .	232	359	206
Utility and deposits . . . . .	61	103	100
Prepaid expenses . . . . .	134	238	376
Deferred listing expenses . . . . .	—	—	290
<b>Total</b> . . . . .	<b>2,136</b>	<b>3,328</b>	<b>3,857</b>

Trade receivables comprise amounts receivable from the sales and distribution of routers and income from software licences and provision of warranty and support services. Our trade receivables increased by approximately US\$0.95 million from approximately US\$1.45 million as at 31 December 2013 to approximately US\$2.40 million as at 31 December 2014, and by approximately US\$0.3 million to approximately US\$2.70 million as at 31 December 2015, of which approximately 99.96% had been settled as at the Latest Practicable Date. During the Track Record Period, the increase in our trade receivables was generally in line with the increase in our revenue.

We adopt a stringent credit control policy on our trade receivables. We generally do not grant credit terms to our new distributors and direct customers and generally require full payment by cheques, telegraphic transfer or third-party online credit card payment gateways before the products are delivered. We may extend credit to certain of customers on a case-by-case basis. Credit terms for periods ranging from 30 days to 60 days may generally be granted based on their prior relationship with us as well as potential business opportunities, their order size and their creditworthiness. We review the credit limits granted to our customers periodically.

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We seek to maintain strict control over our outstanding receivables. Our management regularly reviews the recoverability of our overdue balances and when appropriate, provide for impairment of our trade receivables. In determining whether impairment is required, our management takes into account the aging and recoverability of the trade receivables on a case-by-case basis.

The table below sets out an aging analysis of our trade receivables based on the invoice date and net of provisions for impairment, as at the dates indicated:

	As at 31 December		
	2013	2014	2015
	US\$'000	US\$'000	US\$'000
1 to 30 days . . . . .	1,103	1,653	1,587
31 to 60 days . . . . .	331	492	572
61 to 90 days . . . . .	12	78	434
91 to 120 days . . . . .	2	175	109
<b>Total</b> . . . . .	<b>1,448</b>	<b>2,398</b>	<b>2,702</b>

The table below sets out our average trade receivables turnover days during the Track Record Period:

	For the year ended 31 December		
	2013	2014	2015
Average trade receivables turnover days <sup>(Note)</sup> . . . . .	28	39	43

*Note:*

Average trade receivables turnover days equal to the average of the opening and closing balances of net trade receivables of the relevant year divided by the revenue of the relevant year multiplied by 365 days.

Average trade receivables turnover days indicates the average time required for us to collect cash payments from our customers. Our average trade receivables turnover days increased from 28 days for the year ended 31 December 2013 to 39 days for the year ended 31 December 2014, and further increased to 43 days for the year ended 31 December 2015. The increase in average trade receivables turnover days in year 2014 was mainly resulted from increase in sales incurred in last two months of year 2014 compared to the same period in year 2013. The increase in average trade receivables turnover days in year 2015 was primarily due to delay in settlement from some of our customers which resulted in increase in trade receivables with aging from 31 days to 90 days, all of them was subsequently settled.

For the year ended 31 December 2013, allowance for doubtful debts of approximately US\$147 was recognised on trade receivables and for the year ended 31 December 2014, a reversal of impairment losses on trade receivables of approximately US\$0.18 million was recognised. Other than the above, no other allowance for/reversal of doubtful debts was noted during the Track Record Period.

Trade deposits paid represent prepayments to our raw materials suppliers and contract manufacturers for purchase of raw materials and finished goods. As at 31 December 2013, 2014 and 2015, our trade deposits paid amounted to approximately US\$0.23 million, US\$0.36 million and US\$0.21 million, respectively. Fluctuation in trade deposits paid during the Track Record Period was related to the amount of unfulfilled purchase orders without credit terms as at relevant year end dates.

Prepaid expenses mainly include prepaid insurance premium and prepayment of application cost for patent, trademark, test and certification, registration of which were not yet completed. Prepaid expenses increased from approximately US\$0.13 million as at 31 December 2013 to

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approximately US\$0.24 million as at 31 December 2014, and further to approximately US\$0.38 million as at 31 December 2015. The increase was in line with our focus to strengthen our intellectual property protection and growth in our product portfolio.

### Trade and Other Payables

Trade payables represent the amounts due to our suppliers from which we are granted credit terms generally ranging from 30 days to 60 days. Advance and deposit received from customers were mainly for sales orders without credit terms. Accruals mainly comprise accrued staff salary and bonus, accrued audit fees and other accruals for office expenses. As at 31 December 2013, 2014 and 2015, our trade and other payables amounted to approximately US\$1.51 million, US\$1.98 million and US\$1.05 million, respectively.

The table below sets out the components of our trade and other payables as at the dates indicated:

	As at 31 December		
	2013 US\$'000	2014 US\$'000	2015 US\$'000
Trade payables . . . . .	712	588	223
Advance and deposits received from customer . .	393	631	192
Accruals and other payables . . . . .	409	764	630
<b>Total</b> . . . . .	<b>1,514</b>	<b>1,983</b>	<b>1,045</b>

Our balance of trade payables decreased by approximately US\$0.12 million from approximately US\$0.71 million as at 31 December 2013 to approximately US\$0.59 million as at 31 December 2014, then further decreased by approximately US\$0.37 million to approximately US\$0.22 million as at 31 December 2015. During the Track Record Period, the decrease in our trade payables was primarily due to better purchase plan after frequent communication with our major distributors for sales forecast, we are able to purchase adequate inventory in the third quarter of 2015 to meet the demand from the estimated peak season in the last quarter of 2015.

The table below sets out an aging analysis of our trade payables as at the dates indicated:

	As at 31 December		
	2013 US\$'000	2014 US\$'000	2015 US\$'000
Within 30 days . . . . .	623	574	208
31 to 90 days . . . . .	89	14	15
<b>Total</b> . . . . .	<b>712</b>	<b>588</b>	<b>223</b>

Normally, our trade payables are generally settled within credit period. During the Track Record Period and up to the Latest Practicable Date, our Directors confirm that we did not default in payment of any trade and non-trade payables.

The table below sets out our average trade payables turnover days during the Track Record Period:

	For the year ended 31 December		
	2013	2014	2015
Average trade payables turnover days <sup>(Note)</sup> . . . . .	35	34	16

*Note:*

Average trade payables turnover days equal to the average of opening and closing balances of trade payables of the relevant year divided by the cost of sales of the relevant year multiplied by 365 days.



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Average trade payables turnover days indicates the average time we take to make cash payments to suppliers. The average turnover days of trade payables remained relatively stable in 2013 and 2014. The decrease in average trade payables turnover days in year 2015 was mainly due to our purchase of adequate inventory in the third quarter of 2015 to meet the demand from the estimated peak season in the last quarter of 2015.

### Deferred Revenue

Deferred revenue represents payments in advance from customers for the provision of warranty and support services which include email response, telephone support and defective hardware repair service. Our warranty and support services include a one-year embedded warranty that comes with the sale of SD-WAN routers, and additional warranty and support services to end users who require a longer warranty and support period. Revenue allocated to the undelivered warranty and support services is deferred and recognised on a straight-line basis over the estimated period of the warranty and support services to be provided to the SD-WAN routers, which normally ranges from one to three years. Our deferred revenue increased by approximately US\$0.91 million from approximately US\$1.47 million as at 31 December 2013 to approximately US\$2.38 million as at 31 December 2014 and by approximately US\$1.21 million to approximately US\$3.59 million as at 31 December 2015. During the Track Record Period, the increase in our deferred revenue was generally in line with the increase in our sales volume.

### INDEBTEDNESS

The table below sets out our interest-bearing bank borrowings as at the dates indicated:

	As at 31 December					
	2013		2014		2015	
	Amount US\$'000	Effective interest rate %	Amount US\$'000	Effective interest rate %	Amount US\$'000	Effective interest rate %
Secured bank loans . . . . .	577	2.5	516	2.5	1,239	2.75
Carrying amount						
repayable within one						
year . . . . .	59		60		1,239	
More than one year, but						
not exceeding two						
years . . . . .	61		62		—	
More than two years but						
not more than five						
years . . . . .	191		196		—	
More than five years. . . . .	266		198		—	
	<u>577</u>		<u>516</u>		<u>1,239</u>	
Less: Amounts shown						
under current						
liabilities . . . . .	59		60		1,239	
Amounts shown under						
non-current liabilities. . . . .	<u>518</u>		<u>456</u>		<u>—</u>	

The borrowings are mortgage loans, carrying interest at rate of 2.5% per annum with outstanding amount of approximately US\$0.58 million and US\$0.52 million as at 31 December 2013 and 2014, respectively, and are repayable in instalments over ten years from their respective commencement dates. Pursuant to the bank loan agreement, such mortgage loans are borrowed by our Group and drawn are solely for the usage by the related companies (in which Mr. Chan has

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## FINANCIAL INFORMATION

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beneficial interest) to purchase the properties and therefore are secured by that properties held by related companies. The related companies repaid the bank borrowings to the lending bank through our Group's bank accounts. The borrowings were fully settled on 30 September 2015.

Our Group's bank borrowings as at 31 December 2013 and 2014 were supported by limited guarantee of approximately HK\$10.00 million (equivalent to approximately US\$1.29 million) provided by Mr. Chan. Such guarantee were released subsequently in March 2016.

In December 2015, our Group newly raised a bank loan for estimated working capital needs of our operations at a prevailing market interest rate and is repayable within one year. The borrowing together with the facility granted by the bank were guaranteed by our Company and secured by a limited guarantee of approximately HK\$20.60 million (equivalent to approximately US\$2.66 million) provided by Mr. Chan.

Based on the bank facilities letter signed with the bank, the limited guarantee of approximately HK\$20.60 million provided by Mr. Chan is expected to be released upon the Listing.

At the close of business on 30 April 2016, being the latest practicable date for the purpose of ascertaining the indebtedness of our Group prior to the printing of this prospectus, we had total bank facilities available to our Group of approximately US\$2.25 million, of which approximately US\$1.01 million was unutilised.

The table below sets out our amounts due to a director and related companies as at the dates indicated:

	As at 31 December		
	2013 US\$000	2014 US\$000	2015 US\$000
Amount due to a director . . . . .	—	2	1,794
Amounts due to related companies . . . . .	246	152	15

The amount due to a director and amounts due to related companies are unsecured, unguaranteed, interest-free and repayable on demand. The increase in the amount due to a director as at 31 December 2015 was mainly due to the dividend declared for year 2015. The related companies are companies in which our Controlling Shareholder, Mr. Chan has beneficial interest. The amounts were subsequently fully settled in June 2016.

There were no material restrictive covenants relating to any of our outstanding debts. Our Directors confirm that during the Track Record Period and up to the Latest Practicable Date, we did not breach any restrictive covenants.

### Contingent Liabilities

As at the Latest Practicable Date, we did not have any significant contingent liabilities or outstanding guarantees in respect of payment obligations of any third parties.

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### Statement of Indebtedness as at 30 April 2016

At the close of business on 30 April 2016, being the latest practicable date for the purpose of ascertaining the indebtedness of our Group prior to the printing of this prospectus, our Group had outstanding indebtedness of US\$1,045,416, which consisted of (i) unsecured and guaranteed bank borrowings denominated in Hong Kong dollars of HK\$6,428,860 (equivalent to approximately US\$829,070); (ii) unsecured and guaranteed invoice financing bank loan denominated in U.S. dollars of US\$180,873; (iii) unsecured and unguaranteed amounts due to a related company of HK\$113,973 (equivalent to approximately US\$14,698); and (iv) unsecured and unguaranteed amount due to a director of HK\$161,096 (equivalent to approximately US\$20,775). Both the bank borrowings and invoice financing bank loan were guaranteed by our Company and secured by a limited guarantee of HK\$20,600,000 (equivalent to approximately US\$2,656,591) provided by Mr. Chan.

Save as disclosed above and apart from intra-group liabilities, our Group did not have any loan capital issued and outstanding or agreed to be issued, bank overdrafts or other similar indebtedness, liabilities under acceptances (other than normal trade bills), acceptance credits, debentures, mortgages, charges, finance lease or hire purchase commitments, guarantee or other material contingent liabilities at the close of business on 30 April 2016.

### CONTRACTUAL OBLIGATIONS AND COMMITMENTS

During the Track Record Period, we did not have any contractual obligations or capital commitments.

### Capital Expenditures during the Track Record Period

Our capital expenditures principally consisted of payment for intangible assets for development and protection of our intellectual properties and acquisition of property, plant and equipment for our operations. For each of the three years ended 31 December 2015, we incurred capital expenditures of approximately US\$0.26 million, US\$0.43 million and US\$0.48 million, respectively. Between 1 January 2016 and the Latest Practicable Date, we did not make any material capital expenditures.

The table below sets out our capital expenditures during the Track Record Period:

	For the year ended 31 December		
	2013	2014	2015
	US\$'000	US\$'000	US\$'000
Additions of property, plant and equipment . . . . .	238	353	215
Additions of intangible assets . . . . .	21	78	265
Total . . . . .	<u>259</u>	<u>431</u>	<u>480</u>

### Operating Leases Commitments

We lease our office premises under operating leases arrangement. Operating leases payment represents rental payable by us for certain of our office premises. Leases are negotiated for an average term of three years and the rent under such leases is generally fixed for a lease term.

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The table below sets out our commitments for future minimum lease payments under non-cancellable operating leases which fall due as at the dates indicated:

	As at 31 December		
	2013 US\$'000	2014 US\$'000	2015 US\$'000
Within one year . . . . .	63	26	89
In the second to fifth year inclusive. . . . .	28	—	55
Total . . . . .	<u>91</u>	<u>26</u>	<u>144</u>

### RELATED PARTY TRANSACTIONS

As at 31 December 2013, 2014 and 2015, amounts due from related companies were approximately US\$0.73 million, US\$0.82 million and US\$0.46 million, respectively. As at 31 December 2013, 2014 and 2015, amounts due to related companies were approximately US\$0.25 million, US\$0.15 million and US\$0.01 million, respectively. As at 31 December 2013 amount due from a director were approximately US\$0.67 million. As at 31 December 2014 and 2015, amount due to a director were approximately US\$2,000 and US\$1.79 million, respectively. All non-trade balances with related parties were subsequently fully settled in June 2016.

With respect to the related party transactions set out in Note 27 in the Accountants' Report in Appendix I to this prospectus, our Directors confirm that these transactions were conducted on normal commercial terms or such terms that were no less favourable to our Group than those available to Independent Third Parties and were fair and reasonable and in the interest of our Company and our Shareholders as a whole. Our Directors are of the view that the related party transactions did not cause any distortion of our results of operations or make our historical results not reflective in the Track Record Period.

All the above related parties transactions were connected transactions or continuing connected transactions of our Group.

### OFF BALANCE SHEET TRANSACTIONS

We had no material off-balance sheet arrangements as at 31 December 2015, being the date of our most recent financial statements.

### 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 <sup>(Note 1)</sup> . . . . .	3.0	2.6	1.9
Quick ratio <sup>(Note 2)</sup> . . . . .	2.2	1.8	1.4
Gearing ratio (%) <sup>(Note 3)</sup> . . . . .	8.8	7.8	17.4
	<b>For the year ended 31 December</b>		
	2013	2014	2015
Return on assets (%) <sup>(Note 4)</sup> . . . . .	27.9	32.7	24.4
Return on equity (%) <sup>(Note 5)</sup> . . . . .	43.1	56.8	49.0

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Notes:

- (1) *Current ratio is calculated by dividing total current assets by total current liabilities as at the respective dates.*
- (2) *Quick ratio is calculated by dividing total current assets less inventories by total current liabilities as at the respective dates.*
- (3) *Gearing ratio is calculated by dividing total debt (which equals interest-bearing bank and other borrowings) by total equity as at the respective dates.*
- (4) *Return on assets is calculated by dividing profit for the year by the arithmetic mean of the opening and closing balances of total assets in the relevant year.*
- (5) *Return on equity is calculated by dividing profit for the year by the arithmetic mean of the opening and closing balances of total equity in the relevant year.*

### **Current and Quick Ratios**

Our current ratio as at 31 December 2013, 2014 and 2015 was approximately 3.0, 2.6 and 1.9, respectively and our quick ratio as at those dates was approximately 2.2, 1.8 and 1.4, respectively. The general decrease in current and quick ratios during the Track Record Period was primarily due to the percentage of increase in current liabilities outpaced the percentage of increase in current assets, mainly resulted from payment of dividends to our Shareholder during Track Record Period.

### **Gearing Ratio**

Our gearing ratio as at 31 December 2013, 2014 and 2015 was approximately 8.8%, 7.8% and 17.4%, respectively. Our gearing ratio as at 31 December 2014 was slightly lower than that as at 31 December 2013, primarily due to the repayment of bank borrowings during year 2014. Our gearing ratio as at 31 December 2015 increased, primarily due to new bank borrowing of approximately US\$1.24 million obtained during year 2015.

### **Return on Assets**

Our return on assets for each of the three years ended 31 December 2015 were approximately 27.9%, 32.7% and 24.4%, respectively. The increase in our return on total assets from the year ended 31 December 2013 to the year ended 31 December 2014 was mainly attributable to the fact that the increase in profitability of our Group outweighed the increase in our Group's total assets.

The decrease in return on assets for the year ended 31 December 2015 when compared to year ended 31 December 2014 was primarily due to decrease in profit for the year resulted from listing expenses incurred.

### **Return on Equity**

Our return on equity for each of the three years ended 31 December 2015 were approximately 43.1%, 56.8 and 49.0%, respectively. The increase in return on equity from the year ended 31 December 2013 to the year ended 31 December 2014 was attributable to increasing profitability of our business. The decrease in return on equity for the year ended 31 December 2015 when compared to year ended 31 December 2014 was primarily due to decrease in profit for the year resulted from listing expenses incurred.

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### QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISKS

In the normal course of business, we are exposed to various types of market risks, including credit risk, liquidity risk and foreign currency risk. Our Directors review and agree policies for managing each of these risks.

#### Credit Risk

Our maximum exposure to credit risk which will cause a financial loss to us due to failure to discharge an obligation by the counterparties is arising from the carrying amount of the respective recognised financial assets, which mainly comprise cash and cash equivalents and trade and other receivables, as stated in the combined statements of financial position.

We only offer credit terms to third parties that we consider recognised and creditworthy. It is our policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis and our exposure to bad debts is not significant. All of our cash at bank are deposited in regulated banks in U.S., Hong Kong and Malaysia for which we believe the credit risk is insignificant.

Trade receivables due from our five largest debtors as at 31 December 2013, 2014 and 2015 represented approximately 64.8%, 66.3% and 69.3% of our total trade receivables, respectively, while as at the same dates, the receivables due from our largest debtor accounted for approximately 24.1%, 35.4% and 42.2% of our total trade receivables, respectively.

#### Liquidity Risk

We believe our Group's exposure to liquidity risk is minimal. We manage liquidity risk by maintaining a level of cash and cash equivalents deemed adequate by the management to finance our operations and mitigate the impacts of fluctuations in cash flows. In addition, we ensure the continuity of sufficient funding and flexibility by utilising a variety of bank facilities in order to meet our liquidity requirements in the short and long term.

#### Foreign Currency Risk

Our Group undertakes certain operating transactions in foreign currencies and most of our sales and purchases were settled in U.S. dollars, the functional currency of relevant group entities.

Our operating expenses are mainly denominated in Hong Kong dollars. Our Directors consider that our Group's exposure to foreign currency risk is insignificant on the ground that Hong Kong dollars are pegged to U.S. dollars.

Certain subsidiaries of our Group have financial assets denominated in other currencies such as Renminbi and Malaysian Ringgit, other than the functional currency of the relevant group entities. We have a low level bank balance denominated in Renminbi and have small amount of Malaysian Ringgit for maintaining the small scale of our Malaysian office. Due to the insignificant and immaterial amount of Renminbi and Malaysian Ringgit involved, we currently do not have a foreign currency hedging policy or use any derivative contracts to hedge against its exposure to currency risk. The management manages its currency risk by closely monitoring the movement of the foreign currency rates and considering hedging significant foreign currency exposure should the need arise.

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### DISCLOSURE REQUIRED UNDER THE LISTING RULES

Our Directors have confirmed that, as at the Latest Practicable Date, there were no circumstances which would have given rise to any disclosure requirement under Rules 13.13 to 13.19 of the Listing Rules had our Shares been listed on the Stock Exchange on that date.

### PROPERTY INTERESTS

As at the Latest Practicable Date, we did not own any property and all of our places of operations are leased properties. We had no single property with a carrying amount of 15% or more of our total assets, and on this basis, we are not required by Chapter 5 of Listing Rules to include in this prospectus any valuation report. Pursuant to section 6(2) of the Companies (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong), this prospectus is exempted from compliance with the requirements of section 342(1)(b) of the Companies (Winding Up and Miscellaneous Provisions) Ordinance in relation to paragraph 34(2) of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance, which requires a valuation report with respect to all of our interests in land or buildings.

### LISTING EXPENSES

The total listing expenses (including underwriting commissions) payable by our Company are estimated to be approximately US\$3.84 million (based on midpoint of our indicative price range for the Global Offering and assuming that the Over-allotment Option is not exercised and without taking into account any discretionary incentive fees, if applicable). For the year ended 31 December 2015, we incurred listing expenses of approximately US\$1.29 million, of which US\$1.00 million was charged to our combined statements of profit or loss and other comprehensive income and the remaining amount of approximately US\$0.29 million was recorded as deferred listing expenses which is to be net off with share premium after the Listing. We expect to further incur listing expenses (including underwriting commissions) of approximately US\$2.55 million by the completion of the Global Offering, of which an estimated amount of approximately US\$1.37 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 US\$1.18 million will be capitalised. These listing expenses mainly comprise professional fees paid and payable to the professional parties and underwriting commissions payable to the Underwriters for their services rendered in relation to the Global Offering.

### 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 the 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, depending on our results of operations, working capital and cash position, future business and earnings, capital requirements any contractual restrictions, if any, as well as any other factors which our Directors may consider relevant. Our Company's past 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.

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### DISTRIBUTABLE RESERVES

Our Company was incorporated on 5 May 2015 and is an investment holding company. There were no reserves for distribution to our Shareholders as at the Latest Practicable Date.

### NO MATERIAL ADVERSE CHANGE

Our Directors confirm that since 31 December 2015 and up to the date of this prospectus, 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 prospectus.

### UNAUDITED PRO FORMA STATEMENT OF ADJUSTED COMBINED NET TANGIBLE ASSETS OF OUR GROUP ATTRIBUTABLE TO OWNERS OF OUR COMPANY

The unaudited pro forma statement of adjusted combined net tangible assets of our Group attributable to owners of our Company is prepared in accordance with Rule 4.29 of the Listing Rules is set out below to illustrate the effect of the Global Offering on the combined net tangible assets of our Group attributable to owners of our Company as at 31 December 2015 as if the Global Offering had taken place on 31 December 2015.

The unaudited pro forma statement of adjusted combined net tangible assets of our Group attributable to owners of our Company which is prepared based on the audited combined net tangible assets of our Group as at 31 December 2015 as shown in the Accountants' Report, the text of which is set out in Appendix I to this prospectus, and adjusted as described below. The unaudited pro forma statement of adjusted combined net tangible assets of our Group attributable to owners of our Company has been prepared for illustrative purposes only and, because of its hypothetical nature, it may not give a true picture of the financial position of our Group as at 31 December 2015 following the Global Offering or as at any subsequent dates.

	Audited combined net tangible assets of our Group attributable to owners of our Company as at 31 December 2015	Estimated net proceeds from the Global Offering	Unaudited pro forma adjusted combined net tangible assets of our Group attributable to owners of our Company	Unaudited pro forma adjusted combined net tangible assets of our Group attributable to owners of our Company per Share	
	US\$'000 (Note 1)		US\$'000 (Note 2)	US\$'000	US\$ (Note 3)
Based on an Offer Price of HK\$0.45 per Share . . .	6,836	11,792	18,628	0.019	0.147
Based on an Offer Price of HK\$0.65 per Share . . .	6,836	17,985	24,821	0.025	0.194

*Notes:*

- The audited combined net tangible assets of our Group attributable to owners of our Company as at 31 December 2015 is based on the combined net assets of our Group as at 31 December 2015 of approximately US\$7.11 million after deducting intangible assets of approximately US\$0.28 million, as extracted from the Accountants' Report on the financial information of our Group which is set out in Appendix I to this prospectus.



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2. The estimated net proceeds from the Global Offering are based on 250,000,000 Shares to be issued at the Offer Price of lower limit and upper limit of HK\$0.45 and HK\$0.65 per Share, respectively, after deduction of the estimated underwriting fees and related expenses expected incurred or to be incurred by our Group (excluding approximately US\$1.00 million listing expenses which has been charged to profit or loss up to 31 December 2015 paid/payable by our Company) and assuming that Over-allotment Option is not exercised. It does not take into account of any Shares (i) which may be allotted and issued upon the exercise of options which may be granted under the Share Option Scheme; or (ii) which may be allotted and issued or repurchased pursuant to our Company's general mandate. For the purpose of the estimated net proceeds from the Global Offering, the amount stated in Hong Kong dollars is converted into US\$ at the rate of US\$1.00 to HK\$7.7502, being the spot exchange rate as at 31 December 2015. No representation is made that the HK\$ amounts have been, could have been or may be converted to US\$, or vice versa, at the rate or at all.
3. The unaudited pro forma adjusted combined net tangible assets of our Group attributable to owners of our Company per Share is arrived at after making the adjustments referred to in note (2) above and on the basis of 1,000,000,000 Shares in total, assuming that 250,000,000 Shares to be issued pursuant to the Global Offering, Capitalisation Issue of 749,999,998 Shares of our Company and one Share allotted to Mr. Chan on 15 June 2016 had all been completed on 31 December 2015. It does not take into account of any Shares which may be issued upon the exercise of the Over-allotment Option, any Shares which may be allotted and issued upon the exercise of any options that may be granted under the Share Option Scheme, or any Shares which could be issued or repurchased pursuant to our Company's general mandate.
4. For the purpose of the unaudited pro forma adjusted combined net tangible assets of our Group attributable to owners of our Company per Share, the amount stated in US\$ is converted into Hong Kong dollars at the rate of US\$1.00 to HK\$7.7502, being the spot exchange rate as at 31 December 2015. No representation is made that the HK\$ amounts have been, could have been or could be converted to US\$, or vice versa, at the rate or at all.
5. No adjustment has been made to the audited combined net tangible assets of our Group attributable to owners of our Company as at 31 December 2015 to reflect any trading result or other transactions entered into by our Group subsequent to 31 December 2015.

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## FUTURE PLANS AND USE OF PROCEEDS

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### FUTURE PLANS AND PROSPECTS

For a detailed description of our future plans, please refer to the section headed “Business – Business Strategies” in this prospectus.

### USE OF PROCEEDS

The aggregate net proceeds from the Global Offering (after deducting underwriting fees and estimated expenses in connection with the Global Offering and (i) assuming an Offer Price of HK\$0.55 per Share, being the midpoint of the indicative range of the Offer Price of HK\$0.45 to HK\$0.65 per Share; and (ii) the Over-allotment Option is not exercised) will be approximately HK\$120.39 million (equivalent to approximately US\$15.53 million).

Our Directors intend to apply the net proceeds from the Global Offering as follows:

- approximately 22% or HK\$26.89 million (equivalent to approximately US\$3.47 million) 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 prospectus;
- approximately 13% or HK\$15.00 million (equivalent to approximately US\$1.94 million) will be used to upgrade our R&D facilities. We expect there will be continue 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 prospectus;
- approximately 13% or HK\$15.06 million (equivalent to approximately US\$1.94 million) 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 HK\$13.56 million (equivalent to approximately US\$1.75 million). 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 HK\$18.09 million (equivalent to approximately US\$2.33 million) 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 HK\$16.12 million (equivalent to approximately US\$2.08 million) 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 prospectus;

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## FUTURE PLANS AND USE OF PROCEEDS

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- approximately 3% or HK\$4.15 million (equivalent to approximately US\$0.54 million) 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 HK\$1.00 million (equivalent to approximately US\$0.13 million) will be used to install an enterprise resource planning system;
- approximately 10% or HK\$12.04 million (equivalent to approximately US\$1.55 million) will be used to strengthen our patent portfolio by filing more patent applications as well as acquiring intellectual property rights; and
- approximately 10% or HK\$12.04 million (equivalent to approximately US\$1.55 million) will be used for working capital and other general corporate purposes.

If the Offer Price is fixed at the high-end of the indicative range of the Offer Price, being HK\$0.65 per Share, the net proceeds we receive from the Global Offering will increase by approximately HK\$24.00 million. We intend to apply the additional net proceeds for the above purposes on a pro-rata basis. If the Offer Price is set at the low-end of the indicative range of the Offer Price, being HK\$0.45 per Share, the net proceeds we receive from the Global Offering will decrease by approximately HK\$24.00 million. We intend to reduce the net proceeds for the above purposes on a pro-rata basis.

If the Over-allotment Option is exercised in full, we estimate that the additional net proceeds from the offering of these additional Shares to be received by us, after deducting underwriting fees and estimated expenses payable by it, will be approximately (i) HK\$23.40 million, assuming the Offer Price is fixed at the high-end of the indicative range of the Offer Price, being HK\$0.65 per Share; (ii) HK\$19.80 million, assuming the Offer Price is fixed at the midpoint of the indicative range of the Offer Price, being HK\$0.55 per Share; and (iii) HK\$16.20 million, assuming the Offer Price is fixed at the low-end of the indicative range of the Offer Price, being HK\$0.45 per Share. Any additional proceeds received by us from the exercise of the Over-allotment Option will also be allocated to the above businesses and projects on a pro-rata basis.

To the extent that the net proceeds are not immediately applied to the above purposes and to the extent permitted by applicable laws and regulations, we intend to deposit the net proceeds into short-term demand deposits with authorised financial institutions and/or licenced banks in Hong Kong.

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## UNDERWRITING

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### HONG KONG UNDERWRITERS

#### Sole Global Coordinator, Sole Bookrunner and Sole Lead Manager

Southwest Securities (HK) Brokerage Limited

#### Co-lead Manager

Oriental Patron Securities Limited

### UNDERWRITING ARRANGEMENTS AND EXPENSES

#### Hong Kong Public Offering

##### *Hong Kong Underwriting Agreement*

Pursuant to the Hong Kong Underwriting Agreement, our Company is offering initially 25,000,000 Hong Kong Offer Shares (subject to adjustment) for subscription by way of the Hong Kong Public Offering at the Offer Price on and subject to the terms and conditions of this prospectus and the Application Forms.

Subject to the Listing Committee granting the listing of, and permission to deal in, the Shares in issue and to be issued pursuant to the Global Offering (including any additional Shares which may be issued pursuant to the exercise of the Over-allotment Option and the options that may be granted under the Share Option Scheme) as mentioned herein and to certain other conditions set out in the Hong Kong Underwriting Agreement, the Hong Kong Underwriters have severally agreed to subscribe or procure subscriptions for their respective applicable proportions of the Hong Kong Offer Shares now being offered but which are not taken up under the Hong Kong Public Offering on the terms and conditions of this prospectus, the Application Forms and the Hong Kong Underwriting Agreement.

The Hong Kong Underwriting Agreement is conditional on and subject to, among other things, the International Underwriting Agreement having been signed and becoming unconditional and has not been terminated in accordance with its terms.

##### *Grounds for Termination*

The obligations of the Hong Kong Underwriters to subscribe or procure subscribers for the Hong Kong Offer Shares under the Hong Kong Underwriting Agreement are subject to termination if, at any time before 8:00 a.m. on the Listing Date:

- (a) there develops, occurs, exists or comes into effect:
  - (i) any change or development involving a prospective change, or any event or series of events resulting in or representing a change or development, or prospective change or development, in local, national, regional or international financial, political, military, industrial, economic, currency market, fiscal, regulatory or market conditions (including, without limitation, conditions in stock and bond markets, money and foreign exchange markets and inter-bank markets, a change in the system under which the value of the Hong Kong currency is linked to that of the currency of the United States or a devaluation of the Hong Kong dollar or the Renminbi against any foreign currencies) in or affecting Hong Kong, China, the Cayman Islands, the BVI or any other jurisdiction relevant to any member of our Group (collectively the “**Relevant Jurisdictions**”); or

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## UNDERWRITING

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- (ii) any new laws, rules, statutes, ordinances, regulations, guidelines, opinions, notices, circulars, orders, judgements, decrees or rulings of any governmental authority (the “**Law**”) or change or development involving a prospective change in existing Laws or any change or development involving a prospective change in the interpretation or application of the Law by any court or other competent authority in any of the Relevant Jurisdictions; or
- (iii) any event or series of events in the nature of force majeure (including, without limitation, acts of government, strikes, lock-outs, fire, explosion, flooding, epidemics, pandemics, outbreak of diseases, breakdown in computer or communication or telecommunication network or system, civil commotion, riot, public disorder, acts of war, acts of terrorism (whether or not responsibility has been claimed), acts of God, accident or interruption or delay in transportation) in or affecting any of the Relevant Jurisdictions; or
- (iv) any local, national, regional or international outbreak or escalation of hostilities (whether or not war is or has been declared) or other state of emergency, declaration of a national or international emergency or war, or calamity or crisis in or affecting any of the Relevant Jurisdictions; or
- (v) (1) any moratorium, suspension of, or restriction or limitation on, trading in shares or securities generally on the Stock Exchange, the New York Stock Exchange, the American Stock Exchange, the NASDAQ National Market, the London Stock Exchange, the Shanghai Stock Exchange, the Shenzhen Stock Exchange or the Tokyo Stock Exchange or (2) a general moratorium on commercial banking activities in New York (imposed at Federal or New York State level or other competent authority), London, any member of the E.U., Japan, Hong Kong or China, declared by the relevant authorities, or a disruption in commercial banking activities or foreign exchange trading or securities settlement or clearance services in or affecting any of the Relevant Jurisdictions; or
- (vi) the imposition of economic sanctions, in whatever form, directly or indirectly, by, or for, the United States or by any member of the E.U. on any of the Relevant Jurisdictions; or
- (vii) any material change or prospective material change in taxation or exchange controls, currency exchange rates or foreign investment regulations in any of the Relevant Jurisdictions (including without limitation a devaluation of the Hong Kong dollar or the Renminbi against any foreign currencies) or the implementation of any exchange control in any of the Relevant Jurisdictions; or
- (viii) any change or development involving a prospective change, or a materialisation of, any of the risks set out in the section headed “Risk Factors” in this prospectus; or
- (ix) the commencement by any state, governmental, judicial, law enforcement agency, regulatory or political body or organisation (collectively the “**Organisations**”) of any action, proceedings, investigation or enquiry, or any sanction, penalty or reprimand imposed or issued by any of the Organisations, against any member of our Group or any Director or an announcement by any of the Organisations that it intends to take any such action; or
- (x) any litigation or claim being threatened or instigated against any member of our Group or any Director; or

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## UNDERWRITING

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- (xi) a Director being charged with an indictable offence or prohibited by operation of Law or otherwise disqualified from taking part in the management of a company; or
- (xii) the Chairman or chief executive officer of our Company vacating his office; or
- (xiii) a contravention by any member of our Group of the Companies (Winding Up and Miscellaneous Provisions) Ordinance, the Companies Ordinance, the Listing Rules or any applicable Law; or
- (xiv) a prohibition on our Company for whatever reason from allotting and issuing the Offer Shares (including any additional Shares issued under the exercise of the Over-allotment Option) under the terms of the Global Offering; or
- (xv) non-compliance of this prospectus, the relevant Application Forms (or any other documents used in connection with the subscription of the Offer Shares) or any aspect of the Global Offering with the Companies (Winding Up and Miscellaneous Provisions) Ordinance, the Companies Ordinance, the Listing Rules or any other applicable Law; or
- (xvi) other than with the approval of the Sole Global Coordinator, the issue or requirement to issue by our Company of a supplement or amendment to this prospectus (or to any other documents used in connection with the subscription or sale of the Offer Shares) under the Companies (Winding Up and Miscellaneous Provisions) Ordinance, the Companies Ordinance, the Listing Rules or any requirement or request of the Stock Exchange and/or the SFC; or
- (xvii) a valid demand by any creditor for repayment or payment of any indebtedness of any member of our Group or in respect of which any member of our Group is liable before its stated maturity; or
- (xviii) any material loss or material damage sustained by any member of our Group (howsoever caused and whether or not the subject of any insurance or claim against any person); or
- (xix) a petition is presented for the winding up or liquidation of any member of our Group or bankruptcy of any Director, or any member of our Group or any Director makes any composition or arrangement with its or his creditors or enters into a scheme of arrangement, or any resolution is passed for the winding up of any member of our Group, or a provisional liquidator, receiver or manager is appointed to take over all or part of the assets or undertaking of any member of our Group or any Director or any analogous matter occurs in respect of any member of our Group or any Director,

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## UNDERWRITING

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and which, in any such case and in the sole and absolute opinion of the Sole Global Coordinator (for itself and on behalf of the Hong Kong Underwriters),

- (1) is or will or may or is likely to be materially adverse to, or materially and prejudicially affect, the business, management, general affairs, financial or trading position or prospects of our Group as a whole; or
  - (2) has or will have or may have or is likely to have an adverse effect on the success, marketability or pricing of the Global Offering or the level of applications under the Hong Kong Public Offering or the level of interest under the International Placing; or
  - (3) makes or will or may make or is likely to make it impracticable, inadvisable or inexpedient to proceed with the Hong Kong Public Offering and/or the Global Offering or the delivery of the Offer Shares on the terms and in the manner contemplated by this prospectus; or
  - (4) makes or will or may make or is likely to make it impracticable, inadvisable or inexpedient for any part of the Hong Kong Underwriting Agreement (including underwriting), the Hong Kong Public Offering and/or the Global Offering (including processing of applications and/or payments pursuant to the Global Offering or pursuant to the underwriting thereof) to be performed or implemented as envisaged; or
- (b) there has come to the notice of the Sole Global Coordinator or any of the Hong Kong Underwriters:
- (i) any statement or information, or any matter or circumstance that renders or could render any statement or information, contained in this prospectus, the Application Forms, the formal notice and/or any notices, announcements, advertisements, communications or other documents issued or used by or on behalf of our Company in connection with the Hong Kong Public Offering and/or the International Placing (including any supplement or amendment to any of the documents) (collectively the “**Offer Documents**”) was or has or may become, untrue, incorrect or misleading in any respect or that any estimate, forecast, expression of opinion, intention or expectation expressed in any Offer Document is not or may not be, in the sole and absolute opinion of the Sole Global Coordinator, fair and honest and based on reasonable assumptions; or
  - (ii) any matter or circumstance has arisen or has been discovered which would or might, had it arisen or been discovered immediately before the date of this prospectus and not having been disclosed in this prospectus, constitute an omission from any of the Offer Documents and/or in any notices, announcements, advertisements, communications or other documents issued or used by or on behalf of our Company in connection with the Hong Kong Public Offering (including any supplement or amendment thereto); or
  - (iii) any breach of, or any event rendering untrue, incorrect or misleading in any respect, any of the warranties or representations given by our Company or the executive Directors in the Hong Kong Underwriting Agreement or the International Underwriting Agreement; or

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## UNDERWRITING

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- (iv) any breach of any of the obligations, confirmations or undertakings of our Company, our Controlling Shareholder or the executive Directors under the Hong Kong Underwriting Agreement or the International Underwriting Agreement; or
- (v) any event, act or omission which gives or may give or is likely to give rise to any liability of any of our Controlling Shareholder, executive Directors and our Company pursuant to the indemnity provisions under the Hong Kong Underwriting Agreement; or
- (vi) any information, matter or event which in the sole and absolute opinion of the Sole Global Coordinator (for itself and on behalf of the Hong Kong Underwriters);
  - (1) is inconsistent in any respect with any information contained in Form B in Appendix 5 to the Listing Rules given by our Directors; or
  - (2) would cast any serious doubt on the integrity or reputation of any Director or the reputation of our Group; or
- (vii) any material adverse change or development or prospective material adverse change or development in the conditions, business, general affairs, management, prospects, assets, liabilities, shareholders' equity, profits, losses, operating results, the financial or trading position or performance of any member of our Group; or
- (viii) approval by the Listing Committee of the listing of, and permission to deal in, our Shares is refused or not granted, other than subject to customary conditions, on or before the date of approval of the Listing, or if granted, the approval is subsequently withdrawn, qualified (other than by customary conditions) or withheld; or
- (ix) our Company withdraws this prospectus or any of the Application Forms (and any other documents used in connection with the contemplated subscription and sale of the Offer Shares) or the Global Offering; or
- (x) any person (other than the Sole Global Coordinator and any of the Underwriters) has withdrawn or sought to withdraw its consent to being named in this prospectus or any of the Application Forms or to the issue of this prospectus or any of the Application Forms.

### **Undertakings**

#### ***Undertakings to the Stock Exchange under the Listing Rules***

##### *(A) Undertaking by us*

Under Rule 10.08 of the Listing Rules, we have undertaken to the Stock Exchange that we will not issue any further Shares or securities convertible into our equity securities (whether or not of a class already listed) or enter into any agreement to such issue within six months from the Listing Date (whether or not such allotment and issue of Shares or our securities will be completed within six months from the commencement of dealing), except pursuant to the Capitalisation Issue and the Global Offering (including the exercise of the Over-allotment Option and any options which may be granted under the Share Option Scheme) or for the circumstances provided under Rule 10.08 of the Listing Rules.



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## UNDERWRITING

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*(B) Undertaking by our Controlling Shareholder*

In accordance with Rule 10.07(1)(a) of the Listing Rules, our Controlling Shareholder has undertaken to the Stock Exchange that except pursuant to the Global Offering, the Over-allotment Option or, if applicable, the stock borrowing arrangement that may be entered into with the Stabilising Manager or its agent, (a) he will not, at any time during the period commencing from the date of this prospectus and ending on the date which is six months from the Listing Date, dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interest or encumbrances in respect of, any of our securities in respect of which he is shown by this prospectus to be the beneficial owners; and (b) he will not, at any time during the period of six months from the date on which the period referred to in paragraph (a) above expires, dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interest or encumbrances in respect of, any of our securities referred to in paragraph (a) above if, immediately following such disposal or upon the exercise or enforcement of such options, rights, interest or encumbrances, he ceases to be our Controlling Shareholder.

Note (2) of Rule 10.07 of the Listing Rules provides that Rule 10.07 does not prevent a controlling shareholder from using the shares owned by it as securities (including a charge or a pledge) in favour of an authorised institution (as defined in the Banking Ordinance (Chapter 155 of the Laws of Hong Kong) (as amended) for a bona fide commercial loan.

Our Controlling Shareholder has further undertaken to the Stock Exchange and our Company that he will, within a period commencing on the date of this prospectus and ending on a date which is 12 months from the Listing Date, immediately inform us and the Stock Exchange of:

- (a) any pledges or charges of any Shares or securities of our Company beneficially owned by him in favour of any authorised institution as permitted under the Listing Rules, and the number of such Shares or securities of our Company so pledged or charged; and
- (b) any indication received by him, either verbal or written, from any pledgee or chargee of any of the Shares or securities of our Company pledged or charged that any of such Shares or other share capital will be sold transferred or disposed of.

We will also inform the Stock Exchange as soon as we have been informed of the above matters (if any) by our Controlling Shareholder and disclose such matters in accordance with the publication requirements under Rule 2.07C of the Listing Rules as soon as possible after being so informed by our Controlling Shareholder.

### ***Undertakings under the Hong Kong Underwriting Agreement***

*(A) Undertaking by us*

We have undertaken to each of the Sole Sponsor, the Sole Global Coordinator, the Sole Bookrunner and the Hong Kong Underwriters that at any time from the date of the Hong Kong Underwriting Agreement up to and including the date falling six months after the Listing Date (the “**First Six-month Period**”), we will not (except for the issue of Shares under the Capitalisation Issue, the Global Offering, the Over-allotment Option and any options which may be granted under the Share Option Scheme) without the prior written consent of the Sole Global Coordinator (for itself and on behalf of the Hong Kong Underwriters) and unless in compliance with the requirements set out in the Listing Rules:

- (a) offer, accept subscription for, pledge, charge, mortgage, allot, issue, sell, assign, contract to allot, issue or sell, sell any option or contract to purchase, purchase any option or contract to sell, grant or agree to grant any option, right or warrant to

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## UNDERWRITING

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purchase or subscribe for, lend or otherwise transfer or dispose of, either directly or indirectly, conditionally or unconditionally, or repurchase, any of our share capital or securities of our Company or any interest in our securities or any voting right or any other right attaching thereto (including but not limited to any securities convertible into, exercisable or exchangeable for, or that represent the right to receive such share capital or securities or any interest in our share or debt capital); or

- (b) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of such share or debt capital or securities or any interest in our securities or any voting right or any other right attaching thereto; or
- (c) offer or agree or contract to enter or enter into any transaction with the same economic effect as any transaction described in (a) or (b) above; or
- (d) publicly announce any intention to enter into any transaction described in (a), (b) or (c) above,

whether any of the foregoing transactions described in (a), (b) or (c) above is to be settled by delivery of share capital or such other securities, in cash or otherwise. We further agree that in the event of an issue or a disposal of any Shares, securities or any interest of our securities or any voting right or any other right attaching thereto after the First Six-month Period, we will take all reasonable steps to ensure that such an issue or a disposal will not create a disorderly or false market for our Shares.

*(B) Undertaking by our Controlling Shareholder*

Our Controlling Shareholder has undertaken to each of with our Company, the Sole Global Coordinator, the Sole Bookrunner, the Sole Sponsor and the Hong Kong Underwriters that, except pursuant to the Global Offering, the Over-allotment Option or the Stock Borrowing Agreement that he will not, without the prior written consent of the Sole Global Coordinator (for itself and on behalf of the Hong Kong Underwriters), at any time:

- (a) during the First Six-month Period:
  - (i) offer, pledge, charge, sell, contract to sell, sell any option or contract to purchase, purchase any option or grant, contract to sell, grant or agree to grant any option, right or warrant to purchase or subscribe for, lend, make any short sale or otherwise transfer or dispose of (nor enter into any agreement to transfer or dispose of or otherwise create any options, rights, interest or encumbrances in respect of), either directly or indirectly, conditionally or unconditionally, or cause us to repurchase, any of our share or debt capital or our other securities or any interest in our share or debt capital or any voting right or any other right attaching thereto (including but not limited to any securities that are convertible into or exercisable or exchangeable for, or that represent the right to receive, any of our share or debt capital or our other securities or any interest in our share or debt capital whether now owned or subsequently acquired, owned directly by our Controlling Shareholder (including holding as a custodian) or with respect to which our Controlling Shareholder has beneficial ownership (collectively the “**Lock-up Shares**”)). The foregoing restriction is expressly agreed to preclude our Controlling Shareholder from engaging in any hedging or other transaction which is designed to or which reasonably could be expected to lead to or result in a sale or disposition of the Lock-up Shares even if such Shares would be disposed of by someone other than our Controlling Shareholder. Such prohibited hedging or

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## UNDERWRITING

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other transactions would include without limitation any short sale or any purchase, sale or grant of any right (including without limitation any put or call option) with respect to any of the Lock-up Shares or with respect to any security that includes, relates to, or derives any significant part of its value from such Shares; or

- (ii) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of any of our share or debt capital or our other securities or any interest in our share or debt capital or any voting right or any other right attaching thereto; or
- (iii) offer or agree or contract to enter or enter into any transaction with the same economic effect as any transaction described in (a)(i) or (a)(ii) above; or
- (iv) publicly announce any intention to enter into, any transaction described in (a)(i), (a)(ii) or (a)(iii) above,

whether any transaction described in (a)(i), (a)(ii) or (a)(iii) above is to be settled by delivery of Shares or such other securities in cash or otherwise; and

- (b) during the period of six months commencing on the date on which the First Six-month Period expires (the “**Second Six-month Period**”) enter into any of the transactions in paragraphs (a)(i), (a)(ii) or (a)(iii) above or agree or contract to or publicly announce any intention to enter into any such transactions if, immediately following such transfer or disposal or upon the exercise or enforcement of such options, rights, interest or encumbrances, our Controlling Shareholder will cease to be our Controlling Shareholder. Our Controlling Shareholder further agrees that in the event of a disposal of any Shares, securities or any interest of our securities or any voting right or any other right attaching thereto after the Second Six-month Period, our Controlling Shareholder will take all reasonable steps to ensure that such a disposal will not create a disorderly or false market for the Shares.

Our Controlling Shareholder has provided an undertaking to our Company, the Sole Sponsor, the Sole Global Coordinator, the Sole Bookrunner and the Hong Kong Underwriters that at any time during the period from the commencement of the First Six-month Period to the date on which the Second Six-month Period expires, he shall:

- (a) if he pledges or charges or otherwise creates encumbrances over any Shares or our securities or interests therein in respect of which he is the beneficial owner, whether directly or indirectly, immediately inform our Company, the Sole Sponsor, the Sole Global Coordinator, the Sole Bookrunner, the Hong Kong Underwriters and the Stock Exchange in writing of any such pledges or charges or encumbrances and the number of Shares or our securities so pledged or charged or encumbered; and
- (b) if he receives any indication, either verbal or written, from any pledgee or chargee or encumbrance or such third party that any of the pledged, charged, encumbered Shares or other securities of our Company will be disposed of, immediately inform our Company, the Sole Sponsor, the Sole Global Coordinator, the Sole Bookrunner, the Hong Kong Underwriters and the Stock Exchange in writing of any such indication.

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## UNDERWRITING

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### **Indemnity**

We and our Controlling Shareholder have agreed to indemnify the Hong Kong Underwriters for certain losses which they may suffer, including losses arising from their performance of their obligations under the Hong Kong Underwriting Agreement and any breach by us of the Hong Kong Underwriting Agreement.

### **International Placing**

#### *International Underwriting Agreement*

In connection with the International Placing, we and our Controlling Shareholder expect to enter into the International Underwriting Agreement with the International Underwriters. Under the International Underwriting Agreement, the International Underwriters, subject to certain conditions, will agree severally and not jointly to procure purchasers to purchase or subscribers to subscribe for, or themselves purchase or subscribe for, their respective proportions of the International Placing Shares being offered under the International Placing.

Under the International Underwriting Agreement, we expect to grant to the International Underwriters the Over-allotment Option, exercisable by the Sole Global Coordinator (for itself and on behalf of the International Underwriters) at any time from the Listing Date up to (and including) the date which is the 30th day after the last day for lodging applications under the Hong Kong Public Offering, to require us to allot and issue up to an aggregate of 37,500,000 additional new Shares. These Shares will be issued and sold at the Offer Price and will be solely for the purpose of covering over-allocations, if any, in the International Placing.

It is expected that the International Underwriting Agreement may be terminated on similar grounds as the Hong Kong Underwriting Agreement. Potential investors shall be reminded that if the International Underwriting Agreement is not entered into, the Global Offering will not proceed.

We and our Controlling Shareholder will agree to indemnify the International Underwriters against certain liabilities, including liabilities under the U.S. Securities Act.

### **Commissions and expenses**

The Hong Kong Underwriters will receive a commission of 4.0% of the aggregate Offer Price payable for the Hong Kong Offer Shares initially offered under the Hong Kong Public Offering, out of which they will pay sub-underwriting commissions.

For unsubscribed Hong Kong Offer Shares reallocated to the International Placing, we will pay an underwriting commission at the rate applicable to the International Placing and such commission will be paid to the International Underwriters and not the Hong Kong Underwriters.

The commissions payable to the Underwriters will be borne by our Company in relation to our new Shares to be allotted and issued under the Global Offering, respectively.

The aggregate commissions (inclusive of any discretionary incentive fees), together with listing fees, SFC transaction levy and Stock Exchange trading fee in respect of our new Shares offered by us, legal and other professional fees and printing and other expenses relating to the Global Offering, are estimated to be approximately US\$3.84 million (assuming an Offer Price of HK\$0.55, which is the midpoint of the indicative Offer Price range, and that the Over-allotment Option is not exercised) in total and are payable by us.

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## UNDERWRITING

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### **Underwriters' interest in our Group**

Other than disclosed in the preceding paragraph, the obligations under the Hong Kong Underwriting Agreement and the International Underwriting Agreement and, if applicable, the stock borrowing arrangement that may be entered into between the Stabilising Manager or its agent with our Controlling Shareholder, none of the Underwriters has any shareholding interests in any member of our Group or any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of our Group.

### **Sponsor's independence**

The Sole Sponsor satisfies the independence criteria applicable to sponsors as set out in Rule 3A.07 of the Listing Rules.

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## STRUCTURE OF THE GLOBAL OFFERING

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### STRUCTURE OF THE GLOBAL OFFERING

#### THE GLOBAL OFFERING

This prospectus is published in connection with the Hong Kong Public Offering as part of the Global Offering. Southwest HK Brokerage is the Sole Global Coordinator and the Sole Bookrunner in respect of the Hong Kong Public Offering and the International Placing.

The Global Offering consists of (subject to adjustment and the Over-allotment Option):

- (a) the Hong Kong Public Offering of 25,000,000 Shares (subject to adjustment as mentioned below) in Hong Kong as described in “The Hong Kong Public Offering” below; and
- (b) the International Placing of 225,000,000 Shares (subject to adjustment as mentioned below) outside the United States (including to professional, institutional and corporate investors and other investors within Hong Kong) in offshore transactions in reliance on Regulation S as described in the paragraph headed “The International Placing” in this section.

Investors may apply for the Hong Kong Offer Shares under the Hong Kong Public Offering or indicate an interest, if qualified to do so, for the International Placing Shares under the International Placing, but may not do both. The Hong Kong Public Offering is open to members of the public in Hong Kong as well as to professional, institutional and corporate investors and other investors in Hong Kong. The International Placing will involve selective marketing of the International Placing Shares to professional, institutional and corporate investors and other investors expected to have a sizeable demand for the International Placing Shares. The International Underwriters are soliciting from prospective investors’ indications of interest in acquiring the International Placing Shares. Prospective investors will be required to specify the number of International Placing Shares under the International Placing they would be prepared to acquire either at different prices or at a particular price.

The number of Hong Kong Offer Shares and International Placing Shares to be offered under the Hong Kong Public Offering and the International Placing, respectively, may be subject to reallocation as described in the paragraph headed “Pricing and Allocation” in this section.

#### PRICING AND ALLOCATION

The Offer Price is expected to be fixed by agreement between us and the Sole Global Coordinator (for itself and on behalf of the Underwriters) on the Price Determination Date. The Price Determination Date is expected to be on or about Wednesday, 6 July 2016 and, in any event, not later than Tuesday, 12 July 2016. The Offer Price will be not more than HK\$0.65 and is currently expected not to be less than HK\$0.45, unless otherwise announced, as further explained below not later than the morning of the last day for lodging applications under the Hong Kong Public Offering. Prospective investors should be aware that the Offer Price to be determined on the Price Determination Date may be, but is not expected to be, lower than the indicative Offer Price range stated in this prospectus. If, for any reason, the Offer Price is not agreed by Tuesday, 12 July 2016 between us and the Sole Global Coordinator (for itself and on behalf of the Underwriters), the Global Offering will not proceed and will lapse.

If, based on the level of interest expressed by prospective professional, institutional and corporate investors and other investors during the book-building process, the Sole Global Coordinator (for itself and on behalf of the Underwriters) consider it appropriate, the number of Offer Shares being offered under the Global Offering and/or the indicative Offer Price range may

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## STRUCTURE OF THE GLOBAL OFFERING

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be reduced below that stated in this prospectus at any time prior to the morning of the last day for lodging applications under the Hong Kong Public Offering. In such a case, we will, as soon as practicable following the decision to make such reduction, and in any event not later than the morning of Wednesday, 6 July 2016, being the last day for lodging applications under the Hong Kong Public Offering, cause to be published in the South China Morning Post (in English) and Hong Kong Economic Journal (in Chinese), on the Stock Exchange's website at [www.hkexnews.hk](http://www.hkexnews.hk), and on our Company's website at [www.ploverbay.com](http://www.ploverbay.com) notice of the reduction in the number of Offer Shares being offered under the Global Offering and/or the indicative Offer Price range. Such notice will also include confirmation or revision, as appropriate, of the working capital statement and the offering statistics as currently set out in the section headed "Summary" in this prospectus and any other financial information which may change as a result of such reduction.

Before submitting applications for the Hong Kong Offer Shares, applicants should have regard to the possibility that any announcement of a reduction in the number of Offer Shares being offered under the Global Offering and/or the indicative Offer Price range may not be made until the day which is the last day for lodging applications under the Hong Kong Public Offering.

If the number of Offer Shares being offered under the Global Offering and/or the indicative Offer Price range is so reduced, applicants who have already submitted an application may or may not (depending on the information contained in the announcement) be notified that they are required to confirm their applications. All applicants who have already submitted an application need to confirm their applications in accordance with the procedures set out in the announcement and all unconfirmed applications will not be valid. In the absence of any notice being published of a reduction in the number of Offer Shares being offered under the Global Offering stated in this prospectus and the Application Forms, respectively, on or before the last day for lodging applications under the Hong Kong Public Offering, the Offer Price, once agreed upon, will under no circumstances be set outside the indicative Offer Price range as stated in this prospectus.

The Hong Kong Offer Shares and the International Placing Shares may, in certain circumstances, be reallocated as between the Hong Kong Public Offering and International Placing at the discretion of the Sole Global Coordinator.

Allocation of the International Placing Shares pursuant to the International Placing will be determined by the Sole Global Coordinator and will be based on a number of factors including the level and timing of demand, total size of the relevant investor's invested assets or equity assets in the relevant sector and whether or not it is expected that the relevant investor is likely to buy further, and/or hold or sell Offer Shares after the Listing. Such allocation may be made to professional, institutional and corporate investors and other investors and is intended to result in a distribution of our Offer Shares on a basis which would lead to the establishment of a solid shareholder base to the benefit of our Company and our Shareholders as a whole.

Allocation of the Hong Kong Offer Shares to investors under the Hong Kong Public Offering will be based solely on the level of valid applications received under the Hong Kong Public Offering. The basis of allocation may vary, depending on the number of Hong Kong Offer Shares validly applied for by applicants. Although the allocation of the Hong Kong Offer Shares could, where appropriate, consist of balloting, which would mean that some applicants may receive a higher allocation than others who have applied for the same number of Hong Kong Offer Shares, and those applicants who are not successful in the ballot may not receive any Hong Kong Offer Shares.

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## STRUCTURE OF THE GLOBAL OFFERING

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The applicable Offer Price, level of applications in the Hong Kong Public Offering, the level of indications of interest in the International Placing, the results of applications and basis of allotment of the Hong Kong Offer Shares are expected to be announced on Tuesday, 12 July 2016 through a variety of channels as described in “How to Apply for Hong Kong Offer Shares – 11. Publication of Results”.

### CONDITIONS OF THE HONG KONG PUBLIC OFFERING

Acceptance of all applications for the Hong Kong Offer Shares pursuant to the Hong Kong Public Offering will be conditional on, inter alia:

- the Listing Committee granting the listing of, and permission to deal in, our Shares in issue (including our Shares that may be sold pursuant to any exercise of the Over-allotment Option) and our Shares being offered pursuant to the Global Offering (subject only to allotment);
- the Offer Price having been duly determined and the execution and delivery of the International Underwriting Agreement on or about the Price Determination Date; and
- the obligations of the Underwriters under the respective Underwriting Agreements becoming and remaining unconditional (including, if relevant, as a result of the waiver of any conditions by the Sole Global Coordinator, for itself and on behalf of the Underwriters) and not having been terminated in accordance with the terms of the respective agreements,

in each case on or before the dates and times specified in the respective Underwriting Agreements (unless and to the extent such conditions are validly waived on or before such dates and times) and in any event not later than the date which is 30 days after the date of this prospectus.

If the above conditions are not fulfilled or waived prior to the times and dates specified, the Global Offering will lapse and the Stock Exchange will be notified immediately. We will cause a notice of the lapse of the Hong Kong Public Offering to be published by us in the South China Morning Post (in English) and the Hong Kong Economic Journal (in Chinese) on the next day following such lapse. In such eventuality, all application monies will be returned, without interest, on the terms set out in the section headed “How to Apply for Hong Kong Offer Shares” in this prospectus. In the meantime, the application monies will be held in separate bank account(s) with the receiving bank(s) or other bank(s) in Hong Kong licenced under the Banking Ordinance (Chapter 155 of the Laws of Hong Kong) (as amended).

The consummation of each of the Hong Kong Public Offering and the International Placing is conditional upon, amongst other things, the other becoming unconditional and not having been terminated in accordance with its terms.

Share certificates for the Offer Shares are expected to be issued on Tuesday, 12 July 2016 but will only become valid certificates of title at 8:00 a.m. on the date of commencement of the dealings in our Shares, which is expected to be on Wednesday, 13 July 2016, provided that (i) the Global Offering has become unconditional in all respects; and (ii) neither of the Underwriting Agreements have been terminated in accordance with its terms. Investors who trade Shares prior to the receipt of share certificates or prior to the share certificates bearing valid certificates of title do so entirely at their own risk.



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## STRUCTURE OF THE GLOBAL OFFERING

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### THE HONG KONG PUBLIC OFFERING

#### Number of Shares Initially Offered

Our Company is initially offering 25,000,000 Shares at the Offer Price under the Hong Kong Public Offering, representing 10% of the 250,000,000 Shares initially available under the Global Offering, for subscription by the public in Hong Kong. Subject to adjustment as mentioned below, the number of Shares initially offered under the Hong Kong Public Offering will represent 2.5% of our total issued share capital immediately after completion of the Global Offering, assuming that the Over-allotment Option is not exercised.

In Hong Kong, individual retail investors are expected to apply for the Hong Kong Offer Shares through the Hong Kong Public Offering and individual retail investors, including individual investors in Hong Kong applying through banks and other institutions, seeking International Placing Shares will not be allotted International Placing Shares in the International Placing.

The Sole Global Coordinator (for itself and on behalf of the Underwriters) may require any investor who has been offered Shares under the International Placing, and who has made an application under the Hong Kong Public Offering to provide sufficient information to the Sole Global Coordinator so as to allow them to identify the relevant applications under the Hong Kong Public Offering and to ensure that it is excluded from any application for the Hong Kong Offer Shares.

#### Offer Price Range

The Offer Price is expected to be fixed by agreement between us and the Sole Global Coordinator (for itself and on behalf of the Underwriters) on the Price Determination Date. The Price Determination Date is expected to be on or about Wednesday, 6 July 2016 and, in any event, not later than Tuesday, 12 July 2016. The Offer Price will be not more than HK\$0.65 and is currently expected to be not less than HK\$0.45. Applicants under the Hong Kong Public Offering are required to pay, on application, the maximum Offer Price of HK\$0.65 per Share plus brokerage of 1.0%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005%. If the Offer Price, as finally determined on the Price Determination Date, is lower than the maximum Offer Price, we will refund the respective difference (including the brokerage, SFC transaction levy and the Stock Exchange trading fee attributable to the surplus application monies) to successful applicants, without interest. Further details are set out in the section headed "How to Apply for Hong Kong Offer Shares" in this prospectus.

#### Allocation

For allocation purposes only, the 25,000,000 Shares initially being offered for subscription under the Hong Kong Public Offering (after taking into account any adjustment in the number of Offer Shares allocated between the Hong Kong Public Offering and the International Placing) will be divided equally into two pools (subject to adjustment at odd lot size). Pool A comprising 12,504,000 Hong Kong Offer Shares and Pool B comprising 12,496,000 Hong Kong Offer Shares, both of which are available on an equitable basis to successful applicants. All valid applications that have been received for the Hong Kong Offer Shares with a total subscription amount (excluding brokerage, SFC transaction levy and the Stock Exchange trading fee) of HK\$5 million or below will fall into Pool A and all valid applications that have been received for the Hong Kong Offer Shares with a total subscription amount (excluding brokerage, SFC transaction levy and Stock Exchange trading fee) of over HK\$5 million and up to the total value of Pool B, will fall into Pool B.

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## STRUCTURE OF THE GLOBAL OFFERING

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Applicants should be aware that applications in Pool A and Pool B are likely to receive different allocation ratios. If the Hong Kong Offer Shares in one pool (but not both pools) are under-subscribed, the surplus Hong Kong Offer Shares will be transferred to the other pool to satisfy demand in that other pool and be allocated accordingly. Applicants can only receive an allocation of the Hong Kong Offer Shares from either Pool A or Pool B but not from both pools and may only apply for Hong Kong Offer Shares in either Pool A or Pool B. When there is over-subscription, allocation of the Hong Kong Offer Shares to investors under the Hong Kong Public Offering, both in relation to Pool A and Pool B, will be based on the level of valid applications received under the Hong Kong Public Offering. The basis of allocation in each pool may vary, depending on the number of Hong Kong Offer Shares validly applied for by each applicant. The allocation of Hong Kong Offer Shares could, where appropriate, consist of balloting, which would mean that some applicants may receive a higher allocation than others who have applied for the same number of Hong Kong Offer Shares and those applicants who are not successful in the ballot may not receive any Hong Kong Offer Shares. Multiple or suspected multiple applications and any application for more than 12,496,000 Hong Kong Offer Shares are liable to be rejected. Each applicant under the Hong Kong Public Offering will also be required to give an undertaking and confirmation in the Application Form submitted by him that he and any person(s) for whose benefit he is making the application have not indicated an interest for or taken up and will not indicate an interest for or take up any Offer Shares under the International Placing, and such applicant's application will be rejected if the said undertaking and/or confirmation is breached and/or untrue (as the case may be) or he has been or will be placed or allocated Offer Shares under the International Placing.

### **Reallocation and Clawback**

The allocation of Shares between the Hong Kong Public Offering and the International Placing is subject to adjustment. If the number of Shares validly applied for in the Hong Kong Public Offering represents (i) 15 times or more but less than 50 times; (ii) 50 times or more but less than 100 times; and (iii) 100 times or more, of the number of Hong Kong Offer Shares initially available under the Hong Kong Public Offering, the total number of Hong Kong Offer Shares available under the Hong Kong Public Offering will be increased to 75,000,000 Shares, 100,000,000 Shares and 125,000,000 Shares, respectively, representing 30% (in the case of (i)), 40% (in the case of (ii)) and 50% (in the case of (iii)), respectively, of the total number of Offer Shares initially available under the Global Offering (before any exercise of the Over-allotment Option), and such reallocation being referred to in this prospectus as "Mandatory Reallocation". In such cases, the number of Offer Shares allocated in the International Placing will be correspondingly reduced, in such manner as the Sole Global Coordinator deems appropriate, and such additional Offer Shares will be reallocated to Pool A and Pool B. If the Hong Kong Offer Shares are not fully subscribed, the Sole Global Coordinator has the authority to reallocate all or any unsubscribed Hong Kong Offer Shares to the International Placing, in such proportions as the Sole Global Coordinator deems appropriate. In addition to any Mandatory Reallocation which may be required, the Sole Global Coordinator may, at its discretion, reallocate Shares initially allocated for the International Placing to the Hong Kong Public Offering to satisfy valid applications in Pool A and Pool B under the Hong Kong Public Offering, regardless of whether the Mandatory Reallocation is triggered.

References in this prospectus to applications, Application Forms, application monies or to the procedure for application relate solely to the Hong Kong Public Offering.

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## STRUCTURE OF THE GLOBAL OFFERING

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### THE INTERNATIONAL PLACING

#### Number of International Placing Shares Offered

The number of International Placing Shares to be initially offered for subscription under the International Placing will be 225,000,000 Offer Shares representing 90% of the Offer Shares under the Global Offering. Subject to any reallocation of the Offer Shares between the International Placing and the Hong Kong Public Offering, the International Placing Shares will represent approximately 90% of our enlarged issued share capital immediately after completion of the Global Offering assuming that the Over-allotment Option is not exercised. The International Placing is subject to the Hong Kong Public Offering becoming unconditional.

#### Allocation

Under the International Placing, the International Underwriters will conditionally place our Offer Shares with professional, institutional and corporate investors and other investors who we anticipate to have a sizeable demand for our Offer Shares in Hong Kong and other jurisdictions outside the United States in reliance on Regulation S. Allocation of International Placing Shares under the International Placing will be effected in accordance with the “book-building” process described in the paragraph headed “Pricing and Allocation” in this section and based on a number of factors, including the level and timing of demand, total size of the relevant investor’s invested assets or equity assets in the relevant sector and whether or not it is expected that the relevant investor is likely to buy further Offer Shares, and/or hold or sell its Offer Shares, after the Listing. Such allocation is intended to result in a distribution of the Offer Shares on a basis which would lead to the establishment of a solid professional and institutional Shareholder base for the benefit of our Company and our Shareholders as a whole.

#### Reallocation

The total number of International Placing Shares to be transferred pursuant to the International Placing may change as a result of the clawback arrangement described in the paragraph headed “The Hong Kong Public Offering – Reallocation and Clawback” in this section, exercise of the Over-allotment Option in whole or in part and/or reallocation of all or any unsubscribed Hong Kong Offer Shares to the International Placing.

#### Over-allotment Option

In connection with the Global Offering, our Company is expected to grant the Over-allotment Option to the International Underwriters, exercisable by the Sole Global Coordinator at its sole and absolute discretion for itself and on behalf of the International Underwriters for up to 30 days after the last day for lodging applications under the Hong Kong Public Offering. An announcement will be made in the event that the Over-allotment Option is exercised. Pursuant to the Over-allotment Option, the Sole Global Coordinator will have the right to require our Company to issue up to an aggregate of 37,500,000 Shares, representing in aggregate approximately 15% of the initial number of the Offer Shares under the Global Offering, at the Offer Price to cover over-allocations in the International Placing, if any. The Sole Global Coordinator may also cover any over-allocations by purchasing Shares in the secondary market or by a combination of purchases in the secondary market and a partial exercise of the Over-allotment Option. Any such secondary market purchase will be made in compliance with all applicable laws, regulations and rules.

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## STRUCTURE OF THE GLOBAL OFFERING

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### STOCK BORROWING AGREEMENT

In order to facilitate the settlement of over-allocations in connection with the International Placing, the Stabilising Manager or any person acting for it may choose to borrow Shares from Mr. Chan, under the Stock Borrowing Agreement, or acquire Shares from other sources, including the exercise of the Over-allotment Option. The Stock Borrowing Agreement will comply with the requirements set out in Rule 10.07(3) of the Listing Rules.

### STABILISATION

Stabilisation is a practice used by underwriters in some markets to facilitate the distribution of securities. To stabilise, the underwriters may bid for, or purchase, the new securities in the secondary market, during a specified period of time, to retard and, if possible, prevent any decline in the market price of the securities below the Offer Price. In Hong Kong and certain other jurisdictions, activity aimed at reducing the market price is prohibited and the price at which stabilisation is effected is not permitted to exceed the Offer Price.

In connection with the Global Offering, the Stabilising Manager, its affiliates or any person acting for it, on behalf of the Underwriters, may, to the extent permitted by applicable laws of Hong Kong or elsewhere, over-allocate or effect short sales or any other stabilising transactions with a view to stabilising or maintaining the market price of our Shares at a level higher than that which might otherwise prevail in the open market for a limited period after the last day for the lodging of applications under the Hong Kong Public Offering. Any market purchases of Shares will be effected in compliance with all applicable laws and regulatory requirements. However, there is no obligation on the Stabilising Manager or any person acting for it to conduct any such stabilising activity, which if commenced, will be done at the absolute discretion of the Stabilising Manager and may be discontinued at any time. Any such stabilising activity is required to be brought to an end within 30 days after the last day for the lodging of applications under the Hong Kong Public Offering. The number of Shares that may be over-allocated will not exceed the number of Shares that may be issued under the Over-allotment Option, namely 37,500,000 Shares, which is 15% of the Offer Shares initially available under the Global Offering.

Stabilising action will be entered into in accordance with the laws, regulations and rules in place in Hong Kong on stabilisation and stabilisation action permitted in Hong Kong pursuant to the Securities and Futures (Price Stabilising) Rules under the SFO includes: (i) over-allocation for the purpose of preventing or minimising any reduction in the market price of our Shares; (ii) selling or agreeing to sell our Shares so as to establish a short position in them for the purpose of preventing or minimising any reduction in the market price of our Shares; (iii) purchasing or subscribing for, or agreeing to purchase or subscribe for, our Shares pursuant to the Over-allotment Option in order to close out any position established under (i) or (ii) above; (iv) purchasing, or agreeing to purchase, any of our Shares for the sole purpose of preventing or minimising any reduction in the market price of our Shares; (v) selling or agreeing to sell any Shares in order to liquidate any position held as a result of those purchases; and (vi) offering or attempting to do anything described in (ii), (iii), (iv) or (v).

Specifically, prospective applicants for and investors in the Offer Shares should note that:

- (a) the Stabilising Manager, or any person acting for it, may, in connection with the stabilising action, maintain a long position in our Shares;
- (b) there is no certainty regarding the extent to which and the time period for which the Stabilising Manager, or any person acting for it, will maintain such a position;

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## STRUCTURE OF THE GLOBAL OFFERING

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- (c) liquidation of any such long position by the Stabilising Manager may have an adverse impact on the market price of our Shares;
- (d) no stabilising action can be taken to support the price of our Shares for longer than the stabilising period which will begin on the Listing Date following announcement of the Offer Price, and is expected to expire on 5 August 2016, being the 30th day after the last date for lodging applications under the Hong Kong Public Offering. After this date, when no further stabilising action may be taken, demand for our Shares, and therefore the price of our Shares, could fall;
- (e) the price of our Shares cannot be assured to stay at or above the Offer Price either during or after the stabilising period by the taking of any stabilising action; and
- (f) stabilising bids may be made or transactions effected in the course of the stabilising action at any price at or below the Offer Price, which means that stabilising bids may be made or transactions effected at a price below the price paid by applicants for, or investors in, our Shares.

Our Company will procure that an announcement in compliance with the Securities and Futures (Price Stabilising) Rules will be made within seven days of the expiration of the stabilising period.

In connection with the Global Offering, the Stabilising Manager may over-allocate up to and not more than an aggregate of 37,500,000 Shares and cover such over-allocations by various methods including the exercise of the Over-allotment Option, making purchases in the secondary market at prices that do not exceed the Offer Price or by any combination of these means. In particular, for the purpose of settlement of over-allocations in connection with the International Placing, the Stabilising Manager may borrow up to 37,500,000 Shares from Mr. Chan, equivalent to the maximum number of Shares to be issued on full exercise of the Over-allotment Option, under the Stock Borrowing Agreement.

### DEALING ARRANGEMENTS

Assuming that the Hong Kong Public Offering becomes unconditional at or before 8:00 a.m. in Hong Kong on Wednesday, 13 July 2016, it is expected that dealings in Shares on the Stock Exchange will commence at 9:00 a.m. on Wednesday, 13 July 2016.

Our Shares will be traded in board lots of 8,000 Shares each. The stock code of our Shares will be 1523.

### UNDERWRITING ARRANGEMENTS

The Hong Kong Public Offering is fully underwritten by the Hong Kong Underwriters under the terms of the Hong Kong Underwriting Agreement, subject to agreement on the Offer Price between us and the Sole Global Coordinator (for itself and on behalf of the Underwriters) on the Price Determination Date.

We expect that our Company will, on or about Wednesday, 6 July 2016, shortly after determination of the Offer Price, enter into the International Underwriting Agreement relating to the International Placing. Underwriting arrangements, the Hong Kong Underwriting Agreement and the International Underwriting Agreement are summarised in the section headed "Underwriting" in this prospectus.

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## HOW TO APPLY FOR HONG KONG OFFER SHARES

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### 1. HOW TO APPLY

If you apply for Hong Kong Offer Shares, then you may not apply for or indicate an interest for International Placing Shares.

To apply for Hong Kong Offer Shares, you may:

- use a **WHITE** or **YELLOW** Application Form;
- apply online via the **HK eIPO White Form** service at [www.hkeipo.hk](http://www.hkeipo.hk); or
- electronically cause HKSCC Nominees to apply on your behalf.

None of you or your joint applicant(s) may make more than one application, except where you are a nominee and provide the required information in your application.

Our Company, the Sole Global Coordinator, the HK eIPO White Form Service Provider and their respective agents may reject or accept any application in full or in part for any reason at their discretion.

### 2. WHO CAN APPLY

You can apply for Hong Kong Offer Shares on a **WHITE** or **YELLOW** Application Form if you or the person(s) for whose benefit you are applying:

- are 18 years of age or older;
- have a Hong Kong address;
- are outside the United States, and are not a United States Person (as defined in Regulation S under the U.S. Securities Act); and
- are not a legal or natural person of the PRC.

If you apply online through the **HK eIPO White Form** service, in addition to the above, you must also:

- have a valid Hong Kong identity card number; and
- provide a valid e-mail address and a contact telephone number.

If you are a firm, the application must be in the individual members' names. If you are a body corporate, the Application Form must be signed by a duly authorised officer, who must state his representative capacity, and stamped with your corporation's chop.

If an application is made by a person under a power of attorney, the Sole Global Coordinator may accept or reject your application at their discretion, and on any conditions they think fit, including evidence of the attorney's authority.

The number of joint applicants may not exceed four and they may not apply by means of the **HK eIPO White Form** service for the Hong Kong Offer Shares.

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## HOW TO APPLY FOR HONG KONG OFFER SHARES

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Unless permitted by the Listing Rules, you cannot apply for any Hong Kong Offer Shares if you are:

- an existing beneficial owner of shares in our Company and/or any of our subsidiaries;
- a director or chief executive officer of our Company and/or any of our subsidiaries;
- a connected person (as defined in the Listing Rules) of our Company or will become a connected person of our Company immediately upon completion of the Global Offering;
- an associate (as defined in the Listing Rules) of any of the above; or
- have been allocated or have applied for or indicated an interest in any International Placing Shares or otherwise participate in the International Placing.

### 3. APPLYING FOR HONG KONG OFFER SHARES

#### Which Application Channel to Use

For Hong Kong Offer Shares to be issued in your own name, use a **WHITE** Application Form or apply online through [www.hkeipo.hk](http://www.hkeipo.hk).

For Hong Kong Offer Shares to be issued in the name of HKSCC Nominees and deposited directly into CCASS to be credited to your or a designated CCASS Participant's stock account, use a **YELLOW** Application Form or electronically instruct HKSCC via CCASS to cause HKSCC Nominees to apply for you.

#### Where to Collect the Application Forms

You can collect a **WHITE** Application Form and a prospectus during normal business hours from 9:00 a.m. on Thursday, 30 June 2016 till 12:00 noon on Wednesday, 6 July 2016 from:

- (i) any of the following offices of the Hong Kong Underwriters:

**Southwest Securities (HK) Brokerage Limited**

Rooms 1601, 06-08, 16/F.

Central Plaza

18 Harbour Road

Wanchai

Hong Kong

**Oriental Patron Securities Limited**

27th Floor

Two Exchange Square

8 Connaught Place

Central

Hong Kong

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## HOW TO APPLY FOR HONG KONG OFFER SHARES

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- (ii) any of the following branches of the receiving bank, The Bank of East Asia, Limited:

	<u>Branch name</u>	<u>Address</u>
Hong Kong Island .	Main Branch	10 Des Voeux Road Central Central
	Wanchai Branch	Shop A-C, G/F Easey Commercial Building 253-261 Hennessy Road Wanchai
Kowloon . . . . .	Mongkok Branch	638-640 Nathan Road, Mongkok
	Mei Foo Sun Chuen Branch	Shop N57, G/F Mount Sterling Mall, Mei Foo
New Territories . . .	Tai Wai Branch	Cheung Fung Mansion 16-18 Tai Wai Road, Shatin

You can collect a **YELLOW** Application Form and a prospectus during normal business hours from 9:00 a.m. on Thursday, 30 June 2016 till 12:00 noon on Wednesday, 6 July 2016 from the Depository Counter of HKSCC at 1/F, One & Two Exchange Square, 8 Connaught Place, Central, Hong Kong or from your stockbroker.

### Time for Lodging Application Forms

Your completed **WHITE** or **YELLOW** Application Form, together with a cheque or a banker's cashier order attached and marked payable to "**The Bank of East Asia (Nominees) Limited – Plover Bay Tech Public Offer**" for the payment, should be deposited in the special collection boxes provided at any of the branches of the receiving bank listed above, at the following times:

<b>Thursday, 30 June 2016</b>	—	<b>9:00 a.m. to 5:00 p.m.</b>
<b>Saturday, 2 July 2016</b>	—	<b>9:00 a.m. to 1:00 p.m.</b>
<b>Monday, 4 July 2016</b>	—	<b>9:00 a.m. to 5:00 p.m.</b>
<b>Tuesday, 5 July 2016</b>	—	<b>9:00 a.m. to 5:00 p.m.</b>
<b>Wednesday, 6 July 2016</b>	—	<b>9:00 a.m. to 12:00 noon</b>

The application lists will be open from 11:45 a.m. to 12:00 noon on Wednesday, 6 July 2016, the last application day or such later time as described in paragraph headed "Effect of Bad Weather on the Opening of the Application Lists" in this section.

#### 4. TERMS AND CONDITIONS OF AN APPLICATION

Follow the detailed instructions in the Application Form carefully; otherwise, your application may be rejected.



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## HOW TO APPLY FOR HONG KONG OFFER SHARES

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By submitting an Application Form or applying through the **HK eIPO White Form** service, among other things, you:

- (i) undertake to execute all relevant documents and instruct and authorise the Company and/or the Sole Global Coordinator (or their agents or nominees), as agents of our Company, to execute any documents for you and to do on your behalf all things necessary to register any Hong Kong Offer Shares allocated to you in your name or in the name of HKSCC Nominees as required by the Articles of Association;
- (ii) agree to comply with the Cayman Companies Law, the Companies Ordinance, the Companies (Winding up and Miscellaneous Provisions) Ordinance and the Memorandum and Articles of Association;
- (iii) confirm that you have read the terms and conditions and application procedures set out in this prospectus and in the Application Form and agree to be bound by them;
- (iv) confirm that you have received and read this prospectus and have only relied on the information and representations contained in this prospectus in making your application and will not rely on any other information or representations except those in any supplement to this prospectus;
- (v) confirm that you are aware of the restrictions on the Global Offering in this prospectus;
- (vi) agree that none of our Company, the Sole Global Coordinator, the Sole Sponsor, the Underwriters, their respective directors, officers, employees, partners, agents, advisers and any other parties involved in the Global Offering is or will be liable for any information and representations not in this prospectus (and any supplement to it);
- (vii) undertake and confirm that you or the person(s) for whose benefit you have made the application have not applied for or taken up, or indicated an interest for, and will not apply for or take up, or indicate an interest for, any International Placing Shares under the International Placing nor participated in the International Placing;
- (viii) agree to disclose to our Company, the Hong Kong Branch Share Registrar, the receiving bank, the Sole Global Coordinator, the Sole Sponsor, the Underwriters and/or their respective advisers and agents any personal data which they may require about you and the person(s) for whose benefit you have made the application;
- (ix) if the laws of any place outside Hong Kong apply to your application, agree and warrant that you have complied with all such laws and none of our Company, the Sole Global Coordinator, the Sole Sponsor and the Underwriters nor any of their respective officers or advisers will breach any law outside Hong Kong as a result of the acceptance of your offer to purchase, or any action arising from your rights and obligations under the terms and conditions contained in this prospectus and the Application Form;
- (x) agree that once your application has been accepted, you may not rescind it because of an innocent misrepresentation;
- (xi) agree that your application will be governed by the laws of Hong Kong;

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## HOW TO APPLY FOR HONG KONG OFFER SHARES

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- (xii) represent, warrant and undertake that (i) you understand that the Hong Kong Offer Shares have not been and will not be registered under the U.S. Securities Act; and (ii) you and any person for whose benefit you are applying for the Hong Kong Offer Shares are outside the United States (as defined in Regulation S) or are a person described in paragraph (h)(3) of Rule 902 of Regulation S;
- (xiii) warrant that the information you have provided is true and accurate;
- (xiv) agree to accept the Hong Kong Offer Shares applied for, or any lesser number allocated to you under the application;
- (xv) authorise our Company to place your name(s) or the name of the HKSCC Nominees, on our Company's register of members as the holder(s) of any Hong Kong Offer Shares allocated to you, and our Company and/or its agents to send any share certificate(s) and/or any e-Auto Refund payment instructions and/or any refund cheque(s) to you or the first-named applicant for joint application by ordinary post at your own risk to the address stated on the application, unless you are eligible to collect the share certificate(s) and/or refund cheque(s) in person;
- (xvi) declare and represent that this is the only application made and the only application intended by you to be made to benefit you or the person for whose benefit you are applying;
- (xvii) understand that our Company, our Directors and the Sole Global Coordinator will rely on your declarations and representations in deciding whether or not to make any allotment of any of the Hong Kong Offer Shares to you and that you may be prosecuted for making a false declaration;
- (xviii) (if the application is made for your own benefit) warrant that no other application has been or will be made for your benefit on a **WHITE** or **YELLOW** Application Form or by giving electronic application instructions to HKSCC or to the **HK eIPO White Form** Service Provider by you or by any one as your agent or by any other person; and
- (xix) (if you are making the application as an agent for the benefit of another person) warrant that (i) no other application has been or will be made by you as agent for or for the benefit of that person or by that person or by any other person as agent for that person on a **WHITE** or **YELLOW** Application Form or by giving electronic application instructions to HKSCC; and (ii) you have due authority to sign the Application Form or give electronic application instructions on behalf of that other person as their agent.

### Additional Instructions for **YELLOW** Application Form

You may refer to the **YELLOW** Application Form for details.

## 5. APPLYING THROUGH HK eIPO WHITE FORM SERVICE

### General

Individuals who meet the criteria in "Who can apply" section, may apply through the **HK eIPO White Form** service for the Hong Kong Offer Shares to be allotted and registered in their own names through the designated website at [www.hkeipo.hk](http://www.hkeipo.hk).

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## HOW TO APPLY FOR HONG KONG OFFER SHARES

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Detailed instructions for application through the **HK eIPO White Form** service are on the designated website. If you do not follow the instructions, your application may be rejected and may not be submitted to our Company. If you apply through the designated website at **www.hkeipo.hk**, you authorise the **HK eIPO White Form** Service Provider to apply on the terms and conditions in this prospectus, as supplemented and amended by the terms and conditions of the **HK eIPO White Form** service.

### **Time for Submitting Applications under the HK eIPO White Form Service**

You may submit your application to the **HK eIPO White Form** service at **www.hkeipo.hk** (24 hours daily, except on the last application day) from 9:00 a.m. on Thursday, 30 June 2016 until 11:30 a.m. on Wednesday, 6 July 2016 and the latest time for completing full payment of application monies in respect of such applications will be 12:00 noon Wednesday, 6 July 2016 or such later time under the “Effect of Bad Weather on the Opening of the Applications Lists” below.

### **No Multiple Applications**

If you apply by means of the **HK eIPO White Form** service, once you complete payment in respect of any **electronic application instruction** given by you or for your benefit through the **HK eIPO White Form** service to make an application for Hong Kong Offer Shares, an actual application shall be deemed to have been made. For the avoidance of doubt, giving an **electronic application instruction** under **HK eIPO White Form** service more than once and obtaining different application reference numbers without effecting full payment in respect of a particular reference number will not constitute an actual application.

If you are suspected of submitting more than one application through the **HK eIPO White Form** service or by any other means, all of your applications are liable to be rejected.

### **Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance**

For the avoidance of doubt, our Company and all other parties involved in the preparation of this prospectus acknowledge that each applicant who gives or causes to give **electronic application instructions** is a person who may be entitled to compensation under section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (as applied by section 342E of the Companies (Winding Up and Miscellaneous Provisions) Ordinance).

## **6. APPLYING BY GIVING ELECTRONIC APPLICATION INSTRUCTIONS TO HKSCC VIA CCASS**

### **General**

CCASS Participants may give **electronic application instructions** to apply for the Hong Kong Offer Shares and to arrange payment of the money due on application and payment of refunds under their participant agreements with HKSCC and the General Rules of CCASS and the CCASS Operational Procedures.

If you are a CCASS Investor Participant, you may give these **electronic application instructions** through the CCASS Phone System by calling 2979 7888 or through the CCASS Internet System (**https://ip.ccass.com**) (using the procedures in HKSCC’s “An Operating Guide for Investor Participants” in effect from time to time).

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## HOW TO APPLY FOR HONG KONG OFFER SHARES

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HKSCC can also input **electronic application instructions** for you if you go to:

Hong Kong Securities Clearing Company Limited  
Customer Service Centre  
1/F, One & Two Exchange Square  
8 Connaught Place Central  
Hong Kong

and complete an input request form.

You can also collect a prospectus from this address.

If you are not a CCASS Investor Participant, you may instruct your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give electronic application instructions via CCASS terminals to apply for the Hong Kong Offer Shares on your behalf.

You will be deemed to have authorised HKSCC and/or HKSCC Nominees to transfer the details of your application to our Company, the Sole Global Coordinator and the Hong Kong Branch Share Registrar.

### **Giving Electronic Application Instructions to HKSCC via CCASS**

Where you have given **electronic application instructions** to apply for the Hong Kong Offer Shares and a **WHITE** Application Form is signed by HKSCC Nominees on your behalf:

- (i) HKSCC Nominees will only be acting as a nominee for you and is not liable for any breach of the terms and conditions of the **WHITE** Application Form or this prospectus;
- (ii) HKSCC Nominees will do the following things on your behalf:
  - agree that the Hong Kong Offer Shares to be allotted shall be issued in the name of HKSCC Nominees and deposited directly into CCASS for the credit of the CCASS Participant's stock account on your behalf or your CCASS Investor Participant's stock account;
  - agree to accept the Hong Kong Offer Shares applied for or any lesser number allocated;
  - undertake and confirm that you have not applied for or taken up, will not apply for or take up, or indicate an interest for, any International Placing Shares under the International Placing;
  - (if the **electronic application instructions** are given for your benefit) declare that only one set of **electronic application instructions** has been given for your benefit;
  - (if you are an agent for another person) declare that you have only given one set of **electronic application instructions** for the other person's benefit and are duly authorised to give those instructions as their agent;

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## HOW TO APPLY FOR HONG KONG OFFER SHARES

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- confirm that you understand that our Company, our Directors and the Sole Global Coordinator will rely on your declarations and representations in deciding whether or not to make any allotment of any of the Hong Kong Offer Shares to you and that you may be prosecuted if you make a false declaration;
- authorise our Company to place HKSCC Nominees' name on our Company's register of members as the holder of the Hong Kong Offer Shares allocated to you and to send share certificate(s) and/or refund monies under the arrangements separately agreed between us and HKSCC;
- confirm that you have read the terms and conditions and application procedures set out in this prospectus and agree to be bound by them;
- confirm that you have received and/or read a copy of this prospectus and have relied only on the information and representations in this prospectus in causing the application to be made, save as set out in any supplement to this prospectus;
- agree that none of our Company, the Sole Global Coordinator, the Sole Sponsor, the Underwriters, their respective directors, officers, employees, partners, agents, advisers and any other parties involved in the Global Offering, is or will be liable for any information and representations not contained in this prospectus (and any supplement to it);
- agree to disclose your personal data to our Company, the Hong Kong Branch Share Registrar, the receiving bank, the Sole Global Coordinator, the Sole Sponsor, the Underwriters and/or its respective advisers and agents;
- agree (without prejudice to any other rights which you may have) that once HKSCC Nominees' application has been accepted, it cannot be rescinded for innocent misrepresentation;
- agree that any application made by HKSCC Nominees on your behalf is irrevocable before the fifth day after the time of the opening of the application lists (excluding any day which is Saturday, Sunday or public holiday in Hong Kong), such agreement to take effect as a collateral contract with us and to become binding when you give the instructions and such collateral contract to be in consideration of our Company agreeing that it will not offer any Hong Kong Offer Shares to any person before the fifth day after the time of the opening of the application lists (excluding any day which is Saturday, Sunday or public holiday in Hong Kong), except by means of one of the procedures referred to in this prospectus. However, HKSCC Nominees may revoke the application before the fifth day after the time of the opening of the application lists (excluding for this purpose any day which is a Saturday, Sunday or public holiday in Hong Kong) if a person responsible for this prospectus under section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance gives a public notice under that section which excludes or limits that person's responsibility for this prospectus;
- agree that once HKSCC Nominees' application is accepted, neither that application nor your electronic application instructions can be revoked, and that acceptance of that application will be evidenced by our Company's announcement of the Hong Kong Public Offering results;

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## HOW TO APPLY FOR HONG KONG OFFER SHARES

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- agree to the arrangements, undertakings and warranties under the participant agreement between you and HKSCC, read with the General Rules of CCASS and the CCASS Operational Procedures, for the giving electronic application instructions to apply for Hong Kong Offer Shares;
- agree with our Company, for itself and for the benefit of each Shareholder (and so that our Company will be deemed by its acceptance in whole or in part of the application by HKSCC Nominees to have agreed, for itself and on behalf of each of our Shareholders, with each CCASS Participant giving electronic application instructions) to observe and comply with the Cayman Companies Law, the Companies Ordinance, the Companies (Winding Up and Miscellaneous Provisions) Ordinance and the Memorandum and Articles of Association; and
- agree that your application, any acceptance of it and the resulting contract will be governed by the Laws of Hong Kong.

### **Effect of Giving Electronic Application Instructions to HKSCC via CCASS**

By giving **electronic application instructions** to HKSCC or instructing your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give such instructions to HKSCC, you (and, if you are joint applicants, each of you jointly and severally) are deemed to have done the following things. Neither HKSCC nor HKSCC Nominees shall be liable to our Company or any other person in respect of the things mentioned below:

- instructed and authorised HKSCC to cause HKSCC Nominees (acting as nominee for the relevant CCASS Participants) to apply for the Hong Kong Offer Shares on your behalf;
- instructed and authorised HKSCC to arrange payment of the maximum Offer Price, brokerage, SFC transaction levy and the Stock Exchange trading fee by debiting your designated bank account and, in the case of a wholly or partially unsuccessful application and/or if the Offer Price is less than the maximum Offer Price per Offer Share initially paid on application, refund of the application monies (including brokerage, SFC transaction levy and the Stock Exchange trading fee) by crediting your designated bank account; and
- instructed and authorised HKSCC to cause HKSCC Nominees to do on your behalf all the things stated in the **WHITE** Application Form and in this prospectus.

### **Minimum Purchase Amount and Permitted Numbers**

You may give or cause your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give electronic application instructions for a minimum of 8,000 Hong Kong Offer Shares. Instructions for more than 8,000 Hong Kong Offer Shares must be in one of the numbers set out in the table in the Application Forms. No application for any other number of Hong Kong Offer Shares will be considered and any such application is liable to be rejected.

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## HOW TO APPLY FOR HONG KONG OFFER SHARES

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### Time for Inputting Electronic Application Instructions

CCASS Clearing/Custodian Participants can input electronic application instructions at the following times on the following dates:

<b>Thursday, 30 June 2016</b>	—	<b>9:00 a.m. to 8:30 p.m.<sup>(1)</sup></b>
<b>Saturday, 2 July 2016</b>	—	<b>8:00 a.m. to 1:00 p.m.<sup>(1)</sup></b>
<b>Monday, 4 July 2016</b>	—	<b>8:00 a.m. to 8:30 p.m.<sup>(1)</sup></b>
<b>Tuesday, 5 July 2016</b>	—	<b>8:00 a.m. to 8:30 p.m.<sup>(1)</sup></b>
<b>Wednesday, 6 July 2016</b>	—	<b>8:00 a.m.<sup>(1)</sup> to 12:00 noon</b>

*Note:*

- (1) These times are subject to change as HKSCC may determine from time to time with prior notification to CCASS Clearing/Custodian Participants.

CCASS Investor Participants can input **electronic application instructions** from 9:00 a.m. on Thursday, 30 June 2016 until 12:00 noon on Wednesday, 6 July 2016 (24 hours daily, except on the last application day).

The latest time for inputting your electronic application instructions will be 12:00 noon on Wednesday, 6 July 2016, the last application day or such later time as described in “Effect of Bad Weather on the Opening of the Application Lists” below.

### No Multiple Applications

If you are suspected of having made multiple applications or if more than one application is made for your benefit, the number of Hong Kong Offer Shares applied for by HKSCC Nominees will be automatically reduced by the number of Hong Kong Offer Shares for which you have given such instructions and/or for which such instructions have been given for your benefit. Any **electronic application instructions** to make an application for the Hong Kong Offer Shares given by you or for your benefit to HKSCC shall be deemed to be an actual application for the purposes of considering whether multiple applications have been made.

### Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance

For the avoidance of doubt, our Company and all other parties involved in the preparation of this prospectus acknowledge that each CCASS Participant who gives or causes to give **electronic application instructions** is a person who may be entitled to compensation under section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (as applied by section 342E of the Companies (Winding Up and Miscellaneous Provisions) Ordinance).

### Personal Data

The section of the Application Form headed “Personal Data” applies to any personal data held by our Company, the Hong Kong Branch Share Registrar, the receiving bank, the Sole Global Coordinator, the Sole Sponsor, the Underwriters and any of their respective advisers and agents about you in the same way as it applies to personal data about applicants other than HKSCC Nominees.

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## HOW TO APPLY FOR HONG KONG OFFER SHARES

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### 7. WARNING FOR ELECTRONIC APPLICATIONS

The subscription of the Hong Kong Offer Shares by giving electronic application instructions to HKSCC is only a facility provided to CCASS Participants. Similarly, the application for Hong Kong Offer Shares through the **HK eIPO White Form** service is also only a facility provided by the HK eIPO White Form Service Provider to public investors. Such facilities are subject to capacity limitations and potential service interruptions and you are advised not to wait until the last application day in making your electronic applications. Our Company, our Directors, the Sole Bookrunner, the Sole Sponsor, the Sole Global Coordinator and the Underwriters take no responsibility for such applications and provide no assurance that any CCASS Participant or person applying through the **HK eIPO White Form** service will be allotted any Hong Kong Offer Shares.

To ensure that CCASS Investor Participants can give their **electronic application instructions**, they are advised not to wait until the last minute to input their instructions to the systems. In the event that CCASS Investor Participants have problems in the connection to CCASS Phone System/CCASS Internet System for submission of **electronic application instructions**, they should either (i) submit a **WHITE** or **YELLOW** Application Form; or (ii) go to HKSCC's Customer Service Centre to complete an input request form for **electronic application instructions** before 12:00 noon on Wednesday, 6 July 2016 or such later time under the paragraph headed "Effect of Bad Weather on the Opening of the Application Lists" in this section.

### 8. HOW MANY APPLICATIONS CAN YOU MAKE

Multiple applications for the Hong Kong Offer Shares are not allowed except by nominees. If you are a nominee, in the box on the Application Form marked "For nominees" you must include:

- an account number; or
- some other identification code,

for each beneficial owner or, in the case of joint beneficial owners, for each joint beneficial owner. If you do not include this information, the application will be treated as being made for your benefit.

All of your applications will be rejected if more than one application on a **WHITE** or **YELLOW** Application Form (whether individually or jointly) or by giving **electronic application instructions** to HKSCC or through the **HK eIPO White Form** service, is made for your benefit (including the part of the application made by HKSCC Nominees acting on **electronic application instructions**).

If an application is made by an unlisted company and:

- the principal business of that company is dealing in securities; and
- you exercise statutory control over that company,

then the application will be treated as being for your benefit.

"**Unlisted company**" means a company with no equity securities listed on the Stock Exchange.



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## HOW TO APPLY FOR HONG KONG OFFER SHARES

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“**Statutory control**” means you:

- control the composition of the board of directors of the company;
- control more than half of the voting power of the company; or
- hold more than half of the issued share capital of the company (not counting any part of it which carries no right to participate beyond a specified amount in a distribution of either profits or capital).

### 9. HOW MUCH ARE THE HONG KONG OFFER SHARES

The **WHITE** and **YELLOW** Application Forms have tables showing the exact amount payable for Shares.

You must pay the maximum Offer Price, brokerage, SFC transaction levy and the Stock Exchange trading fee in full upon application for Shares under the terms set out in the Application Forms.

You may submit an application using a **WHITE** or **YELLOW** Application Form or through the **HK eIPO White Form** service in respect of a minimum of 8,000 Hong Kong Offer Shares. Each application or electronic application instruction in respect of more than 8,000 Hong Kong Offer Shares must be in one of the numbers set out in the table in the Application Form, or as otherwise specified on the designated website at [www.hkeipo.hk](http://www.hkeipo.hk).

If your application is successful, brokerage will be paid to the Exchange Participants, and the SFC transaction levy and the Stock Exchange trading fee are paid to the Stock Exchange (in the case of the SFC transaction levy, collected by the Stock Exchange on behalf of the SFC).

For further details on the Offer Price, please refer to the section headed “Structure of the Global Offering – Pricing and Allocation” in this prospectus.

### 10. EFFECT OF BAD WEATHER ON THE OPENING OF THE APPLICATION LISTS

The application lists will not open if there is:

- a tropical cyclone warning signal number 8 or above; or
- a “black” rainstorm warning,

in force in Hong Kong at any time between 9:00 a.m. to 12:00 noon on Wednesday, 6 July 2016. Instead they will open between 11:45 a.m. to 12:00 noon on the next Business Day which does not have either of those warnings in Hong Kong in force at any time between 9:00 a.m. to 12:00 noon.

If the application lists do not open and close on Wednesday, 6 July 2016 or if there is a tropical cyclone warning signal number 8 or above or a “black” rainstorm warning signal in force in Hong Kong that may affect the dates mentioned in the section headed “Expected Timetable” in this prospectus, an announcement will be made in such event.

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## HOW TO APPLY FOR HONG KONG OFFER SHARES

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### 11. PUBLICATION OF RESULTS

Our Company expects to announce the final Offer Price, the level of indication of interest in the International Placing, the level of applications in the Hong Kong Public Offering and the basis of allocation of the Hong Kong Offer Shares on Tuesday, 12 July 2016 on our Company's website at [www.ploverbay.com](http://www.ploverbay.com) and the website of the Stock Exchange at [www.hkexnews.hk](http://www.hkexnews.hk).

The results of allocations and the Hong Kong identity card/passport/Hong Kong business registration numbers of successful applicants under the Hong Kong Public Offering will be available at the times and date and in the manner specified below:

- in the announcement to be posted on our Company's website at [www.ploverbay.com](http://www.ploverbay.com) and the Stock Exchange's website at [www.hkexnews.hk](http://www.hkexnews.hk) by no later than 8:00 a.m. on Tuesday, 12 July 2016;
- from the designated results of allocations website at [www.tricor.com.hk/ipo/result](http://www.tricor.com.hk/ipo/result) with a "search by ID" function on a 24-hour basis from 8:00 a.m. on Tuesday, 12 July 2016 to 12:00 midnight Monday, 18 July 2016;
- by telephone enquiry line by calling 3691 8488 between 9:00 a.m. and 6:00 p.m. from Tuesday, 12 July 2016 to Friday, 15 July 2016;
- in the special allocation results booklets which will be available for inspection during opening hours from Tuesday, 12 July 2016 to Thursday, 14 July 2016 at all the receiving bank branches.

If our Company accepts your offer to purchase (in whole or in part), which it may do by announcing the basis of allocations and/or making available the results of allocations publicly, there will be a binding contract under which you will be required to purchase the Hong Kong Offer Shares if the conditions of the Global Offering are satisfied and the Global Offering is not otherwise terminated. Further details are contained in the section headed "Structure of the Global Offering" in this prospectus.

You will not be entitled to exercise any remedy of rescission for innocent misrepresentation at any time after acceptance of your application. This does not affect any other right you may have.

### 12. CIRCUMSTANCES IN WHICH YOU WILL NOT BE ALLOTTED OFFER SHARES

You should note the following situations in which the Hong Kong Offer Shares will not be allotted to you:

**(i) If your application is revoked:**

By completing and submitting an Application Form or giving **electronic application instructions** to HKSCC or the **HK eIPO White Form** service, you agree that your application or the application made by HKSCC Nominees on your behalf cannot be revoked on or before the fifth day after the time of the opening of the application lists (excluding for this purpose any day which is Saturday, Sunday or public holiday in Hong Kong). This agreement will take effect as a collateral contract with our Company.

Your application or the application made by HKSCC Nominees on your behalf may only be revoked on or before such fifth day if a person responsible for this prospectus under section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (as

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## HOW TO APPLY FOR HONG KONG OFFER SHARES

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applied by section 342E of the Companies (Winding Up and Miscellaneous Provisions) Ordinance gives a public notice under that section which excludes or limits that person's responsibility for this prospectus.

If any supplement to this prospectus is issued, applicants who have already submitted an application will be notified that they are required to confirm their applications. If applicants have been so notified but have not confirmed their applications in accordance with the procedure to be notified, all unconfirmed applications will be deemed revoked.

If your application or the application made by HKSCC Nominees on your behalf has been accepted, it cannot be revoked. For this purpose, acceptance of applications which are not rejected will be constituted by notification in the announcement of the results of allocation, and where such basis of allocation is subject to certain conditions or provides for allocation by ballot, such acceptance will be subject to the satisfaction of such conditions or results of the ballot, respectively.

**(ii) If our Company or our agents exercise their discretion to reject your application:**

Our Company, the Sole Global Coordinator, the **HK eIPO White Form** Service Provider and their respective agents and nominees have full discretion to reject or accept any application, or to accept only part of any application, without giving any reasons.

**(iii) If the allotment of Hong Kong Offer Shares is void:**

The allotment of Hong Kong Offer Shares will be void if the Listing Committee does not grant permission to list our Shares either:

- within three weeks from the closing date of the application lists; or
- within a longer period of up to six weeks if the Listing Committee notifies our Company of that longer period within three weeks of the closing date of the application lists.

**(iv) If:**

- you make multiple applications or suspected multiple applications;
- you or the person for whose benefit you are applying have applied for or taken up, or indicated an interest for, or have been or will be placed or allocated (including conditionally and/or provisionally) Hong Kong Offer Shares and International Placing Shares;
- your Application Form is not completed in accordance with the stated instructions;
- your **electronic application instructions** through the **HK eIPO White Form** service are not completed in accordance with the instructions, terms and conditions on the designated website;
- your payment is not made correctly or the cheque or banker's cashier order paid by you is dishonoured upon its first presentation;
- the Underwriting Agreements do not become unconditional or are terminated;

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## HOW TO APPLY FOR HONG KONG OFFER SHARES

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- Our Company or the Sole Global Coordinator believe that by accepting your application, it or they would violate applicable securities or other laws, regulations or rules; or
- your application is for more than 12,496,000 Hong Kong Offer Shares under the Hong Kong Public Offering.

### 13. REFUND OF APPLICATION MONIES

If an application is rejected, not accepted or accepted in part only, or if the Offer Price as finally determined is less than the maximum Offer Price of HK\$0.65 per Offer Share (excluding brokerage, SFC transaction levy and the Stock Exchange trading fee thereon), or if the conditions of the Hong Kong Public Offering are not fulfilled in accordance with the section headed “Structure of the Global Offering – Conditions of the Hong Kong Public Offering” in this prospectus or if any application is revoked, the application monies, or the appropriate portion thereof, together with the related brokerage, SFC transaction levy and the Stock Exchange trading fee, will be refunded, without interest or the cheque or banker’s cashier order will not be cleared.

Any refund of your application monies will be made on Tuesday, 12 July 2016.

### 14. DESPATCH/COLLECTION OF SHARE CERTIFICATES AND REFUND MONIES

You will receive one share certificate for all Hong Kong Offer Shares allotted to you under the Hong Kong Public Offering (except pursuant to applications made on **YELLOW** Application Forms or by electronic application instructions to HKSCC via CCASS where the share certificates will be deposited into CCASS as described below).

No temporary document of title will be issued in respect of our Shares. No receipt will be issued for sums paid on application.

If you apply by **WHITE** or **YELLOW** Application Forms, subject to personal collection as mentioned below, the following will be sent to you (or, in the case of joint applicants, to the first-named applicant) by ordinary post, at your own risk, to the address specified on the Application Form:

- share certificate(s) for all the Hong Kong Offer Shares allotted to you (for **YELLOW** Application Forms, share certificates will be deposited into CCASS as described below); and
- refund cheque(s) crossed “Account Payee Only” in favour of the applicant (or, in the case of joint applicants, the first-named applicant) for (i) all or the surplus application monies for the Hong Kong Offer Shares, wholly or partially unsuccessfully applied for; and/or (ii) the difference between the Offer Price and the maximum Offer Price per Offer Share paid on application in the event that the Offer Price is less than the maximum Offer Price (including brokerage, SFC transaction levy and the Stock Exchange trading fee but without interest). Part of the Hong Kong identity card number/passport number, provided by you or the first-named applicant (if you are joint applicants), may be printed on your refund cheque, if any. Your banker may require verification of your Hong Kong identity card number/passport number before encashment of your refund cheque(s). Inaccurate completion of your Hong Kong identity card number/passport number may invalidate or delay encashment of your refund cheque(s).

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## HOW TO APPLY FOR HONG KONG OFFER SHARES

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Subject to arrangement on despatch/collection of share certificates and refund monies as mentioned below, any refund cheques and share certificates are expected to be posted on or about Tuesday, 12 July 2016. The right is reserved to retain any share certificate(s) and any surplus application monies pending clearance of cheque(s) or banker's cashier's order(s).

Share certificates will only become valid at 8:00 a.m. on Wednesday, 13 July 2016 provided that the Global Offering has become unconditional and the right of termination described in the "Underwriting" section in this prospectus has not been exercised. Investors who trade Shares prior to the receipt of share certificates or the share certificates becoming valid do so at their own risk.

### **Personal Collection**

#### ***(i) If you apply using a WHITE Application Form***

If you apply for 1,000,000 or more Hong Kong Offer Shares and have provided all information required by your Application Form, you may collect your refund cheque(s) and/or Share certificate(s) from the Hong Kong Branch Share Registrar, Tricor Investor Services Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong from 9:00 a.m. to 1:00 p.m. on Tuesday, 12 July 2016 or such other date as notified by us in the newspapers.

If you are an individual who is eligible for personal collection, you must not authorise any other person to collect for you. If you are a corporate applicant which is eligible for personal collection, your authorised representative must bear a letter of authorisation from your corporation stamped with your corporation's chop. Both individuals and authorised representatives must produce, at the time of collection, evidence of identity acceptable to the Hong Kong Branch Share Registrar.

If you do not collect your refund cheque(s) and/or share certificate(s) personally within the time specified for collection, they will be despatched promptly to the address specified in your Application Form by ordinary post at your own risk.

If you apply for less than 1,000,000 Hong Kong Offer Shares, your refund cheque(s) and/or Share certificate(s) will be sent to the address on the relevant Application Form on Tuesday, 12 July 2016, by ordinary post and at your own risk.

#### ***(ii) If you apply using a YELLOW Application Form***

If you apply for 1,000,000 Hong Kong Offer Shares or more, please follow the same instructions as described above. If you have applied for less than 1,000,000 Hong Kong Offer Shares, your refund cheque(s) will be sent to the address on the relevant Application Form on Tuesday, 12 July 2016, by ordinary post and at your own risk.

If you apply by using a **YELLOW** Application Form and your application is wholly or partially successful, your Share certificate(s) will be issued in the name of HKSCC Nominees and deposited into CCASS for credit to your or the designated CCASS Participant's stock account as stated in your Application Form on Tuesday, 12 July 2016, or upon contingency, on any other date determined by HKSCC or HKSCC Nominees.

#### ***(iii) If you apply through a designated CCASS Participant (other than a CCASS Investor Participant)***

For Hong Kong Offer Shares credited to your designated CCASS Participant's stock account (other than CCASS Investor Participant), you can check the number of Hong Kong Offer Shares allotted to you with that CCASS Participant.

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## HOW TO APPLY FOR HONG KONG OFFER SHARES

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- *If you are applying as a CCASS Investor Participant*

Our Company will publish the results of CCASS Investor Participants' applications together with the results of the Hong Kong Public Offering in the manner described in "11. Publication of Results" above. You should check the announcement published by our Company and report any discrepancies to HKSCC before 5:00 p.m. on Tuesday, 12 July 2016 or any other date as determined by HKSCC or HKSCC Nominees. Immediately after the credit of the Hong Kong Offer Shares to your stock account, you can check your new account balance via the CCASS Phone System and CCASS Internet System.

***(iv) If you apply through the HK eIPO White Form service***

If you apply for 1,000,000 Hong Kong Offer Shares or more and your application is wholly or partially successful, you may collect your share certificate(s) from the Hong Kong Branch Share Registrar, Tricor Investor Services Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, from 9:00 a.m. to 1:00 p.m. on Tuesday, 12 July 2016, or such other date as notified by our Company in the newspapers as the date of despatch/ collection of share certificates/e-Auto Refund payment instructions/refund cheques.

If you do not collect your share certificate(s) personally within the time specified for collection, they will be sent to the address specified in your application instructions by ordinary post at your own risk.

If you apply for less than 1,000,000 Hong Kong Offer Shares, your share certificate(s) (where applicable) will be sent to the address specified in your application instructions on Tuesday, 12 July 2016 by ordinary post at your own risk.

If you apply and pay the application monies from a single bank account, any refund monies will be despatched to that bank account in the form of e-Auto Refund payment instructions. If you apply and pay the application monies from multiple bank accounts, any refund monies will be despatched to the address as specified in your application instructions in the form of refund cheque(s) by ordinary post at your own risk.

***(v) If you apply via Electronic Application Instructions to HKSCC***

*Allocation of Hong Kong Offer Shares*

For the purposes of allocating Hong Kong Offer Shares, HKSCC Nominees will not be treated as an applicant. Instead, each CCASS Participant who gives electronic application instructions or each person for whose benefit instructions are given will be treated as an applicant.

*Deposit of Share Certificates into CCASS and Refund of Application Monies*

- If your application is wholly or partially successful, your share certificate(s) will be issued in the name of HKSCC Nominees and deposited into CCASS for the credit of your designated CCASS Participant's stock account or your CCASS Investor Participant stock account on Tuesday, 12 July 2016, or, on any other date determined by HKSCC or HKSCC Nominees.
- Our Company expects to publish the application results of CCASS Participants (and where the CCASS Participant is a broker or custodian, our Company will include information relating to the relevant beneficial owner), your Hong Kong

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## HOW TO APPLY FOR HONG KONG OFFER SHARES

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identity card number/passport number or other identification code (Hong Kong business registration number for corporations) and the basis of allotment of the Hong Kong Public Offering in the manner specified in “11. Publication of Results” above on Tuesday, 12 July 2016. You should check the announcement published by our Company and report any discrepancies to HKSCC before 5:00 p.m. Tuesday, 12 July 2016 or such other date as determined by HKSCC or HKSCC Nominees.

- If you have instructed your broker or custodian to give electronic application instructions on your behalf, you can also check the number of Hong Kong Offer Shares allotted to you and the amount of refund monies (if any) payable to you with that broker or custodian.
- If you have applied as a CCASS Investor Participant, you can also check the number of Hong Kong Offer Shares allotted to you and the amount of refund monies (if any) payable to you via the CCASS Phone System and the CCASS Internet System (under the procedures contained in HKSCC’s “An Operating Guide for Investor Participants” in effect from time to time) on Tuesday, 12 July 2016. Immediately following the credit of the Hong Kong Offer Shares to your stock account and the credit of refund monies to your bank account, HKSCC will also make available to you an activity statement showing the number of Hong Kong Offer Shares credited to your CCASS Investor Participant stock account and the amount of refund monies (if any) credited to your designated bank account.

Refund of your application monies (if any) in respect of wholly and partially unsuccessful applications and/or difference between the Offer Price and the maximum Offer Price per Offer Share initially paid on application including brokerage of 1.0%, SFC transaction levy of 0.0027% and the Stock Exchange trading fee of 0.005%, will be credited to your designated bank account or the designated bank account of your broker or custodian on Tuesday, 12 July 2016. No interest will be paid thereon.

### **15. ADMISSION OF OUR SHARES INTO CCASS**

If the Stock Exchange grants the listing of, and permission to deal in, our Shares and we comply with the stock admission requirements of HKSCC, our Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the date of commencement of dealings in our Shares or any other date HKSCC chooses. Settlement of transactions between Exchange Participants (as defined in the Listing Rules) is required to take place in CCASS on the second Business Day after any trading day.

All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

Investors should seek the advice of their stockbroker or other professional adviser for details of the settlement arrangement as such arrangements may affect their rights and interests.

All necessary arrangements have been made enabling our Shares to be admitted into CCASS.



德勤•關黃陳方會計師行  
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太古廣場一座35樓

Deloitte Touche Tohmatsu  
35/F One Pacific Place  
88 Queensway  
Hong Kong

30 June 2016

The Directors  
Plover Bay Technologies Limited

Southwest Securities (HK) Capital Limited

Dear Sirs,

We set out below our report on the financial information (the “**Financial Information**”) relating to Plover Bay Technologies Limited (the “**Company**”) and its subsidiaries (hereinafter collectively referred to as the “**Group**”) for each of the three years ended 31 December 2015 (the “**Track Record Period**”) for inclusion in the prospectus of the Company dated 30 June 2016 (the “**Prospectus**”) in connection with the initial listing of the shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”).

The Company, which acts as an investment holding company, was incorporated as an exempted company with limited liability in the Cayman Islands on 5 May 2015. Pursuant to a group reorganisation, as more fully explained in the section headed “Reorganisation” in the Prospectus (the “**Group Reorganisation**”), the Company became the holding company of the Group on 15 June 2016. Other than the transactions relating to the Group Reorganisation and the preparation for the listing on the Stock Exchange, the Company has not carried on any business since the date of its incorporation.

The Group is principally engaged in the designing, development and marketing of SD-WAN routers and provision of software licences and warranty and support services.



The Company and its subsidiaries have adopted 31 December as their financial year end date. At the date of this report, the Company has equity interests in the following subsidiaries comprising the Group:

Name of subsidiaries	Place of incorporation/ establishment	Date of incorporation/ establishment	Issued and fully paid-up share capital	Equity attributable to the Company				Principal activities
				At 31 December			At the date	
				2013	2014	2015	of the report	
				%	%	%	%	
<b>Direct</b>								
Protean Holdings Limited ("Protean Holdings")	BVI	8 April 2015	United States dollars (US\$) 1	N/A	N/A	100	100	Investment holding
<b>Indirect</b>								
Pepwave Limited ("Pepwave")	Hong Kong	13 October 2006	Hong Kong dollars (HK\$) 1	100	100	100	100	Designing, development and marketing of SD-WAN routers and provision of software licence and warranty and support services
Peplink International Limited ("Peplink")	Hong Kong	22 August 2007	HK\$1,000	100	100	100	100	Designing, development and marketing of SD-WAN routers and provision of software licence and warranty and support services
Pismo Labs Limited ("PLL")	Hong Kong	13 October 2006	HK\$1	100	100	100	100	Development of SD-WAN routers
Pismo Labs Technology Limited ("PLTL")	Hong Kong	14 November 2006	HK\$1	100	100	100	100	Holding intellectual property
Pismo Research (Malaysia) Sdn. Bhd. ("PRSB")	Malaysia	3 August 2011	Ringgit Malaysia ("RM") 350,000	100	100	100	100	Development of SD-WAN routers
Peplink Worldwide Limited ("PWL")	BVI	20 October 2011	US\$1	100	100	100	100	Trading of SD-WAN routers
Pegatrack Limited ("Pegatrack")	Hong Kong	6 February 2015	HK\$1	N/A	N/A	100	100	Inactive
Pacific Smart Systems Limited ("Pacific Smart")	Hong Kong	4 September 2015	HK\$1	N/A	N/A	100	100	Inactive

Except for Protean Holdings, all of the above subsidiaries are indirectly held by the Company. All of the above subsidiaries are limited liability companies incorporated in their respective places of incorporation.

No audited statutory financial statements have been prepared for the Company and its subsidiaries incorporated in the Cayman Islands and the BVI, respectively, since their respective dates of incorporation, as there are no statutory audit requirements in the Cayman Islands and the BVI. We have, however, reviewed all relevant transactions of the Company and Protean Holdings since their respective dates of incorporation, and of PWL for the three years ended 31 December 2013, 2014 and 2015 and carried out such procedures as we considered necessary for inclusion of their financial information relating to the Group in this report.

The statutory financial statements of the Group's subsidiaries incorporated in Hong Kong for their respective financial years ended 31 December 2013, 2014 and 2015 were prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") and were audited by C. H. Sum & Co., CPA, certified public accountants registered in Hong Kong.

The statutory financial statements of PRSB, which was incorporated in Malaysia, for each of the years ended 31 December 2013, 2014 and 2015 were prepared in accordance with relevant accounting principles and financial reporting framework applicable to entities incorporated in Malaysia and were audited by KY Siow & Co Chartered Accountants, certified public accountants registered in Malaysia.

For the purpose of this report, the directors of the Company have prepared consolidated financial statements of Protean Holdings for the Track Record Period in accordance with the accounting policies which conform with HKFRSs issued by the HKICPA (together with the management accounts of the Company for the period from the date of incorporation to 31 December 2015 are herein after referred to as the "Underlying Financial Statements"). We have undertaken an independent audit on the Underlying Financial Statements in accordance with

Hong Kong Standards on Auditing issued by the HKICPA and carried out procedures which we considered necessary in accordance with Auditing Guideline 3.340 "Prospectuses and the Reporting Accountant" as recommended by the HKICPA.

The Financial Information set out in this report has been prepared from the Underlying Financial Statements, on the basis set out in note 2 below, after making such adjustments as the directors of the Company considered necessary in preparing of this report for inclusion in the Prospectus.

The Underlying Financial Statements are the responsibility of the directors of the respective companies who approved their issue. The directors of the Company are also responsible for the contents of the Prospectus in which this report is included. It is our responsibility to compile the Financial Information set out in this report from the Underlying Financial Statements, to form an independent opinion on the Financial Information and to report our opinion to you.

In our opinion, on the basis of presentation sets out in note 2 below, the Financial Information gives, for the purpose of this report, a true and fair view of the financial positions of the Company as at 31 December 2015 and of the Group as at 31 December 2013, 31 December 2014 and 31 December 2015, and of the financial performance and cash flows of the Group for the Track Record Period.

## A. FINANCIAL INFORMATION

## COMBINED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	NOTES	Year ended 31 December		
		2013	2014	2015
		US\$	US\$	US\$
Revenue . . . . .	6	13,305,919	17,946,325	21,859,638
Cost of sales . . . . .		(4,654,963)	(6,910,340)	(9,166,358)
Gross profit . . . . .		8,650,956	11,035,985	12,693,280
Other income . . . . .	7	33,797	129,085	69,334
(Allowance for) reversal of allowance for doubtful debts . . . . .		(147)	177,394	—
Selling and distribution expenses . . . . .		(830,339)	(1,035,434)	(1,003,184)
Administrative expenses . . . . .		(1,706,299)	(2,049,013)	(2,710,442)
Research and development expenses . . . . .		(3,135,593)	(3,968,575)	(3,906,731)
Listing expenses . . . . .		—	—	(1,001,029)
Finance costs . . . . .	8	(3,638)	(4,427)	(1,307)
Profit before taxation . . . . .	9	3,008,737	4,285,015	4,139,921
Income tax expenses . . . . .	10	(443,660)	(542,055)	(783,292)
Profit for the year attributable to owners of the Company . . . . .		<u>2,565,077</u>	<u>3,742,960</u>	<u>3,356,629</u>
<b>Other comprehensive (expense) income:</b>				
<i>Item that may be reclassified subsequently to profit or loss:</i>				
Exchange differences on translating foreign operations . . . . .		(528)	(21,765)	58,009
Other comprehensive (expense) income for the year . . . . .		(528)	(21,765)	58,009
<b>Total comprehensive income for the year attributable to owners of the Company . . . . .</b>		<u>2,564,549</u>	<u>3,721,195</u>	<u>3,414,638</u>

## STATEMENTS OF FINANCIAL POSITION

NOTES	The Group			The Company	
	At 31 December			At 31 December	
	2013	2014	2015	2015	
	US\$	US\$	US\$	US\$	
<b>ASSETS</b>					
<b>Non-current Assets</b>					
Property, plant and equipment . . . . .	14	446,029	595,095	555,985	—
Intangible assets . . . . .	15	55,751	90,113	277,316	—
<b>Total Non-current Assets</b> . . . . .		<u>501,780</u>	<u>685,208</u>	<u>833,301</u>	<u>—</u>
<b>Current Assets</b>					
Inventories . . . . .	16	2,585,304	3,651,149	4,138,254	—
Trade and other receivables . . . . .	17	2,136,273	3,327,870	3,856,804	290,314
Amount due from a director . . . . .	18	665,087	—	—	—
Amounts due from related companies . . . . .	18	727,897	815,571	458,860	—
Bank balances and cash . . . . .	19	4,132,535	3,696,446	6,062,054	—
<b>Total Current Assets</b> . . . . .		<u>10,247,096</u>	<u>11,491,036</u>	<u>14,515,972</u>	<u>290,314</u>
<b>Current Liabilities</b>					
Trade and other payables . . . . .	20	1,514,167	1,983,385	1,044,753	133,022
Amount due to a director . . . . .	18	—	2,032	1,793,998	—
Amounts due to related companies . . . . .	18	246,079	151,601	14,701	—
Amount due to a subsidiary . . . . .	18	—	—	—	1,159,716
Deferred revenue . . . . .	21	1,257,226	1,768,071	2,851,953	—
Tax liabilities . . . . .		341,774	498,744	516,012	—
Bank borrowings . . . . .	22	59,074	60,363	1,238,678	—
<b>Total Current Liabilities</b> . . . . .		<u>3,418,320</u>	<u>4,464,196</u>	<u>7,460,095</u>	<u>1,292,738</u>
<b>Net Current Assets (Liabilities)</b> . . . . .		<u>6,828,776</u>	<u>7,026,840</u>	<u>7,055,877</u>	<u>(1,002,424)</u>
<b>Total Assets less Current Liabilities</b> . . . . .		<u>7,330,556</u>	<u>7,712,048</u>	<u>7,889,178</u>	<u>(1,002,424)</u>
<b>Non-current Liabilities</b>					
Bank borrowings . . . . .	22	517,448	455,337	—	—
Deferred tax liabilities . . . . .	23	23,704	49,083	39,647	—
Deferred revenue . . . . .	21	212,815	611,161	736,329	—
<b>Total Non-current Liabilities</b> . . . . .		<u>753,967</u>	<u>1,115,581</u>	<u>775,976</u>	<u>—</u>
<b>Net Assets (Liabilities)</b> . . . . .		<u>6,576,589</u>	<u>6,596,467</u>	<u>7,113,202</u>	<u>(1,002,424)</u>
<b>EQUITY AND LIABILITIES</b>					
<b>Capital and Reserves</b>					
Share capital . . . . .	24	—	—	1	1
Reserves . . . . .	24A	6,576,589	6,596,467	7,113,201	(1,002,425)
<b>Equity attributable to owners of the Company</b> . . . . .		<u>6,576,589</u>	<u>6,596,467</u>	<u>7,113,202</u>	<u>(1,002,424)</u>

## COMBINED STATEMENTS OF CHANGES IN EQUITY

	Attributable to owners of the Company				Total US\$
	Share capital US\$	Capital reserve (note) US\$	Exchange reserve US\$	Retained earnings US\$	
At 1 January 2013 . . . . .	—	98,206	28,046	5,186,241	5,312,493
Other comprehensive expense for the year . . . . .	—	—	(528)	—	(528)
Profit for the year . . . . .	—	—	—	2,565,077	2,565,077
Profit and total comprehensive income for the year . . . . .	—	—	(528)	2,565,077	2,564,549
Dividend recognised as distribution	—	—	—	(1,300,453)	(1,300,453)
At 31 December 2013 . . . . .	—	98,206	27,518	6,450,865	6,576,589
Other comprehensive expense for the year . . . . .	—	—	(21,765)	—	(21,765)
Profit for the year . . . . .	—	—	—	3,742,960	3,742,960
Profit and total comprehensive income for the year . . . . .	—	—	(21,765)	3,742,960	3,721,195
Dividend recognised as distribution	—	—	—	(3,701,317)	(3,701,317)
At 31 December 2014 . . . . .	—	98,206	5,753	6,492,508	6,596,467
Other comprehensive income for the year . . . . .	—	—	58,009	—	58,009
Profit for the year . . . . .	—	—	—	3,356,629	3,356,629
Profit and total comprehensive income for the year . . . . .	—	—	58,009	3,356,629	3,414,638
Dividend recognised as distribution	—	—	—	(2,799,698)	(2,799,698)
Issue of a new share . . . . .	1	—	—	—	1
Deemed distribution to a shareholder (Note 2(b)) . . . . .	—	(98,206)	—	—	(98,206)
At 31 December 2015 . . . . .	<u>1</u>	<u>—</u>	<u>63,762</u>	<u>7,049,439</u>	<u>7,113,202</u>

*note:* The capital reserve of the Group as at 1 January 2013, 31 December 2013 and 2014 represented the nominal values of the share capital of Pepwave, Peplink, PLL, PLTL, PRSB and PWL.

## COMBINED STATEMENTS OF CASH FLOWS

	Year ended 31 December		
	2013 US\$	2014 US\$	2015 US\$
<b>Cash flows from operating activities</b>			
Profit before taxation . . . . .	3,008,737	4,285,015	4,139,921
Adjustments for:			
Amortisation of intangible assets . . . . .	46,900	43,520	77,945
Depreciation of property, plant and equipment . . . . .	153,838	199,984	253,879
Provision of inventories . . . . .	185,855	235,715	36,146
Allowance for (reversal of allowance for) doubtful debts . . . . .	147	(177,394)	—
Interest expenses . . . . .	3,638	4,427	1,307
Interest income . . . . .	(12,934)	(6,759)	(90)
Loss on disposal of property, plant and equipment . . . . .	13,870	120	—
Operating profit before working capital changes . . . . .	3,400,051	4,584,628	4,509,108
Movements in working capital:			
Increase in inventories . . . . .	(576,642)	(1,301,560)	(523,251)
Increase in trade and other receivables . . . . .	(1,203,507)	(1,014,203)	(528,934)
Increase (decrease) in amounts due to related companies . . . . .	5,915	(196,358)	69,512
Increase in deferred revenue . . . . .	692,162	909,191	1,209,050
Increase (decrease) in trade and other payables . . . . .	861,244	469,218	(938,632)
Cash generated from operations . . . . .	3,179,223	3,450,916	3,796,853
Tax paid . . . . .	(102,928)	(357,787)	(777,498)
<b>Net cash from operating activities</b> . . . . .	<b>3,076,295</b>	<b>3,093,129</b>	<b>3,019,355</b>
<b>Cash flows from investing activities</b>			
Interest received . . . . .	12,934	6,759	90
Additions to intangible assets . . . . .	(20,605)	(78,165)	(264,770)
Purchases of property, plant and equipment . . . . .	(237,667)	(352,460)	(214,712)
Repayment of borrowings on behalf of the related companies . . . . .	(57,831)	(60,822)	(515,700)
Proceeds from disposal of property, plant and equipment . . . . .	1,628	—	—
Advances to related companies . . . . .	(30,705)	(72,293)	(38,607)
Receipt on advances to related companies . . . . .	43,202	22,183	118,780
Advances to a director . . . . .	(1,049,564)	(2,528,104)	—
Receipts on advances to a director . . . . .	1,319,320	3,193,191	—
<b>Net cash (used in) from investing activities</b> . . . . .	<b>(19,288)</b>	<b>130,289</b>	<b>(914,919)</b>
<b>Cash flows from financing activities</b>			
Dividend paid . . . . .	(1,300,453)	(3,701,317)	(2,799,698)
Interest paid . . . . .	(3,638)	(4,427)	(1,307)
New bank loans raised . . . . .	—	—	1,238,678
Repayment of advances from a director . . . . .	—	(328,104)	(362,776)
Advances from a director . . . . .	—	330,136	2,154,742
Repayment of advances from related companies . . . . .	(138,520)	(107,548)	(44,738)
Advances from related companies . . . . .	151,645	171,864	16,657
Proceeds for issue of a new share . . . . .	—	—	1
<b>Net cash (used in) from financing activities</b> . . . . .	<b>(1,290,966)</b>	<b>(3,639,396)</b>	<b>201,559</b>
Net increase (decrease) in cash and cash equivalents . . . . .	1,766,041	(415,978)	2,305,995
<b>Cash and cash equivalents at the beginning of the year</b> . . . . .	<b>2,365,090</b>	<b>4,132,535</b>	<b>3,696,446</b>
Effect of foreign exchange rate change . . . . .	1,404	(20,111)	59,613
<b>Cash and cash equivalents at the end of the year, represented by bank balances and cash</b> . . . . .	<b>4,132,535</b>	<b>3,696,446</b>	<b>6,062,054</b>

**NOTES TO THE FINANCIAL INFORMATION****1. GENERAL INFORMATION**

The Company was incorporated in the Cayman Islands as an exempted company with limited liability on 5 May 2015. The addresses of the registered office and principal place of business of the Company are disclosed in the section headed "Corporate Information" in the Prospectus.

The Company is an investment holding company. The principal activities of its subsidiaries are the designing, development and marketing of SD-WAN routers and provision of software licences and warranty and support services.

The Financial Information is presented in United States dollars ("US\$"), which is also the Company's functional currency.

**2. REORGANISATION AND BASIS OF PREPARATION OF THE FINANCIAL INFORMATION****Group reorganisation**

In preparation for the proposed listing of the Company's shares on the Stock Exchange (the "**Listing**"), the entities in the Group underwent a group reorganisation which involves interspersing the Company between Protean Holdings (the existing holding company of the Group's subsidiaries) and its shareholder. The sole shareholder of Protean Holdings was Mr. Chan Wing Hong, Alex ("**Mr. Chan**"). The principle steps are as follows:

- (a) Protean Holdings was incorporated in the BVI on 8 April 2015. The entire share capital of Protean Holdings is owned by Mr. Chan since the date of incorporation of Protean Holdings.
- (b) On 21 and 22 April 2015, Protean Holdings entered into six sale and purchase agreements to acquire the entire issued share capital of Pepwave, Peplink, PLL, PLTL, PRSB and PWL, which are under ultimate common control of Mr. Chan, from Tramunta Ventures Limited with cash consideration of HK\$1, HK\$1,000, HK\$1, HK\$1, RM350,000 and US\$1, respectively. The total consideration is equivalent to US\$98,206, which was recorded as payable in the amounts due to related companies.
- (c) On 5 May 2015, the Company was incorporated in the Cayman Islands as exempted company with limited liability with an authorised share capital of HK\$380,000 divided into 38,000,000 shares of HK\$0.01 each.
- (d) On 20 May 2015, Protean Holdings acquired the entire issued share capital of Pegatrack from its sole shareholder, Mr. Chan at a consideration of HK\$1, being the nominal value of the total issued share capital of Pegatrack.
- (e) On 15 June 2016, the Company acquired the entire issued share capital of Protean Holdings from its sole shareholder, Mr. Chan. The consideration for acquisition was satisfied by allotment of and crediting as fully paid a total of one share to Mr. Chan.

The Group resulting from the above mentioned reorganisation is regarded as a continuing entity and the Financial Information of the Group have been prepared as if the Company had been the holding company of Protean Holdings and its subsidiaries throughout the Track Record Period.

**Basis of preparation of the financial information**

The Group Reorganisation was completed on 15 June 2016 and since then, the Company became the holding company of the companies comprising the Group (the "**Combined Entities**"). The Combined Entities and the Company are under common control of Mr. Chan before and after the Group Reorganisation. Therefore, the acquisition of the Combined Entities is accounted for as business combination under common control by applying the principle of merger accounting.

The combined statements of profit or loss and other comprehensive income, the combined statements of changes in equity and the combined statements of cash flows of the Group for the Track Record Period include the results, changes in equity and cash flows of the Combined Entities as if the current group structure had been in existence throughout the Track Record Period, or since their respective dates of incorporation, where there is a shorter period.

The combined statements of financial position of the Group as at 31 December 2013, 2014 and 2015 have been prepared to present the assets and liabilities of the Combined Entities as if the current group structure had been in existence at those dates taking into account the respective dates of incorporation where applicable.

### 3. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSS”)

For the purposes of preparing and presenting the Financial Information for the Track Record Period, the Group has adopted the HKFRSSs issued by the HKICPA that are effective for the Group’s annual accounting period beginning on 1 January 2015 consistently throughout the Track Record Period.

At the date of this report, the HKICPA has issued the following new and revised HKFRSSs which are not yet effective. The Group has not early applied the following new and revised HKFRSSs that have been issued but are not yet effective:

HKFRS 9	Financial instruments <sup>2</sup>
HKFRS 15	Revenue from contracts with customers <sup>2</sup>
HKFRS 16	Leases <sup>3</sup>
Amendments to HKFRS 11	Accounting for acquisitions of interests in joint operations <sup>1</sup>
Amendments to HKFRS 15	Clarifications to HKFRS 15 “Revenue from contracts with customers” <sup>2</sup>
Amendments to HKAS 1	Disclosure initiative <sup>1</sup>
Amendments to HKAS 16	Clarification of acceptable methods of depreciation and HKAS 38 and amortisation <sup>1</sup>
Amendments to HKFRSs	Annual improvements to HKFRSs 2012–2014 cycle <sup>1</sup>
Amendments to HKAS 16 and HKAS 41	Agriculture: Bearer plants <sup>1</sup>
Amendments to HKAS 27	Equity method in separate financial statements <sup>1</sup>
Amendments to HKFRS 10, HKFRS 12 and HKAS 28	Investment entities: Applying the consolidation exception <sup>1</sup>
Amendments to HKFRS 10 and HKAS 28	Sale or contribution of assets between an investor and its associate or joint venture <sup>4</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1 January 2016.

<sup>2</sup> Effective for annual periods beginning on or after 1 January 2018.

<sup>3</sup> Effective for annual periods beginning on or after 1 January 2019.

<sup>4</sup> Effective for annual periods on or after a date to be determined.

#### HKFRS 15 Revenue from contracts with customers

In July 2014, HKFRS 15 was issued which establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. HKFRS 15 will supersede the current revenue recognition guidance including HKAS 18 “Revenue”, HKAS 11 “Construction contracts” and the related interpretations when it becomes effective.

The core principle of HKFRS 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the Standard introduces a 5-step approach to revenue recognition:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation

Under HKFRS 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i. e. when ‘control’ of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added in HKFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by HKFRS 15.

The directors of the Company anticipate that the application of HKFRS 15 in the future will not have material impact on the Financial Information of the Group.

#### HKFRS 16 Leases

HKFRS 16 replaces all existing lease accounting requirements and represents a significant change in the accounting and reporting of leases, with more assets and liabilities to be reported on the combined statements of financial position and a different recognition of lease costs.



The directors of the Company anticipate that the application of HKFRS 16 in the future may have an impact on the amounts reported and disclosures made in the Group's combined financial statements. The directors of the Company are in the process to assess the impact of HKFRS 16 on the Group's combined financial statements and therefore it is not practicable to provide a reasonable estimate of the effect of HKFRS 16 until the completion of the review.

The directors of the Company anticipate that the application of the other new standards and amendments will have no material impact on the Financial Information of the Group.

#### 4. SIGNIFICANT ACCOUNTING POLICIES

The Financial Information has been prepared in accordance with HKFRSs issued by the HKICPA. In addition, the Financial Information includes applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange and by the Hong Kong Companies Ordinance.

The Financial Information has been prepared on the historical cost basis, as explained in the accounting policies set out below. Historical cost is generally based on the fair value of the consideration given in exchange of goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in this Financial Information is determined on such a basis, except for share-based payment transactions that are within the scope of HKFRS 2 "Share-based Payment", leasing transactions that are within the scope of HKAS 17 "Leases", and measurements that have some similarities to fair value but are not fair value, such as net realisable value in HKAS 2 "Inventories" or value in use in HKAS 36 "Impairment of Assets".

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

The principal accounting policies are set out below.

##### **Basis of combination**

The Financial Information incorporates the financial information of the entities controlled by the Company or its subsidiaries. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

Combination of a subsidiary begins when the Company obtains control over the subsidiary to bring their accounting policies in line with the Group's accounting policies.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with those used by other members of the Group.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on combination.

#### **Merger accounting for business combination involving entities under common control**

The Financial Information incorporates the financial statements items of the combining entities in which the common control combination occurs as if they had been combined from the date when the combining entities first came under the control of the controlling party.

The net assets of the combining entities are consolidated using the existing book values from the controlling party's perspective. No amount is recognised in respect of goodwill or excess of acquirer's interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over cost at the time of common control combination, to the extent of the continuation of the controlling party's interest.

The combined statements of profit or loss and other comprehensive income include the results of each of the combining entities from the earliest date presented or since the date when the combining entities first came under the common control, where this is a shorter period, regardless of the date of the common control combination.

#### **Revenue recognition**

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods sold and service provided in the normal course of business, net of discounts and sales related taxes.

The Group's turnover includes, separately or in combination, revenues from sale of SD-WAN routers and provision of software licences and warranty and support services.

##### *Sale of hardware product and software licence*

The Group's sale arrangement typically includes multiple elements which comprise product sold, software, undelivered warranty and support services. The Group allocates revenue to these deliverables based on its relative fair value, as determined based on the current market price of these elements when sold separately. Where the Group is unable to determine the fair value of each of the elements in an arrangement, it uses the residual value method. Under this method, the Group estimates the stand-alone selling price by reference to the total contract consideration less the sum of the observable stand-alone selling prices of other elements.

The Group recognises revenue from the sale of hardware product together with the element of software bundled with hardware that is essential to the functionality of the hardware. Revenue allocated to the delivered hardware products and the related essential software is recognised at the time of the delivery of hardware product.

For the Group's sale of software licence, revenue from sale of standalone software licences is recognised at the time of delivery.

Revenue from sales of goods is recognised when goods are delivered and title have passed, at which time all the following conditions are satisfied:

- the Group has transferred to the buyer the significant risks and rewards of ownership of the goods;
- the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the Group; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Cost of sales related to delivered hardware product and software licence are recognised at the time of delivery.

*Provision of warranty and support services*

Service revenue is recognised when services are rendered or recognised over the period of the warranty and support services (including cloud based device management services, embedded firmware upgrade rights and hardware maintenance) expected to be provided for each of the devices sold.

Revenue allocated to the undelivered warranty and support services is deferred and recognised on a straight-line basis over the estimated period of the warranty and support services are expected to be provided for each of these devices, which ranges from one to three years.

Costs incurred to provide warranty and support services are recognised as cost of sales as incurred, and engineering and sales and marketing costs are recognised as operating expenses as incurred.

The Group records deferred revenue when it receives payments in advance of the performance of relevant services.

*Interest income*

Interest income from a financial asset is recognised when it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

**Leasing**

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Operating lease payments where the Group is the lessee are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

**Property, plant and equipment**

Property, plant and equipment are stated in the combined statements of financial position at cost less subsequent accumulated depreciation and accumulated impairment losses, if any.

Depreciation is recognised so as to write off the cost of assets less their residual values over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in the profit or loss.

**Intangible assets**

Intangible assets with finite useful lives that are acquired separately are carried at costs less accumulated amortisation and any accumulated impairment losses. Amortisation is recognised on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

*Research and development expenditure*

Expenditure on research activities is recognised as an expense in the period in which it is incurred.

An internally-generated intangible asset arising from development (or from the development phase of an internal project) is recognised if, and only if, all of the following have been demonstrated:

- the technical feasibility of completing the intangible asset so that it will be available for use or sale;

- the intention to complete the intangible asset and use or sell it;
- the ability to use or sell the intangible asset;
- how the intangible asset will generate probable future economic benefits;
- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- the ability to measure reliably the expenditure attributable to the intangible asset during its development.

The amount initially recognised for internally-generated intangible assets is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria listed above. Where no internally-generated intangible asset can be recognised, development expenditure is recognised in profit or loss in the period in which it is incurred.

Subsequent to initial recognition, internally-generated intangible assets are reported at cost less accumulated amortisation and accumulated impairment losses, on the same basis as intangible assets that are acquired separately.

#### *Derecognition of intangible assets*

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains and losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognised in profit or loss when the asset is derecognised.

#### **Impairment of tangible and intangible assets other than goodwill**

At the end of each reporting period, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or the cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or a cash-generating unit) in prior years/periods. A reversal of an impairment loss is recognised as income immediately.

#### **Financial instruments**

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition.

#### ***Financial assets***

Financial assets are classified as loans and receivables. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

*Effective interest method*

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees paid and received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or, where appropriate, a shorter period to the net carrying amount on initial recognition.

Interest income is recognised on an effective interest basis.

*Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables including trade and other receivables, amount due from a director, amounts due from related companies and bank balances and cash are measured at amortised cost using the effective interest method, less any impairment.

Interest income is recognised by applying the effective interest rate, except for short-term receivables where the recognition of interest would be immaterial.

*Impairment of financial assets*

Financial assets are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial assets have been affected.

For financial assets carried at amortised cost, objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- breach of contract, such as a default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation.

For certain categories of financial assets, such as trade receivables, assets that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period, observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, the amount of the impairment loss recognised is the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the financial asset's original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss.

For financial assets measured at amortised cost, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment losses was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

***Financial liabilities and equity instruments***

Debt and equity instruments issued by a group entity are classified either as financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

*Equity instruments*

An equity instrument is any contract that evidences a residual interest in the assets of the group after deducting all of its liabilities. Equity instruments issued by the Group are recognised at the proceeds received, net of direct issue costs.

*Financial liabilities*

Financial liabilities (including trade and other payables, amounts due to related companies, amount due to a director, amount due to a subsidiary and bank borrowings) are subsequently measured at amortised cost using the effective interest method.

*Effective interest method*

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Interest expense is recognised on an effective interest basis.

**Derecognition**

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

**Inventories**

Inventories are stated at the lower of cost and net realisable value. Cost is determined on a first-in-first-out basis. Net realisable value represents the estimated selling price for inventories less all estimated costs necessary to make the sale.

**Foreign currencies**

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity ("**foreign currencies**") are recognised in the respective functional currency (i.e. the currency of the primary economic environment in which the entity operates) at the rates of exchange prevailing on the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences on monetary items are recognised in profit or loss in the period in which they arise.

For the purposes of presenting the Financial Information, the assets and liabilities of the Group's foreign operation is translated into the presentation currency of the Group (i.e. US\$) using exchange rates prevailing at the end of each reporting period. Income and expenses items are translated at the average exchange rates for the period, unless exchange rates fluctuate significantly during that period, in which case the exchange rates at the dates of the transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of exchange reserve.

**Borrowing costs**

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets until such time as the assets are substantially ready for their intended use or sale.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

**Retirement benefit costs**

Payments to state-managed retirement benefit scheme and the Mandatory Provident Fund Scheme are recognised as an expense when employees have rendered service entitling them to the contributions.

**Taxation**

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from 'profit before taxation' as reported in the combined statements of profit or loss because of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on the temporary differences between the carrying amounts of assets and liabilities in the Financial Information and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries, except where the Group is able to control the reversal of the temporary differences and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Current and deferred tax are recognised in profit or loss.

**5. CRITICAL ACCOUNTING JUDGEMENT AND KEY SOURCES OF ESTIMATION UNCERTAINTY**

In the application of the Group's accounting policies, which are described in note 4, the directors of the Company are required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

**Critical judgments in applying accounting policies**

The following is the critical judgment, that the directors have made in the process of applying the Group's accounting policies and that has a significant effect on the amount recognised in the Financial Information.

*Development costs*

Careful judgement by the Group's management is applied when deciding whether the recognition requirements for development costs have been met. This is necessary as the economic success of any product development is uncertain and may be subject to future technical problems at the time of recognition. Judgements are based on the best information available at the time of incurrence of such costs.

**Key sources of estimation uncertainty**

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next twelve months from each of the relevant reporting date.

*Allocation of revenue for bundled transactions with customers*

The Group has bundled transactions under contract with customers including sales of both services and products. The amount of revenue recognised upon the sale of products is determined by considering the estimated fair value of each of the service element and hardware element of the contract. Significant judgement is required in assessing the fair value of each of these elements by considering, among others, standalone selling price.

*Estimated useful lives of intangible assets*

The Group's management determines the estimated useful lives and related amortisation charges and impairment for its intangible assets. This estimate is based on the historical experience of the actual useful lives of intangible assets of similar nature and functions. It could change significantly as a result of technical innovations and competitor actions in response to severe industry activities.

Actual economic lives may differ from estimated useful lives. If the actual useful lives of intangible assets are less than the original estimated useful lives due to changes in commercial and technological environment, such difference may result in impairment and will impact the amortisation charges for the remaining periods.

At 31 December 2013, 2014 and 2015, the carrying amounts of intangible assets are approximately US\$55,751, US\$90,113 and US\$277,316, respectively. Details of the useful lives of the intangible assets are disclosed in Note 15.

*Estimated allowance for doubtful receivables*

The Group makes allowance for doubtful debts based on an assessment of the recoverability of trade receivables. Allowance are applied to trade receivables where events or changes in circumstances indicate that the balances may not be collectible. The identification of doubtful receivables requires the estimation of future cash flows. Where the expectation of the recoverability of trade receivables is different from the original estimate, such difference will impact the carrying value of trade receivables and allowance for doubtful debts in the period in which such estimate has changed. As at 31 December 2013, 2014 and 2015, the carrying amounts of trade receivables are US\$1,448,453 (net of allowance of US\$220,465), US\$2,397,633 (net of allowance of US\$42,933) and US\$2,702,376 (net of allowance of US\$43,019), respectively.

*Allowance for inventories*

The management of the Group reviews the ageing of the inventories at the end of the reporting period, and makes allowance for obsolete and slow-moving inventory items identified that the net realisable value is lower than the cost. The identification of obsolete inventories requires the use of estimation of the net realisable value of items of inventory and estimates on the conditions and usefulness of items of inventories. Where the expectation on the net realisable value is lower than the cost for certain items, a write-off or write-down of inventories may arise. As at 31 December 2013, 2014 and 2015, the carrying amounts of inventories are US\$2,585,304 (net of allowance of US\$221,040), US\$3,651,149 (net of allowance of US\$406,341) and US\$4,138,254 (net of allowance of US\$372,888), respectively.



## 6. REVENUE AND SEGMENT INFORMATION

The Group is principally engaged in designing, development, marketing and sale of SD-WAN routers and provision of software licences and warranty and support services. Information reported to the chief operating decision maker (the "CODM"), being the executive directors of the Company, for the purposes of resources allocation and assessment of segment performance focuses on types of goods delivered and services provided. Software licences and warranty and support services are aggregated into a single reportable segment as they have similar economic characteristics.

Specifically, the Group's reportable and operating segments under HKFRS 8 are as follows:

Sale of SD-WAN routers	–	Sales of wired routers bundled together with embedded software and firmware
	–	Sales of wireless routers bundled together with embedded software and firmware
Software licences and warranty and support services	–	Including provision of warranty and support services over the expected service period, and standalone sale of software licences

The accounting policies of the reportable and operating segments are the same as the Group's accounting policies described in note 4.

Segment profit represents the gross profit attributable to each segment. This is the measure reported to the CODM for the purposes of resource allocation and assessment of segment performance.

Segment information about these reportable and operating segments is presented below:

## Year ended 31 December 2013

	Sale of SD-WAN routers		Software licences and warranty and support services	Total
	Wired routers	Wireless routers		
	US\$	US\$	US\$	US\$
External sales and segment revenue . . . . .	6,487,014	4,503,470	2,315,435	13,305,919
Segment profit . . . . .	3,016,776	981,761	1,469,926	5,468,463
Other income . . . . .				33,797
Allowance for doubtful debts . . . . .				(147)
Selling and distribution expenses . . . . .				(830,339)
Unallocated administrative expenses . . . . .				(1,659,399)
Finance costs . . . . .				(3,638)
Profit before taxation . . . . .				3,008,737

## Year ended 31 December 2014

	Sale of SD-WAN routers		Software licences and warranty and support services	Total
	Wired routers	Wireless routers		
	US\$	US\$	US\$	US\$
External sales and segment revenue . . . . .	7,493,307	7,635,485	2,817,533	17,946,325
Segment profit . . . . .	3,567,957	1,682,560	1,773,373	7,023,890
Other income . . . . .				129,085
Reversal of allowance for doubtful debts . . . . .				177,394
Selling and distribution expenses . . . . .				(1,035,434)
Unallocated administrative expenses . . . . .				(2,005,493)
Finance costs . . . . .				(4,427)
Profit before taxation . . . . .				4,285,015

Year ended 31 December 2015

	<u>Sale of SD-WAN routers</u>			<u>Total</u>
	<u>Wired routers</u>	<u>Wireless routers</u>	<u>Software licences and warranty and support services</u>	
	<u>US\$</u>	<u>US\$</u>	<u>US\$</u>	
External sales and segment revenue . . . . .	6,987,050	10,685,496	4,187,092	21,859,638
Segment profit . . . . .	<u>3,430,300</u>	<u>2,370,764</u>	<u>2,906,959</u>	8,708,023
Other income . . . . .				69,334
Selling and distribution expenses . . . . .				(1,003,184)
Unallocated administrative expenses . . . . .				(2,631,916)
Listing expenses . . . . .				(1,001,029)
Finance costs . . . . .				(1,307)
Profit before taxation . . . . .				<u>4,139,921</u>

Segment profit represents the profit earned by each segment without allocation of certain administrative expenses, other income, (allowance for) reversal of allowance for doubtful debts, selling and distribution expenses, listing expenses and finance costs. This is the measure reported to the CODM for purpose of resource allocation and performance assessment.

Information of assets and liabilities for reportable and operating segments are not provided to CODM for their review. Therefore, no analysis of the Group's assets and liabilities by reportable and operating segments are presented.

#### Geographical information

More than 90% of the Group's non-current assets are situated in Hong Kong.

The Group's revenue from external customers is presented based on location of the customers:

	<u>Year ended 31 December</u>		
	<u>2013</u>	<u>2014</u>	<u>2015</u>
	<u>US\$</u>	<u>US\$</u>	<u>US\$</u>
United States of America . . . . .	5,965,562	7,238,880	8,899,657
Malaysia . . . . .	1,017,949	1,774,134	1,385,052
Canada . . . . .	339,130	245,775	271,809
Mexico . . . . .	457,794	455,060	200,897
United Kingdom . . . . .	563,148	988,528	1,064,657
Hong Kong . . . . .	259,296	1,031,811	839,114
Taiwan . . . . .	534,715	174,970	249,804
France . . . . .	374,578	473,356	578,576
Singapore . . . . .	176,365	238,307	730,446
Israel . . . . .	253,623	519,496	1,908,333
Others . . . . .	3,363,759	4,806,008	5,731,293
	<u>13,305,919</u>	<u>17,946,325</u>	<u>21,859,638</u>

Revenue from major products and services:

	<u>Year ended 31 December</u>		
	<u>2013</u>	<u>2014</u>	<u>2015</u>
	<u>US\$</u>	<u>US\$</u>	<u>US\$</u>
SD-WAN routers			
— Wired routers . . . . .	6,487,014	7,493,307	6,987,050
— Wireless routers . . . . .	4,503,470	7,635,485	10,685,496
Warranty and support services . . . . .	1,831,081	2,580,502	3,905,224
Software licences . . . . .	484,354	237,031	281,868
Total . . . . .	<u>13,305,919</u>	<u>17,946,325</u>	<u>21,859,638</u>

## Other segment information

	Sale of SD-WAN routers			Total US\$
	Wired routers	Wireless routers	Software licences and warranty and support services	
	US\$	US\$	US\$	
<b>Amount included in the measure of segment result</b>				
Year ended 31 December 2013				
Amortisation of intangible assets . . . . .	1,428	45,401	71	46,900
Provision of inventories . . . . .	2,803	183,052	—	185,855
Year ended 31 December 2014				
Amortisation of intangible assets . . . . .	2,535	40,196	789	43,520
Provision of inventories . . . . .	—	235,715	—	235,715
Year ended 31 December 2015				
Amortisation of intangible assets . . . . .	7,478	69,200	1,267	77,945
Provision of inventories . . . . .	7,824	28,322	—	36,146

## Information about major customers

	Year ended 31 December		
	2013	2014	2015
	US\$	US\$	US\$
Customer A (Note) . . . . .	1,742,156	2,580,362	4,478,836

Note: For each of the years ended 31 December 2013, 2014 and 2015, Customer A was the only customer contributed more than 10% of total revenue involved in sales of SD-WAN routers and software licences and warranty and support service income.

## 7. OTHER INCOME

	Year ended 31 December		
	2013	2014	2015
	US\$	US\$	US\$
Sales of parts material . . . . .	20,863	122,326	69,244
Bank interest income . . . . .	12,934	6,759	90
	33,797	129,085	69,334

## 8. FINANCE COSTS

	Year ended 31 December		
	2013	2014	2015
	US\$	US\$	US\$
Interest on bank overdraft . . . . .	3,638	4,427	1,307

## 9. PROFIT BEFORE TAXATION

Profit before taxation has been arrived at after charging (crediting):

	Year ended 31 December		
	2013	2014	2015
	US\$	US\$	US\$
Directors' remuneration ( <i>note 11</i> )			
– Salaries and other allowances ( <i>note</i> ) . . . . .	713,796	1,022,130	942,973
– Contribution to retirement benefit scheme ( <i>note</i> ) . . . . .	9,675	10,795	11,610
Other non-research and development staff costs			
– Salaries . . . . .	647,614	661,731	656,867
– Contribution to retirement benefit scheme . . . . .	29,939	32,776	40,922
Research and development expenses for salaries and other allowances, and contribution to retirement benefit scheme (excluded the directors' remuneration) . . . . .	2,105,017	2,689,939	2,661,763
Total staff costs . . . . .	<u>3,506,041</u>	<u>4,417,371</u>	<u>4,314,135</u>
Auditors' remuneration . . . . .	11,947	11,732	16,656
Cost of inventories recognised as an expense . . . . .	4,076,698	6,059,722	8,443,320
Foreign exchange loss, net . . . . .	49,018	122,700	217,380
Amortisation of intangible assets . . . . .	46,900	43,520	77,945
Depreciation of property, plant and equipment . . . . .	153,838	199,984	253,879
Provision of inventories . . . . .	185,855	235,715	36,146
Allowance for (reversal of allowance for) doubtful debts . . . . .	147	(177,394)	–
Loss on disposal of property, plant and equipment . . . . .	13,870	120	–

Note: The Directors' remuneration of US\$323,234, US\$518,180 and US\$442,199 were included in research and development expenses for the year ended 31 December 2013, 2014 and 2015, respectively.

## 10. INCOME TAX EXPENSES

	Year ended 31 December		
	2013	2014	2015
	US\$	US\$	US\$
Current tax:			
Hong Kong . . . . .	437,139	518,163	792,908
Overprovision in prior years . . . . .	–	(1,705)	–
Deferred tax . . . . .	6,521	25,597	(9,616)
Income tax expenses . . . . .	<u>443,660</u>	<u>542,055</u>	<u>783,292</u>

The Group is not subject to any income tax in the Cayman Islands and the BVI pursuant to the rules and regulations in those jurisdictions.

The Group is subject to Hong Kong Profits Tax at a rate of 16.5% for the Track Record Period. Taxation arising in other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions.

The tax charge for the years can be reconciled to the profit before taxation as follows:

	Year ended 31 December		
	2013	2014	2015
	US\$	US\$	US\$
Profit before taxation . . . . .	<u>3,008,737</u>	<u>4,285,015</u>	<u>4,139,921</u>
Tax at applicable statutory tax rate of 16.5% . . . . .	496,442	707,027	683,087
Tax effect of income not taxable for tax purpose . . . . .	(4,139)	(2,497)	(2,974)
Tax effect of expenses not deductible for tax purpose . . . . .	3,253	4,388	165,570
Tax effect of tax losses not recognised . . . . .	–	–	26,703
Utilisation of tax losses previously not recognised . . . . .	(46,936)	(154,739)	(89,094)
Overprovision in prior years . . . . .	–	(1,705)	–
Effect of different tax rates of group entities in jurisdictions other than Hong Kong . . . . .	(2,572)	(107)	–
Others . . . . .	(2,388)	(10,312)	–
Total tax expenses for the year . . . . .	<u>443,660</u>	<u>542,055</u>	<u>783,292</u>

Details of deferred taxation are set out in note 23.

## 11. DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS AND EMPLOYEES' REMUNERATION

## (a) Directors' and chief executive's emoluments:

During the Track Record Period, no emoluments were paid by the Group to the directors and chief executive as an inducement to join or upon joining the Group or as compensation for loss of office.

Details of emoluments paid or payable to the directors and chief executive of the Company (including emoluments for their services as key management of the group entities prior to becoming the directors of the Company) by the group entities during the Track Record Period, are set out as follows:

For the year ended 31 December 2013

Name of directors	Fees US\$	Salaries and allowances US\$	Performance related incentive payment (note) US\$	Contribution to retirement benefit scheme US\$	Total US\$
Mr. Chan#	—	278,037	—	1,935	279,972
Mr. Chau Kai Wai* (Mr. Chau)	—	118,330	—	1,935	120,265
Mr. Yip Kai Kut* (Mr. Yip)	—	115,819	19,303	1,935	137,057
Mr. Yeung Yu* (Mr. Yeung)	—	90,960	—	1,935	92,895
Mr. Chong Ming Pui* (Mr. Chong)	—	91,347	—	1,935	93,282
	—	694,493	19,303	9,675	723,471

For the year ended 31 December 2014

Name of directors	Fees US\$	Salaries and allowances US\$	Performance related incentive payment (note) US\$	Contribution to retirement benefit scheme US\$	Total US\$
Mr. Chan#	—	323,516	—	2,159	325,675
Mr. Chau*	—	140,835	46,076	2,159	189,070
Mr. Yip*	—	117,633	20,248	2,159	140,040
Mr. Yeung*	—	139,943	46,968	2,159	189,070
Mr. Chong*	—	139,820	47,091	2,159	189,070
	—	861,747	160,383	10,795	1,032,925

For the year ended 31 December 2015

Name of directors	Fees US\$	Salaries and allowances US\$	Performance related incentive payment (note) US\$	Contribution to retirement benefit scheme US\$	Total US\$
Mr. Chan#	—	352,941	—	2,322	355,263
Mr. Chau*	—	154,799	—	2,322	157,121
Mr. Yip*	—	125,635	—	2,322	127,957
Mr. Yeung*	—	154,799	—	2,322	157,121
Mr. Chong*	—	154,799	—	2,322	157,121
	—	942,973	—	11,610	954,583

# Mr. Chan was appointed as executive director and Chairman of the Company on 5 May 2015.

\* Mr. Chau, Mr. Yip, Mr. Yeung and Mr. Chong were appointed as directors of the Company on 27 November 2015.

Note: The performance related incentive payments are determined based on the financial performance and resources of the Group and the performance of the individual during the Track Record Period.

No director waived any emoluments during the Track Record Period.

**(b) Employee's remuneration**

The five highest paid individuals included four, five and five directors of the Company for the year ended 31 December 2013, 2014 and 2015 respectively. The emoluments of the remaining one, nil and nil individuals for the year ended 31 December 2013, 2014, and 2015 are as follows:

	Year ended 31 December		
	2013	2014	2015
	US\$	US\$	US\$
Salaries and other benefits . . . . .	109,032	—	—
Contributions to retirement benefit scheme . . . . .	1,935	—	—
	<u>110,967</u>	<u>—</u>	<u>—</u>

Their emoluments were within the following bands:

	Year ended 31 December		
	2013	2014	2015
	US\$	US\$	US\$
HK\$nil (US\$nil) to HK\$1,000,000 (US\$129,032) . . . . .	<u>1</u>	<u>—</u>	<u>—</u>

**12. DIVIDENDS**

No dividends have been paid or declared by the Company since its date of incorporation.

Prior to the Group Reorganisation, the subsidiaries had declared dividends to their then shareholder as follows:

	Year ended 31 December		
	2013	2014	2015
	US\$	US\$	US\$
Declared by:			
Peplink . . . . .	1,300,453	699,576	—
Pepwave . . . . .	—	3,001,741	2,799,698
Total . . . . .	<u>1,300,453</u>	<u>3,701,317</u>	<u>2,799,698</u>

On 14 June 2016, Pepwave declared final dividends for the financial year ended 31 December 2015 of US\$1 million prior to the Group Reorganisation, and such dividends were paid to the then shareholder in June 2016.

The rate of dividend and number of shares ranking for dividend are not presented as such information is not meaningful having regard to the purpose of this report.

**13. EARNINGS PER SHARE**

Earnings per share information is not presented as its inclusion, for the purpose of this report, is not considered meaningful due to the Group Reorganisation and the preparation of the results of the Group for the Track Record Period is on a combined basis as disclosed in note 2.

## 14. PROPERTY, PLANT AND EQUIPMENT

	Furniture and fixtures US\$	Computer equipment US\$	Office equipment US\$	Machine and equipment US\$	Total US\$
THE GROUP					
COST					
At 1 January 2013 . . . . .	268,892	138,127	16,318	144,260	567,597
Exchange adjustments . . . . .	(1,814)	(175)	(350)	(86)	(2,425)
Additions . . . . .	76,507	37,242	12,274	111,644	237,667
Disposals/written off . . . . .	(19,325)	—	(6,716)	—	(26,041)
At 31 December 2013 . . . . .	<u>324,260</u>	<u>175,194</u>	<u>21,526</u>	<u>255,818</u>	<u>776,798</u>
Exchange adjustments . . . . .	(2,544)	(979)	(519)	(1,281)	(5,323)
Additions . . . . .	76,107	54,841	69,469	152,043	352,460
Disposals/written off . . . . .	—	(1,148)	—	—	(1,148)
At 31 December 2014 . . . . .	<u>397,823</u>	<u>227,908</u>	<u>90,476</u>	<u>406,580</u>	<u>1,122,787</u>
Exchange adjustments . . . . .	(1,202)	(17)	(293)	1,536	24
Additions . . . . .	13,906	24,158	68,145	108,503	214,712
Disposals/written off . . . . .	—	(507)	—	—	(507)
At 31 December 2015 . . . . .	<u>410,527</u>	<u>251,542</u>	<u>158,328</u>	<u>516,619</u>	<u>1,337,016</u>
ACCUMULATED DEPRECIATION					
At 1 January 2013 . . . . .	16,441	91,934	6,942	72,596	187,913
Exchange adjustments . . . . .	(273)	(36)	(84)	(46)	(439)
Charge for the year . . . . .	55,727	31,421	4,679	62,011	153,838
Disposals/written off . . . . .	(6,782)	—	(3,761)	—	(10,543)
At 31 December 2013 . . . . .	<u>65,113</u>	<u>123,319</u>	<u>7,776</u>	<u>134,561</u>	<u>330,769</u>
Exchange adjustments . . . . .	(645)	(602)	(112)	(674)	(2,033)
Charge for the year . . . . .	71,510	33,709	14,485	80,280	199,984
Disposals/written off . . . . .	—	(1,028)	—	—	(1,028)
At 31 December 2014 . . . . .	<u>135,978</u>	<u>155,398</u>	<u>22,149</u>	<u>214,167</u>	<u>527,692</u>
Exchange adjustments . . . . .	(692)	93	(254)	820	(33)
Charge for the year . . . . .	79,138	36,576	33,153	105,012	253,879
Disposals/written off . . . . .	—	(507)	—	—	(507)
At 31 December 2015 . . . . .	<u>214,424</u>	<u>191,560</u>	<u>55,048</u>	<u>319,999</u>	<u>781,031</u>
CARRYING VALUES					
At 31 December 2013 . . . . .	<u>259,147</u>	<u>51,875</u>	<u>13,750</u>	<u>121,257</u>	<u>446,029</u>
At 31 December 2014 . . . . .	<u>261,845</u>	<u>72,510</u>	<u>68,327</u>	<u>192,413</u>	<u>595,095</u>
At 31 December 2015 . . . . .	<u>196,103</u>	<u>59,982</u>	<u>103,280</u>	<u>196,620</u>	<u>555,985</u>

The above items of property, plant and equipment are depreciated on a straight-line basis at the following rates per annum:

Furniture and fixtures	20%
Computer equipment	33 $\frac{1}{3}$ %
Office equipment	33 $\frac{1}{3}$ %
Machine and equipment	33 $\frac{1}{3}$ %

## 15. INTANGIBLE ASSETS

	Patents US\$	Trademarks US\$	Total US\$
THE GROUP			
COST			
At 1 January 2013 . . . . .	134,342	—	134,342
Additions . . . . .	13,450	7,155	20,605
Exchange adjustments . . . . .	(49)	(3)	(52)
At 31 December 2013 . . . . .	147,743	7,152	154,895
Additions . . . . .	67,958	10,207	78,165
Exchange adjustments . . . . .	(685)	(52)	(737)
At 31 December 2014 . . . . .	215,016	17,307	232,323
Additions . . . . .	261,420	3,350	264,770
Exchange adjustments . . . . .	859	65	924
At 31 December 2015 . . . . .	477,295	20,722	498,017
ACCUMULATED AMORTISATION			
At 1 January 2013 . . . . .	52,278	—	52,278
Provided for the year . . . . .	46,713	187	46,900
Exchange adjustments . . . . .	(34)	—	(34)
At 31 December 2013 . . . . .	98,957	187	99,144
Provided for the year . . . . .	41,888	1,632	43,520
Exchange adjustments . . . . .	(447)	(7)	(454)
At 31 December 2014 . . . . .	140,398	1,812	142,210
Provided for the year . . . . .	75,656	2,289	77,945
Exchange adjustments . . . . .	539	7	546
At 31 December 2015 . . . . .	216,593	4,108	220,701
CARRYING VALUES			
At 31 December 2013 . . . . .	48,786	6,965	55,751
At 31 December 2014 . . . . .	74,618	15,495	90,113
At 31 December 2015 . . . . .	260,702	16,614	277,316

The above intangible assets have definite useful lives. Such intangible assets are amortised on a straight-line basis over the estimated useful lives as follows:

Patents	3–3.5 years
Trademarks	5–10 years

## 16. INVENTORIES

	At 31 December		
	2013 US\$	2014 US\$	2015 US\$
THE GROUP			
Raw materials and consumables . . . . .	1,057,084	1,618,403	1,865,954
Finished goods . . . . .	1,528,220	2,032,746	2,272,300
	<u>2,585,304</u>	<u>3,651,149</u>	<u>4,138,254</u>



## 17. TRADE AND OTHER RECEIVABLES

	At 31 December		
	2013 US\$	2014 US\$	2015 US\$
THE GROUP			
Trade receivables . . . . .	1,668,918	2,440,566	2,745,395
Less: Allowance for doubtful debts . . . . .	(220,465)	(42,933)	(43,019)
	<u>1,448,453</u>	<u>2,397,633</u>	<u>2,702,376</u>
Other receivables . . . . .	261,013	230,775	183,205
Trade deposits paid . . . . .	231,718	358,955	205,728
Utility and deposits . . . . .	61,025	102,865	99,241
Prepaid expenses . . . . .	134,064	237,642	375,940
Deferred listing expenses . . . . .	—	—	290,314
	<u>2,136,273</u>	<u>3,327,870</u>	<u>3,856,804</u>

Included in the trade receivables balance are debts with total carrying amount of US\$415,036, US\$866,915 and US\$1,225,258 which are past due as at 31 December 2013, 2014 and 2015, respectively, for which the Group has not provided for impairment loss as the Group considers that the default risk is low after considering the creditworthiness and repayment history of the debtors and settlement after the end of each reporting period. No collateral is held over these receivables. Trade receivables which are neither overdue nor impaired are of good quality.

## Ageing of trade receivables which are past due but not impaired based on due date

	At 31 December		
	2013 US\$	2014 US\$	2015 US\$
1 — 30 days . . . . .	373,810	607,737	724,016
31 — 60 days . . . . .	36,358	65,933	397,486
61 — 90 days . . . . .	3,562	111,188	51,814
91 — 120 days . . . . .	1,306	82,057	51,942
	<u>415,036</u>	<u>866,915</u>	<u>1,225,258</u>

## Movement in allowance for doubtful debts

	At 31 December		
	2013 US\$	2014 US\$	2015 US\$
At beginning of year . . . . .	220,387	220,465	42,933
Allowance for (reversal of allowance for) doubtful debts . . . . .	147	(177,394)	—
Exchange realignment . . . . .	(69)	(138)	86
Balance at end of year . . . . .	<u>220,465</u>	<u>42,933</u>	<u>43,019</u>

The allowance for doubtful debts is provided on individual basis for those trade debtors which have either been in severe financial difficulties or defaulted payments.

The following is an aged analysis of trade receivables (net of allowance for doubtful debts) presented based on the invoice date at the end of each reporting period.

## Ageing of trade receivables

	At 31 December		
	2013 US\$	2014 US\$	2015 US\$
1 — 30 days . . . . .	1,103,103	1,652,489	1,586,532
31 — 60 days . . . . .	330,855	492,200	571,928
61 — 90 days . . . . .	12,241	77,852	434,383
91 — 120 days . . . . .	2,254	175,092	109,533
Total . . . . .	<u>1,448,453</u>	<u>2,397,633</u>	<u>2,702,376</u>

Trade deposits paid and prepayments mainly represent the deposits and prepayments paid for manufacturing of products. The Group is required to make prepayments and trade deposits to certain suppliers to secure regular manufacturing of routers. Credit terms for periods ranging from 30 to 60 days are granted to customers based on the relationship and potential business opportunities with the customers, order size and creditworthiness.

Deferred listing expenses represent professional fees for the Listing, which would be offset against the share premium accounts in equity upon the Listing.

#### THE COMPANY

The amount as at 31 December 2015 represents the deferred professional fees in connection with the Listing, which would be offset against the share premium accounts in equity upon the Listing.

### 18. AMOUNT(S) DUE FROM/(TO) A DIRECTOR/RELATED COMPANIES/A SUBSIDIARY

#### (I) Amount due from/(to) a director

	At 31 December			Maximum amount outstanding during the year		
				At 31 December		
	2013	2014	2015	2013	2014	2015
	US\$	US\$	US\$	US\$	US\$	US\$
THE GROUP						
Mr. Chan . . . . .	665,087	(2,032)	(1,793,998)	1,798,200	3,023,053	(1,956,834)

#### (II) Amounts due from/(to) related companies

	At 31 December		
	2013	2014	2015
	US\$	US\$	US\$
THE GROUP			
Amounts due from related companies:			
Glamour Technologies Limited 輝煌科技有限公司 (note 2) . . . . .	53,896	101,446	70,956
Perfect Giant Limited (note 2) . . . . .	9,487	951	—
Tramunta Ventures Limited (note 2) . . . . .	84,731	82,897	—
Conficiency Limited (note 2) . . . . .	—	—	87,611
Open Gain Limited (note 3) . . . . .	234,429	212,528	18,070
PBS Ventures Limited (note 2) . . . . .	—	108,060	132,029
Paciot Limited (note 2) . . . . .	—	900	903
Advance Action Limited (note 3) . . . . .	345,354	308,789	147,407
Rich Origin Limited (note 2) . . . . .	—	—	1,884
	<u>727,897</u>	<u>815,571</u>	<u>458,860</u>
Amounts due to related companies:			
PBS Ventures Limited (note 1) . . . . .	17,939	—	—
Nice Achieve Limited (note 1) . . . . .	11,604	16,874	—
Tramunta Ventures Limited (note 2) . . . . .	—	—	14,701
Conficiency Limited (note 2) . . . . .	209,047	110,284	—
Talent Trend International Limited (note 1) . . . . .	7,489	6,747	—
Real Energy Limited (note 1) . . . . .	—	17,696	—
	<u>246,079</u>	<u>151,601</u>	<u>14,701</u>

note 1: The amounts are mainly arising from rental of premises by the Group and aged within 30 days.

note 2: The amounts are non-trade nature.

note 3: As at the year ended 31 December 2013 and 2014, the amounts are mainly the receivables arising from the bank borrowings as stated in note 22 to be repaid by the related companies and from rental of premises by the Group. As at the year ended 31 December 2015, the amounts are mainly arising from rental of premises by the Group and aged within 30 days.

The amounts due from/(to) a director and related companies at 31 December 2013, 2014 and 2015 are unsecured, interest-free and repayable on demand.

The related companies are companies in which the shareholder of the Company, Mr. Chan has beneficial interest.

The amounts were subsequently fully settled in June 2016.

**(III) Amount due to a subsidiary**

THE COMPANY

The amount as at 31 December 2015 is unsecured, interest-free, repayable on demand and non-trade nature.

**19. BANK BALANCES AND CASH**

Bank balances carry interest at market rates ranging from 0.001% to 2% per annum with an original maturity of three months or less as at the end of each of the reporting period.

**20. TRADE AND OTHER PAYABLES**

	<b>At 31 December</b>		
	<b>2013</b>	<b>2014</b>	<b>2015</b>
	<b>US\$</b>	<b>US\$</b>	<b>US\$</b>
THE GROUP			
Trade payables . . . . .	712,071	588,034	222,673
Deposits received from customers. . . . .	393,149	631,586	192,457
Accruals . . . . .	408,656	763,474	605,322
Other payables . . . . .	291	291	24,301
	<u>1,514,167</u>	<u>1,983,385</u>	<u>1,044,753</u>

The average credit period on purchase of goods is 30 to 60 days. The following is an aged analysis of the trade payables, based on the invoice date, at the end of each reporting period.

	<b>At 31 December</b>		
	<b>2013</b>	<b>2014</b>	<b>2015</b>
	<b>US\$</b>	<b>US\$</b>	<b>US\$</b>
Within 30 days . . . . .	623,036	574,533	207,700
31 to 90 days . . . . .	89,035	13,501	14,973
	<u>712,071</u>	<u>588,034</u>	<u>222,673</u>

The advance and deposit received from customers mainly represent the advance and deposit received as security for the sales of products.

THE COMPANY

The amount at 31 December 2015 represents accruals for professional fees in connection with the Listing.

**21. DEFERRED REVENUE**

	<b>At 31 December</b>		
	<b>2013</b>	<b>2014</b>	<b>2015</b>
	<b>US\$</b>	<b>US\$</b>	<b>US\$</b>
THE GROUP			
Undelivered warranty and support services deferred revenue . . . . .	1,470,041	2,379,232	3,588,282
Current portion . . . . .	1,257,226	1,768,071	2,851,953
Non-current portion . . . . .	212,815	611,161	736,329
	<u>1,470,041</u>	<u>2,379,232</u>	<u>3,588,282</u>

## 22. BANK BORROWINGS

	At 31 December		
	2013 US\$	2014 US\$	2015 US\$
THE GROUP			
Secured bank loans . . . . .	576,522	515,700	1,238,678
Carrying amount repayable within one year . . . . .	59,074	60,363	1,238,678
More than one year, but not exceeding two years . . . . .	60,568	61,887	—
More than two years but not more than five years . . . . .	191,048	195,220	—
More than five years. . . . .	265,832	198,230	—
	<u>576,522</u>	<u>515,700</u>	<u>1,238,678</u>
Less: Amounts shown under current liabilities . . . . .	59,074	60,363	1,238,678
Amounts shown under non-current liabilities . . . . .	517,448	455,337	—

The borrowings are mortgage loans, carrying interest at rates of 2.5% and 2.5% per annum for each of the two years ended 31 December 2013 and 2014, respectively, and are repayable in instalments over ten years from their respective commencement dates. Pursuant to the bank loan agreement, such mortgage loans are borrowed by the Group and drawn are solely for the usage by the related companies (in which Mr. Chan has beneficial interest) to purchase the properties and therefore are secured by that properties held by related companies. The related companies repaid the bank borrowings to the lending bank through the Group's bank accounts. The borrowings were fully settled on 30 September 2015.

For the finance costs arising from the secured bank borrowings for the two years ended 31 December 2013 and 2014, the Group obtained full reimbursement of the relevant finance costs from the related companies, and amount received by the Group has been set-off against the related finance costs borne by the Group.

The Group's bank borrowings as at 31 December 2013 and 2014 were supported by limited guarantees of HK\$10,000,000 (equivalent to approximately US\$1,290,000) provided by Mr. Chan. Such guarantees were released subsequently in March 2016.

In December 2015, the Group newly raised a bank loan which is repayable on a straight line basis by twelve equal monthly instalments and interest bearing at Hong Kong Best Lending Rate less 2.50% per annum. The borrowing together with a facility granted by bank is guaranteed by the Company and secured by a limited guarantee of HK\$20,600,000 (equivalent to approximately US\$2,658,000) provided by Mr. Chan.

As represented by the directors of the Company, based on the bank facilities letter signed with the bank, the limited guarantee of HK\$20,600,000 provided by Mr. Chan is expected to be released upon Listing.

## 23. DEFERRED TAX LIABILITIES

The following are the major deferred tax (liabilities) assets recognised and movements thereon during the Track Record Period.

	Accelerated tax depreciation and others US\$	Accelerated tax amortisation of intangible assets US\$	Loss available for offset against future taxable profit US\$	Total US\$
THE GROUP				
At 1 January 2013 . . . . .	(20,972)	(13,540)	17,342	(17,170)
(Charge) credit to profit or loss . . . . .	(4,171)	4,339	(6,689)	(6,521)
Exchange realignment . . . . .	(12)	2	(3)	(13)
At 31 December 2013. . . . .	<u>(25,155)</u>	<u>(9,199)</u>	<u>10,650</u>	<u>(23,704)</u>
Charge to profit or loss . . . . .	(9,237)	(5,717)	(10,643)	(25,597)
Exchange realignment . . . . .	178	47	(7)	218
At 31 December 2014. . . . .	<u>(34,214)</u>	<u>(14,869)</u>	<u>—</u>	<u>(49,083)</u>
Credit (charge) to profit or loss . . . . .	10,405	(30,826)	30,037	9,616
Exchange realignment . . . . .	(125)	(62)	7	(180)
At 31 December 2015. . . . .	<u>(23,934)</u>	<u>(45,757)</u>	<u>30,044</u>	<u>(39,647)</u>

At the end of each reporting periods, the Group had unused tax losses of US\$1,680,287, US\$671,069 and US\$444,072 as at 31 December 2013, 2014 and 2015, respectively, available for offset against future profits. Deferred tax assets have been recognised in respect of such tax losses of US\$64,567, nil and US\$182,041 and no deferred tax asset was recognised in respect of the remaining tax losses of US\$1,615,720, US\$671,069 and US\$262,031 as at 31 December 2013, 2014 and 2015, respectively, due to the unpredictability of future profit streams. Such tax losses can be carried forward indefinitely.

## 24. SHARE CAPITAL

On 5 May 2015, the Company was incorporated in the Cayman Islands as exempted company with limited liability with an authorised share capital of HK\$380,000 divided into 38,000,000 shares of HK\$0.01 each. On 5 May 2015, one subscriber share, was allotted and issued as fully paid share, to Mr. Chan Wing Hong, Alex. On 15 June 2016, the Company further allotted and issued one share to Mr. Chan credited as fully paid in consideration of Mr. Chan transferring the entire interest in Protean Holdings to the Company. On 21 June 2016, the authorized share capital of the Company was increased from HK\$380,000 divided into 38,000,000 shares to HK\$40,000,000 divided into 4,000,000,000 shares by the creation of an additional 3,962,000,000 shares.

The share capital at 31 December 2015 represented the combined share capital of the Company.

## 24A. RESERVE OF THE COMPANY

	<u>Accumulated loss</u>
	<u>US\$</u>
At 5 May 2015 (date of incorporation) . . . . .	—
Loss and total comprehensive expense for the period . . . . .	(1,002,425)
At 31 December 2015. . . . .	<u>(1,002,425)</u>

## 25. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged throughout the Track Record Period.

The capital structure of the Group consists of equity attributable to owners of the Company, comprising share capital, retained earnings and other reserves.

The directors review the capital structure periodically. As part of this review, the directors assess budgets of major projects taking into account of the provision of funding. Based on the operating budgets, the directors consider the cost of capital and the risks associated with each class of capital and will balance its overall capital structure through issue of new shares, as well as the raising of bank borrowings.

## 26. FINANCIAL INSTRUMENTS

### (i) Categories of financial instruments

	<u>THE GROUP</u>			<u>THE COMPANY</u>
	<u>At 31 December</u>			<u>At 31 December</u>
	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2015</u>
	<u>US\$</u>	<u>US\$</u>	<u>US\$</u>	<u>US\$</u>
<b>Financial assets</b>				
Loans and receivables:				
Trade and other receivables . . . . .	1,709,466	2,628,408	2,885,581	—
Amount due from a director . . . . .	665,087	—	—	—
Amounts due from related companies . . . . .	727,897	815,571	458,860	—
Bank balances and cash. . . . .	4,132,535	3,696,446	6,062,054	—
	<u>7,234,985</u>	<u>7,140,425</u>	<u>9,406,495</u>	<u>—</u>
<b>Financial liabilities</b>				
Financial liabilities held at amortised cost:				
Trade and other payables . . . . .	712,362	588,325	246,974	—
Amounts due to related companies . . . . .	246,079	151,601	14,701	—
Amount due to a director . . . . .	—	2,032	1,793,998	—
Amount due to a subsidiary . . . . .	—	—	—	1,159,716
Bank borrowings . . . . .	576,522	515,700	1,238,678	—
	<u>1,534,963</u>	<u>1,257,658</u>	<u>3,294,351</u>	<u>1,159,716</u>

**(ii) Financial risk management objectives and policies**

The Group's management monitors and manages the financial risks relating to the operations of the Group through internal risk reports which analyse exposures by degree and magnitude of risks. These risks include market risk (including interest rate risk and foreign currency risk), credit risk and liquidity risk.

There has been no change to the types of the Group's exposure in respect of financial instruments or the manner in which it manages and measures the risks.

**Market risk***Interest rate risk management*

The Group is exposed to cash flow interest rate risk in relation to variable-rate bank balances (note 19) throughout the Track Record Period and variable-rate bank borrowing as at 31 December 2015 (note 22). The Group's cash flow interest rate risk is mainly resulted from the fluctuation of market interest rate.

As disclosed in note 22, the bank borrowings as at 31 December 2013 and 2014 were drawn in favourable to and on behalf of solely for the related companies, in which Mr. Chan has significant beneficial interest. The related companies repaid the bank borrowings to the lending bank through the Groups' bank accounts and the Group obtained full reimbursement of the relevant finance costs from the related companies. In view of such arrangement, the directors of the Company consider that there is no significant interest rate risk associated with the bank borrowings throughout the Track Record Period.

*Interest rate risk sensitivity analysis*

The sensitivity analysis below has been determined based on the exposure to interest rate on bank balances and bank borrowing. The analysis is prepared assuming the financial instruments outstanding at the end of the reporting periods were outstanding for the whole year.

5 basis point and 50 basis point increases are used for bank balances and bank borrowing respectively and represent management's assessment of the reasonably possible change in interest rates. If interest rates had been 5 or 50 basis points higher and all other variables were held constant, the Group's profit for the year ended 31 December 2013, 2014 and 2015 would increase US\$2,065, US\$1,847 and decrease US\$3,164 respectively. Management does not expect a significant decrease of interest rate.

In the management's opinion, the sensitivity analysis is unrepresentative of the inherent interest rate risk as the year end exposure does not reflect the exposure during the Track Record Period.

*Foreign currency risk management*

Certain sale and purchase of goods of the Group are denominated in RM and EURO, the currencies other than the functional currencies of the relevant group entities.

Certain subsidiaries of the Group have financial assets denominated in Renminbi ("RMB"), RM and HK\$ which are other than the functional currency of the relevant group entities and expose the Group to foreign currency risk. The Group currently does not have a foreign currency hedging policy. However, management monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

The carrying amount of the Group's foreign currency denominated monetary assets and liabilities (representing trade and other receivables, bank balances and cash and trade and other payables) at the reporting date is as follows:

	<u>Assets</u> US\$	<u>Liabilities</u> US\$
<b>31 December 2013:</b>		
RMB .....	830,124	334
RM .....	351,242	—
HK\$ .....	<u>1,540,987</u>	<u>933,287</u>
<b>31 December 2014:</b>		
RMB .....	820,599	7,043
RM .....	496,025	—
HK\$ .....	<u>1,100,474</u>	<u>751,116</u>
<b>31 December 2015:</b>		
RMB .....	30,319	302
RM .....	157,269	1,771
HK\$ .....	<u>2,064,401</u>	<u>1,374,439</u>

#### *Foreign currency sensitivity analysis*

The following table details the Group's sensitivity to a 5% increase or decrease in RMB and RM for the year ended 31 December 2013, 2014 and 2015. 5% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the possible change in foreign exchange rate. The sensitivity analysis includes outstanding foreign currency denominated monetary items and adjusts their translation at the end of the reporting period for a 5% change in foreign currency rate. It excludes items denominated in HK\$ held by group entities with US\$ as functional currency as the directors consider that the Group's exposure to HK\$ for such entities is insignificant on the ground that HK\$ is pegged to US\$. A positive number indicates an increase in pre-tax profit for the year where the foreign currencies strengthen 5% against the functional currency of respective group entity. For a 5% weakening of the foreign currencies against the functional currency of respective group entity, there would be an equal and opposite impact.

	<u>Pre-tax profit</u> <u>At 31 December</u>		
	<u>2013</u>	<u>2014</u>	<u>2015</u>
	<u>US\$</u>	<u>US\$</u>	<u>US\$</u>
RMB .....	41,490	40,678	1,501
RM .....	<u>17,562</u>	<u>24,801</u>	<u>7,775</u>

In management's opinion, the sensitivity analysis is unrepresentative of the inherent foreign exchange risk as the year end exposure does not reflect the exposure during the year.

#### *Credit risk management*

As at the respective reporting dates, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties and financial guarantee provided by the Group is arising from:

- the carrying amount of the respective recognised financial assets as stated in the combined statements of financial position; and
- the amount of contingent liabilities in relation to financial guarantee issued by the Group as disclosed in note 30.

The Group has concentration of credit risk in relation to its trade receivables as follows:

	<b>At 31 December</b>		
	<b>2013</b>	<b>2014</b>	<b>2015</b>
Amount due from the largest debtor as a percentage to total trade receivables . . . . .	24%	36%	42%
Total amount due from the five largest debtors as a percentage to total trade receivables . . . . .	64%	66%	69%

The Group has implemented the following procedures to minimise its credit risk:

- (i) A delegated team is responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts.
- (ii) Management regularly visits the Group's key customers to understand their latest financial position and to ensure that there is no dispute on amounts due.
- (iii) Management reviews the recoverable amount of each individual trade debt at the end of each reporting period to ensure that adequate impairment losses are made for irrecoverable amounts.

In this regard, the directors consider that the Group's credit risk on trade receivables is significantly reduced. In addition, the Group keeps exploring new customers to diversify and strengthen its customer base and thus, reduce the concentration of credit risk.

The credit risk on liquid funds is limited because the counterparties are banks with good reputation.

Other than the above, the Group does not have other significant concentration of credit risk.

#### ***Liquidity risk management***

Ultimate responsibility for liquidity risk management rests with the directors, which has built an appropriate liquidity risk management framework to meet the Group's short, medium and long-term funding and liquidity management requirements. The Group manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities, by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.



**Liquidity table**

The following table details the Group's remaining contractual maturity for its non-derivative financial liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The maturity dates for other non-derivative financial liabilities are based on the agreed repayment dates.

	Weighted average effective interest rate	On demand or within 1 year	1-5 years	More than 5 years	Total undiscounted cash flow	Carrying value
	%	US\$	US\$	US\$	US\$	US\$
<b>THE GROUP</b>						
<b>At 31 December 2013</b>						
<b>Financial liabilities</b>						
Trade and other payables . . . . .	—	712,362	—	—	712,362	712,362
Amounts due to related companies . . . . .	—	246,079	—	—	246,079	246,079
Bank borrowings . . . . .	2.5%	72,812	291,249	279,042	643,103	576,522
Financial guarantee contracts (Note) . . . . .	—	3,140,195	—	—	3,140,195	—
		<u>4,171,448</u>	<u>291,249</u>	<u>279,042</u>	<u>4,741,739</u>	<u>1,534,963</u>
<b>At 31 December 2014</b>						
<b>Financial liabilities</b>						
Trade and other payables . . . . .	—	588,325	—	—	588,325	588,325
Amounts due to related companies . . . . .	—	151,601	—	—	151,601	151,601
Amounts due to a director . . . . .	—	2,032	—	—	2,032	2,032
Bank borrowings . . . . .	2.5%	72,566	290,265	205,535	568,366	515,700
Financial guarantee contracts (Note) . . . . .	—	3,044,820	—	—	3,044,820	—
		<u>3,859,344</u>	<u>290,265</u>	<u>205,535</u>	<u>4,355,144</u>	<u>1,257,658</u>
<b>At 31 December 2015</b>						
<b>Financial liabilities</b>						
Trade and other payables . . . . .	—	246,974	—	—	246,974	246,974
Amounts due to related companies . . . . .	—	14,701	—	—	14,701	14,701
Amount due to a director . . . . .	—	1,793,998	—	—	1,793,998	1,793,998
Bank borrowings . . . . .	2.75%	1,257,242	—	—	1,257,242	1,238,678
		<u>3,312,915</u>	<u>—</u>	<u>—</u>	<u>3,312,915</u>	<u>3,294,351</u>
<b>THE COMPANY</b>						
<b>At 31 December 2015</b>						
<b>Financial liability</b>						
Amount due to a subsidiary . . . . .	—	1,159,716	—	—	—	1,159,716

The above table has been drawn up based on the undiscounted cash flows of financial liabilities (including principal and interest cash flows) based on the earliest date on which the Group can be required to pay (including principal and interest cash flows).

*Note:* The amount included above for financial guarantee contract is the maximum amount the Group could be required to settle under the arrangement for the guarantee amount if that amount is claimed by the counterparty to the guarantee. Based on the expectations at the end of the each reporting period, the directors of the Company consider that it is more likely than not that no amount will be payable under the arrangement. However, this estimate is subject to change depending on the probability of the counterparty claiming under the guarantee which is a function of the likelihood that the financial receivables held by the counterparty which are guaranteed suffer credit losses.

**Fair value measurements of financial instruments**

The fair value of financial assets and financial liabilities is determined in accordance with generally accepted pricing models based on discounted cash flow analysis.

The directors of the Company consider that the carrying amounts of financial assets and liabilities recorded at amortised cost in the Financial Information approximate their fair values at the end of each reporting period.

**27. RELATED PARTIES TRANSACTIONS**

The directors of the Company are of the opinion that all the related party transactions have been transacted under terms as negotiated with the related parties.

**(a) Transactions with related companies**

	Year ended 31 December		
	2013 US\$	2014 US\$	2015 US\$
<b>Rental expenses:</b>			
PBS Ventures Limited . . . . .	54,194	54,139	68,111
Nice Achieve Limited . . . . .	34,065	34,030	42,724
Talent Trend International Limited . . . . .	32,516	32,484	47,988
Open Gain Limited . . . . .	30,194	30,163	29,412
Advance Action Limited . . . . .	44,903	44,858	47,988
Perfect Giant Limited . . . . .	3,548	42,538	47,988
Real Energy Limited . . . . .	—	2,270	—
Plan Smart Limited . . . . .	—	—	30,369
	<u>199,420</u>	<u>240,482</u>	<u>314,580</u>
<b>Dividends paid:</b>			
Tramunta Ventures Limited . . . . .	1,300,453	3,701,317	—
Mr. Chan . . . . .	—	—	2,799,698
<b>Service expenses:</b>			
Glamour Technologies Limited 輝煌科技有限公司 . . . . .	<u>30,968</u>	<u>30,937</u>	<u>18,060</u>

The related companies are companies in which the shareholder of ultimate holding company, Mr. Chan has beneficial interest.

**(b) Significant balances with related parties**

The significant balances with related parties have been disclosed in note 18.

**(c) Guarantees provided by the Company or a director of the Company**

The Group's bank borrowings (note 22) as at 31 December 2013 and 2014 were supported by limited guarantees of HK\$10,000,000 (equivalent to approximately US\$1,290,000) provided by a director of the Company. Such guarantees were released subsequently in March 2016.

The Group's bank borrowings as at 31 December 2015 (note 22) were guaranteed by the Company and secured by a limited guarantee of HK\$20,600,000 (equivalent to approximately US\$2,658,000) provided by Mr. Chan. As represented by the directors of the Company, based on the bank facilities letter signed with the bank, the limited guarantee of HK\$20,600,000 provided by Mr. Chan is expected to be released upon Listing.

**(d) Compensation of key management personnel**

Key management personnel are defined as those persons having authority and responsibility for planning, directing and controlling the activities of the Group and of the Company either directly or indirectly.

The directors considered the key management personnel of the Group are the directors. The remuneration of members of key management personnel of the Group are disclosed in note 11.

**28. RETIREMENT BENEFITS PLANS**

The Group operates a Mandatory Provident Fund Scheme (the "MPF Scheme") for all qualified employees in Hong Kong. Contributions from employers and employees are 5% each of the employee's relevant income. The maximum mandatory contribution per employee is HK\$1,250 per month before 1 June 2014, and increased to HK\$1,500 per month effective from 1 June 2014. The assets of the MPF Scheme are held separately from those of the Group, in funds under the control of an independent trustee. During the years ended 31 December 2013, 2014 and 2015, the retirement benefit scheme contribution arising from the MPF Scheme charged to profit or loss were approximately US\$104,052, US\$124,158 and US\$143,463, respectively.

The employees in the Group's subsidiary in Malaysia are members of the state-managed retirement benefit scheme the Employees Provident Fund (the "EPF Scheme") operated by the Malaysia government. The subsidiary is required to contribute a certain percentage of payroll costs to the EPF Scheme. The only obligation of the Group with respect to the retirement benefit scheme is to make specified contributions. During the years ended 31 December 2013, 2014 and 2015, the retirement benefit scheme contribution arising from the EPF Scheme charged to profit or loss were approximately US\$13,169, US\$15,906 and US\$23,585, respectively.

## 29. OPERATING LEASE COMMITMENTS

	Year ended 31 December		
	2013	2014	2015
	US\$	US\$	US\$
Minimum lease payments under operating leases:			
– Land and buildings (office premises) . . . . .	286,990	362,253	484,343

At the end of each reporting period, the Group had commitments for future minimum lease payments under non-cancellable operating leases which fall due as follows:

	At 31 December		
	2013	2014	2015
	US\$	US\$	US\$
Within one year . . . . .	63,242	25,659	89,493
In the second to fifth year inclusive . . . . .	27,901	—	55,003
	<u>91,143</u>	<u>25,659</u>	<u>144,496</u>

Operating lease payments represents rental payable by the Group for certain of its office premises. Leases are negotiated for an average term of two years and rentals are fixed throughout the lease period.

## 30. CONTINGENT LIABILITIES

As at 31 December 2013 and 2014, the Group had obtained other general banking facilities from a bank for the use by the Group and certain related companies held by Mr. Chan. The banking facilities were secured by pledge of certain properties held by the related companies in favour of the bank, corporate guarantees provided by certain subsidiaries of the Group and related companies, and personal guarantees given by Mr. Chan. The details of the banking facilities granted and amount utilised by the related companies are as follows:

	At 31 December		
	2013	2014	2015
	US\$	US\$	US\$
Banking facilities granted (cross guaranteed amount) . . . . .	3,140,195	3,044,820	—
Amount utilised by related companies . . . . .	<u>1,578,580</u>	<u>1,478,251</u>	<u>—</u>

No amount was utilised by the Group in respect of the above banking facilities as at 31 December 2013 and 2014.

Such banking facilities were released on 30 September 2015 and hence the Group had no outstanding on such banking facilities granted or being utilised as at 31 December 2015.

**B. EVENTS AFTER END OF REPORTING PERIOD**

The following significant events took place subsequent to 31 December 2015:

- (a) On 14 June 2016, Pepwave declared final dividends for the financial year ended 31 December 2015 of US\$1 million prior to the Group Reorganisation, and such dividends were paid to the then shareholder in June 2016.
- (b) On 21 June 2016, written resolutions of the sole shareholder, Mr. Chan, were passed which include the change in the authorised share capital of the Company and capitalisation issue as described in the section headed “Resolutions in writing passed by our sole Shareholder” in Appendix IV to this prospectus, and the conditional adoption of the share option scheme as described in the section headed “Share Option Scheme” in Appendix IV to this prospectus.

No other significant events took place subsequent to 31 December 2015.

**C. SUBSEQUENT FINANCIAL STATEMENTS**

No audited financial statements have been prepared by the Group, the Company or any of its subsidiaries in respect of any period subsequent to 31 December 2015.

Yours faithfully

**Deloitte Touche Tohmatsu**  
Certified Public Accountants  
Hong Kong

The information set out in this Appendix does not form part of the accountants' report on the financial information of the Group for each of the years ended 31 December 2013, 2014 and 2015 from Deloitte Touche Tohmatsu, Certified Public Accountants, Hong Kong, our Company's Reporting Accountants, as set out in Appendix I to this prospectus (the "Accountants' Report"), and is included herein for information only. The unaudited pro forma financial information should be read in conjunction with the section headed "Financial Information" in this prospectus and the Accountants' Report set out in Appendix I to this prospectus.

**(A) UNAUDITED PRO FORMA STATEMENT OF ADJUSTED COMBINED NET TANGIBLE ASSETS OF THE GROUP ATTRIBUTABLE TO OWNERS OF THE COMPANY**

The following unaudited pro forma statement of adjusted combined net tangible assets of the Group attributable to owners of the Company is prepared in accordance with Rule 4.29 of the Listing Rules for illustrative purposes only, and is set out here to provide investors with further information about how the Global Offering might have affected the combined net tangible assets of the Group attributable to owners of the Company as at 31 December 2015 as if the Global Offering had taken place on 31 December 2015.

The following is an unaudited pro forma statement of adjusted combined net tangible assets of the Group attributable to owners of the Company which is prepared based on the audited combined net tangible assets of the Group as at 31 December 2015 as shown in the Accountants' Report, the text of which is set out in Appendix I to this prospectus, and adjusted as described below. The unaudited pro forma statement of adjusted combined net tangible assets of the Group attributable to owners of the Company has been prepared for illustrative purposes only and, because of its hypothetical nature, it may not give a true picture of the financial position of the Group as at 31 December 2015 following the Global Offering or as at any subsequent dates.

	Audited combined net tangible assets of the Group attributable to owners of the Company as at 31 December 2015	Estimated net proceeds from the Global Offering	Unaudited pro forma adjusted combined net tangible assets of the Group attributable to owners of the Company	Unaudited pro forma adjusted combined net tangible assets of the Group attributable to owners of the Company per Share	
	US\$'000			US\$'000	US\$
	(Note 1)	(Note 2)	US\$'000	(Note 3)	(Note 4)
Based on an Offer Price of HK\$0.45 per Share	6,836	11,792	18,628	0.019	0.147
Based on the Offer Price of HK\$0.65 per Share	6,836	17,985	24,821	0.025	0.194

Notes:

- (1) The audited combined net tangible assets of the Group attributable to owners of the Company as at 31 December 2015 is based on the combined net assets of the Group as at 31 December 2015 at approximately US\$7.11 million after deducting intangible assets of approximately US\$0.28 million, as extracted from the Accountants' Report on the financial information of the Group which is set out in Appendix I to this prospectus.
- (2) The estimated net proceeds from the Global Offering are based on 250,000,000 Shares to be issued at the Offer Price of lower limit and upper limit of HK\$0.45 and HK\$0.65 per Share, respectively, after deduction of the estimated underwriting fees and related expenses incurred or expected to be incurred by the Group (excluding approximately US\$1.00 million listing expenses which has been charged to profit or loss up to 31 December 2015 paid/payable by our Company) and assuming that Over-allotment Option is not exercised. It does not take into account of any Shares (i) which may be allotted and issued upon the exercise of options which may be granted under the Share Option Scheme or (ii) which may be allotted and issued or repurchased pursuant to the Company's general mandate. For the purpose of the estimated net proceeds from the Global

Offering, the amount stated in Hong Kong dollars is converted into US\$ at the rate of US\$1.00 to HK\$7.7502, being the spot exchange rate as at 31 December 2015. No representation is made that the HK\$ amounts have been, could have been or could be converted to US\$, or vice versa, at the rate or at all.

- (3) The unaudited pro forma adjusted combined net tangible assets of the Group attributable to owners of the Company per Share is arrived at after making the adjustments referred to in note (2) above and on the basis of 1,000,000,000 Shares in total, assuming that 250,000,000 Shares to be issued pursuant to the Global Offering, Capitalisation Issue of 749,999,998 Shares of the Company and one share allotted to Mr. Chan on 15 June 2016 had all been completed on 31 December 2015. It does not take into account of any Shares which may be issued upon the exercise of the Over-allotment Option, any Shares which may be allotted and issued upon the exercise of any options that may be granted under the Share Option Scheme, or any Shares which may be issued or repurchased pursuant to our Company's general mandate.
- (4) For the purpose of the unaudited pro forma adjusted combined net tangible assets of the Group attributable to owners of the Company per Share, the amount stated in US\$ is converted into Hong Kong dollars at the rate of US\$1.00 to HK\$7.7502, being the spot exchange rate as at 31 December 2015. No representation is made that the HK\$ amounts have been, could have been or could be converted to US\$, or vice versa, at the rate or at all.
- (5) No adjustment has been made to the audited combined net tangible assets of the Group attributable to owners of the Company as at 31 December 2015 to reflect any trading result or other transactions entered into by the Group subsequent to 31 December 2015.

*The following is the text of the independent reporting accountants' assurance report received from Deloitte Touche Tohmatsu, Certified Public Accountants, Hong Kong, the reporting accountants of our Company, in respect of the Group's unaudited pro forma financial information prepared for the purpose of incorporation in this prospectus.*

**(B) INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON THE  
COMPILATION OF UNAUDITED PRO FORMA FINANCIAL INFORMATION**



**To the Directors of Plover Bay Technologies Limited**

We have completed our assurance engagement to report on the compilation of unaudited pro forma financial information of Plover Bay Technologies Limited (the “**Company**”) and its subsidiaries (hereinafter collectively referred to as the “**Group**”) by the directors of the Company (the “**Directors**”) for illustrative purposes only. The unaudited pro forma financial information consists of the unaudited pro forma statement of adjusted net tangible assets as at 31 December 2015 and related notes as set out on pages II-1 to II-2 of Appendix II to the prospectus issued by the Company dated 30 June 2016 (the “**Prospectus**”). The applicable criteria on the basis of which the Directors have compiled the unaudited pro forma financial information are described on pages II-1 to II-2 of Appendix II to the Prospectus.

The unaudited pro forma financial information has been compiled by the Directors to illustrate the impact of the proposed Global Offering on the Group's financial position as at 31 December 2015 as if the event had taken place at 31 December 2015. As part of this process, information about the Group's financial position has been extracted by the Directors from the Group's financial information for the three years ended 31 December 2015, on which an accountants' report on historical financial information set out in Appendix I to the Prospectus has been published.

**Directors' Responsibilities for the Unaudited Pro Forma Financial Information**

The Directors are responsible for compiling the unaudited pro forma financial information in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”) and with reference to Accounting Guideline 7 “Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars” (“**AG 7**”) issued by the Hong Kong Institute of Certified Public Accountants (the “**HKICPA**”).

**Our Independence and Quality Control**

We have complied with the independence and other ethical requirements of the “Code of Ethics for Professional Accountants” issued by the HKICPA, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

Our firm applies Hong Kong Standard on Quality Control 1 “Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements” issued by the HKICPA and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

**Reporting Accountants' Responsibilities**

Our responsibility is to express an opinion, as required by paragraph 4.29(7) of the Listing Rules, on the unaudited pro forma financial information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the unaudited pro forma financial information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3420 “Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus” issued by the HKICPA. This standard requires that the reporting accountants plan and perform procedures to obtain reasonable assurance about whether the Directors have compiled the unaudited pro forma financial information in accordance with paragraph 4.29 of the Listing Rules and with reference to AG 7 issued by the HKICPA.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the unaudited pro forma financial information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the unaudited pro forma financial information.

The purpose of unaudited pro forma financial information included in an investment circular is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the Group as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the event or transaction at 31 December 2015 would have been as presented.

A reasonable assurance engagement to report on whether the unaudited pro forma financial information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the Directors in the compilation of the unaudited pro forma financial information provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

- the related unaudited pro forma adjustments give appropriate effect to those criteria; and
- the unaudited pro forma financial information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountants’ judgment, having regard to the reporting accountants’ understanding of the nature of the Group, the event or transaction in respect of which the unaudited pro forma financial information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the unaudited pro forma financial information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### **Opinion**

In our opinion:

- (a) the unaudited pro forma financial information has been properly compiled on the basis stated;
- (b) such basis is consistent with the accounting policies of the Group; and
- (c) the adjustments are appropriate for the purposes of the unaudited pro forma financial information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

**Deloitte Touche Tohmatsu**  
Certified Public Accountants  
Hong Kong, 30 June 2016



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## APPENDIX III                      SUMMARY OF THE CONSTITUTION OF OUR COMPANY AND CAYMAN ISLANDS COMPANIES LAW

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Set out below is a summary of certain provisions of the Memorandum and Articles of Association of the Company and of certain aspects of Cayman Islands company law.

The Company was incorporated in the Cayman Islands as an exempted company with limited liability on 5 May 2015 under the Cayman Companies Law. The Company's constitutional documents consist of its Amended and Restated Memorandum of Association (the "**Memorandum**") and its Amended and Restated Articles of Association (the "**Articles**").

### 1. MEMORANDUM OF ASSOCIATION

- (a) The Memorandum provides, inter alia, that the liability of members of the Company is limited and that the objects for which the Company is established are unrestricted (and therefore include acting as an investment company), and that the Company shall have and be capable of exercising any and all of the powers at any time or from time to time exercisable by a natural person or body corporate whether as principal, agent, contractor or otherwise and, since the Company is an exempted company, that the Company will not trade in the Cayman Islands with any person, firm or corporation except in furtherance of the business of the Company carried on outside the Cayman Islands.
- (b) By special resolution the Company may alter the Memorandum with respect to any objects, powers or other matters specified in it.

### 2. ARTICLES OF ASSOCIATION

The Articles were conditionally adopted on 21 June 2016 and effective on the Listing Date. A summary of certain provisions of the Articles is set out below.

#### (a) Shares

##### (i) *Classes of shares*

The share capital of the Company consists of ordinary shares.

##### (ii) *Variation of rights of existing shares or classes of shares*

Subject to the Cayman Companies Law, if at any time the share capital of the Company is divided into different classes of shares, all or any of the special rights attached to any class of shares may (unless otherwise provided for by the terms of issue of the shares of that class) be varied, modified or abrogated either with the consent in writing of the holders of not less than three-fourths in nominal value of the issued shares of that class or with the sanction of a special resolution passed at a separate general meeting of the holders of the shares of that class. The provisions of the Articles relating to general meetings shall mutatis mutandis apply to every such separate general meeting, but so that the necessary quorum (other than at an adjourned meeting) shall be not less than two persons together holding (or, in the case of a shareholder being a corporation, by its duly authorised representative) or representing by proxy not less than one-third in nominal value of the issued shares of that class. Every holder of shares of the class shall be entitled on a poll to one vote for every such share held by him, and any holder of shares of the class present in person or by proxy may demand a poll.

Any special rights conferred upon the holders of any shares or class of shares shall not, unless otherwise expressly provided in the rights attaching to the terms of issue of such shares, be deemed to be varied by the creation or issue of further shares ranking *pari passu* therewith.

*(iii) Alteration of capital*

The Company may, by an ordinary resolution of its members: (a) increase its share capital by the creation of new shares of such amount as it thinks expedient; (b) consolidate or divide all or any of its share capital into shares of larger or smaller amount than its existing shares; (c) divide its unissued shares into several classes and attach to such shares any preferential, deferred, qualified or special rights, privileges or conditions; (d) subdivide its shares or any of them into shares of an amount smaller than that fixed by the Memorandum; (e) cancel any shares which, at the date of the resolution, have not been taken or agreed to be taken by any person and diminish the amount of its share capital by the amount of the shares so cancelled; (f) make provision for the allotment and issue of shares which do not carry any voting rights; (g) change the currency of denomination of its share capital; and (h) reduce its share premium account in any manner authorised and subject to any conditions prescribed by law.

*(iv) Transfer of shares*

Subject to the Cayman Companies Law and the requirements of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”), all transfers of shares shall be effected by an instrument of transfer in the usual or common form or in such other form as the Board may approve and may be under hand or, if the transferor or transferee is a Clearing House or its nominee(s), under hand or by machine imprinted signature, or by such other manner of execution as the Board may approve from time to time.

Execution of the instrument of transfer shall be by or on behalf of the transferor and the transferee, provided that the Board may dispense with the execution of the instrument of transfer by the transferor or transferee or accept mechanically executed transfers. The transferor shall be deemed to remain the holder of a share until the name of the transferee is entered in the register of members of the Company in respect of that share.

The Board may, in its absolute discretion, at any time and from time to time remove any share on the principal register to any branch register or any share on any branch register to the principal register or any other branch register. Unless the Board otherwise agrees, no shares on the principal register shall be removed to any branch register nor shall shares on any branch register be removed to the principal register or any other branch register. All removals and other documents of title shall be lodged for registration and registered, in the case of shares on any branch register, at the relevant registration office and, in the case of shares on the principal register, at the place at which the principal register is located.

The Board may, in its absolute discretion, decline to register a transfer of any share (not being a fully paid up share) to a person of whom it does not approve or on which the Company has a lien. It may also decline to register a transfer of any share issued under any Share Option Scheme upon which a restriction on transfer subsists or a transfer of any share to more than four joint holders.

The Board may decline to recognise any instrument of transfer unless a certain fee, up to such maximum sum as the Stock Exchange may determine to be payable, is paid to the Company, the instrument of transfer is properly stamped (if applicable), is in respect of only one class of share and is lodged at the relevant registration office or the place at which the principal register is located accompanied by the relevant share certificate(s) and such other evidence as the Board may reasonably require is provided to show the right of the transferor to make the transfer (and if the instrument of transfer is executed by some other person on his behalf, the authority of that person so to do).

The register of members may, subject to the Listing Rules, be closed at such time or for such period not exceeding in the whole 30 days in each year as the Board may determine.

Fully paid shares shall be free from any restriction on transfer (except when permitted by the Stock Exchange) and shall also be free from all liens.

*(v) Power of the Company to purchase its own shares*

The Company may purchase its own shares subject to certain restrictions and the Board may only exercise this power on behalf of the Company subject to any applicable requirement imposed from time to time by the Articles or any, code, rules or regulations issued from time to time by the Stock Exchange and/or the Securities and Futures Commission of Hong Kong.

Where the Company purchases for redemption a redeemable Share, purchases not made through the market or by tender shall be limited to a maximum price and, if purchases are by tender, tenders shall be available to all members alike.

*(vi) Power of any subsidiary of the Company to own shares in the Company*

There are no provisions in the Articles relating to the ownership of shares in the Company by a subsidiary.

*(vii) Calls on shares and forfeiture of shares*

The Board may, from time to time, make such calls as it thinks fit upon the members in respect of any monies unpaid on the shares held by them, respectively, (whether on account of the nominal value of the shares or by way of premium) and not by the conditions of allotment of such shares made payable at fixed times. A call may be made payable either in one sum or by instalments. If the sum payable in respect of any call or instalment is not paid on or before the day appointed for payment thereof, the person or persons from whom the sum is due shall pay interest on the same at such rate not exceeding 20% per annum as the Board shall fix from the day appointed for payment to the time of actual payment, but the Board may waive payment of such interest wholly or in part. The Board may, if it thinks fit, receive from any member willing to advance the same, either in money or money's worth, all or any part of the money uncalled and unpaid or instalments payable upon any shares held by him, and in respect of all or any of the monies so advanced the Company may pay interest at such rate (if any) not exceeding 20% per annum as the Board may decide.

If a member fails to pay any call or instalment of a call on the day appointed for payment, the Board may, for so long as any part of the call or instalment remains unpaid, serve not less than 14 days' notice on the member requiring payment of so

much of the call or instalment as is unpaid, together with any interest which may have accrued and which may still accrue up to the date of actual payment. The notice shall name a further day (not earlier than the expiration of 14 days from the date of the notice) on or before which the payment required by the notice is to be made, and shall also name the place where payment is to be made. The notice shall also state that, in the event of non-payment at or before the appointed time, the shares in respect of which the call was made will be liable to be forfeited.

If the requirements of any such notice are not complied with, any share in respect of which the notice has been given may at any time thereafter, before the payment required by the notice has been made, be forfeited by a resolution of the Board to that effect. Such forfeiture will include all dividends and bonuses declared in respect of the forfeited share and not actually paid before the forfeiture.

A person whose shares have been forfeited shall cease to be a member in respect of the forfeited shares but shall, nevertheless, remain liable to pay to the Company all monies which, at the date of forfeiture, were payable by him to the Company in respect of the shares together with (if the Board shall in its discretion so require) interest thereon from the date of forfeiture until payment at such rate not exceeding 20% per annum as the Board may prescribe.

**(b) Directors**

*(i) Appointment, retirement and removal*

At any time or from time to time, the Board shall have the power to appoint any person as a Director either to fill a casual vacancy on the Board or as an additional Director to the existing Board subject to any maximum number of Directors, if any, as may be determined by the members in general meeting. Any Director so appointed to fill a casual vacancy shall hold office only until the first general meeting of the Company after his appointment and be subject to re-election at such meeting. Any Director so appointed as an addition to the existing Board shall hold office only until the first annual general meeting of the Company after his appointment and be eligible for re-election at such meeting. Any Director so appointed by the Board shall not be taken into account in determining the Directors or the number of Directors who are to retire by rotation at an annual general meeting.

At each annual general meeting, one third of the Directors for the time being shall retire from office by rotation. However, if the number of Directors is not a multiple of three, then the number nearest to but not less than one third shall be the number of retiring Directors. The Directors to retire in each year shall be those who have been in office longest since their last re-election or appointment but, as between persons who became or were last re-elected Directors on the same day, those to retire shall (unless they otherwise agree among themselves) be determined by lot.

No person, other than a retiring Director, shall, unless recommended by the Board for election, be eligible for election to the office of Director at any general meeting, unless notice in writing of the intention to propose that person for election as a Director and notice in writing by that person of his willingness to be elected has been lodged at the head office or at the registration office of the Company. The period for lodgment of such notices shall commence no earlier than the day after despatch of the notice of the

relevant meeting and end no later than seven days before the date of such meeting and the minimum length of the period during which such notices may be lodged must be at least seven days.

A Director is not required to hold any shares in the Company by way of qualification nor is there any specified upper or lower age limit for Directors either for accession to or retirement from the Board.

A Director may be removed by an ordinary resolution of the Company before the expiration of his term of office (but without prejudice to any claim which such Director may have for damages for any breach of any contract between him and the Company) and the Company may by ordinary resolution appoint another in his place. Any Director so appointed shall be subject to the “retirement by rotation” provisions. The number of Directors shall not be less than two.

The office of a Director shall be vacated if he:

- (aa) resign;
- (bb) dies;
- (cc) is declared to be of unsound mind and the Board resolves that his office be vacated;
- (dd) becomes bankrupt or has a receiving order made against him or suspends payment or compounds with his creditors generally;
- (ee) he is prohibited from being or ceases to be a director by operation of law;
- (ff) without special leave, is absent from meetings of the Board for six consecutive months, and the Board resolves that his office is vacated;
- (gg) has been required by the stock exchange of the Relevant Territory (as defined in the Articles) to cease to be a Director; or
- (hh) is removed from office by the requisite majority of the Directors or otherwise pursuant to the Articles.

From time to time the Board may appoint one or more of its body to be managing director, joint managing director or deputy managing director or to hold any other employment or executive office with the Company for such period and upon such terms as the Board may determine, and the Board may revoke or terminate any of such appointments. The Board may also delegate any of its powers to committees consisting of such Director(s) or other person(s) as the Board thinks fit, and from time to time it may also revoke such delegation or revoke the appointment of and discharge any such committees either wholly or in part, and either as to persons or purposes, but every committee so formed shall, in the exercise of the powers so delegated, conform to any regulations that may from time to time be imposed upon it by the Board.

*(ii) Power to allot and issue shares and warrants*

Subject to the provisions of the Cayman Companies Law, the Memorandum and Articles and without prejudice to any special rights conferred on the holders of any shares or class of shares, any share may be issued with or have attached to it such rights, or such restrictions, whether with regard to dividend, voting, return of capital or otherwise, as the Company may by ordinary resolution determine (or, in the absence of any such determination or so far as the same may not make specific provision, as the Board may determine). Any share may be issued on terms that, upon the happening of a specified event or upon a given date and either at the option of the Company or the holder of the share, it is liable to be redeemed.

The Board may issue warrants to subscribe for any class of shares or other securities of the Company on such terms as it may from time to time determine.

Where warrants are issued to bearer, no certificate in respect of such warrants shall be issued to replace one that has been lost unless the Board is satisfied beyond reasonable doubt that the original certificate has been destroyed and the Company has received an indemnity in such form as the Board thinks fit with regard to the issue of any such replacement certificate.

Subject to the provisions of the Cayman Companies Law, the Articles and, where applicable, the rules of any stock exchange of the Relevant Territory (as defined in the Articles) and without prejudice to any special rights or restrictions for the time being attached to any shares or any class of shares, all unissued shares in the Company shall be at the disposal of the Board, which may offer, allot, grant options over or otherwise dispose of them to such persons, at such times, for such consideration and on such terms and conditions as it in its absolute discretion thinks fit, but so that no shares shall be issued at a discount.

Neither the Company nor the Board shall be obliged, when making or granting any allotment of, offer of, option over or disposal of shares, to make, or make available, any such allotment, offer, option or shares to members or others whose registered addresses are in any particular territory or territories where, in the absence of a registration statement or other special formalities, this is or may, in the opinion of the Board, be unlawful or impracticable. However, no member affected as a result of the foregoing shall be, or be deemed to be, a separate class of members for any purpose whatsoever.

*(iii) Power to dispose of the assets of the Company or any of its subsidiaries*

While there are no specific provisions in the Articles relating to the disposal of the assets of the Company or any of its subsidiaries, the Board may exercise all powers and do all acts and things which may be exercised or done or approved by the Company and which are not required by the Articles or the Cayman Companies Law to be exercised or done by the Company in general meeting, but if such power or act is regulated by the Company in general meeting, such regulation shall not invalidate any prior act of the Board which would have been valid if such regulation had not been made.

*(iv) Borrowing powers*

The Board may exercise all the powers of the Company to raise or borrow money, to mortgage or charge all or any part of the undertaking, property and uncalled capital of the Company and, subject to the Cayman Companies Law, to issue debentures, debenture stock, bonds and other securities of the Company, whether outright or as collateral security for any debt, liability or obligation of the Company or of any third party.

*(v) Remuneration*

The Directors shall be entitled to receive, as ordinary remuneration for their services, such sums as shall from time to time be determined by the Board or the Company in general meeting, as the case may be, such sum (unless otherwise directed by the resolution by which it is determined) to be divided among the Directors in such proportions and in such manner as they may agree or, failing agreement, either equally or, in the case of any Director holding office for only a portion of the period in respect of which the remuneration is payable, pro rata. The Directors shall also be entitled to be repaid all expenses reasonably incurred by them in attending any Board meetings, committee meetings or general meetings or otherwise in connection with the discharge of their duties as Directors. Such remuneration shall be in addition to any other remuneration to which a Director who holds any salaried employment or office in the Company may be entitled by reason of such employment or office.

Any Director who, at the request of the Company, performs services which in the opinion of the Board go beyond the ordinary duties of a Director may be paid such special or extra remuneration as the Board may determine, in addition to or in substitution for any ordinary remuneration as a Director. An executive Director appointed to be a managing director, joint managing director, deputy managing director or other executive officer shall receive such remuneration and such other benefits and allowances as the Board may from time to time decide. Such remuneration shall be in addition to his ordinary remuneration as a Director.

The Board may establish, either on its own or jointly in concurrence or agreement with subsidiaries of the Company or companies with which the Company is associated in business, or may make contributions out of the Company's monies to, any schemes or funds for providing pensions, sickness or compassionate allowances, life assurance or other benefits for employees (which expression as used in this and the following paragraph shall include any Director or former Director who may hold or have held any executive office or any office of profit with the Company or any of its subsidiaries) and former employees of the Company and their dependents or any class or classes of such persons.

The Board may also pay, enter into agreements to pay or make grants of revocable or irrevocable, whether or not subject to any terms or conditions, pensions or other benefits to employees and former employees and their dependents, or to any of such persons, including pensions or benefits additional to those, if any, to which such employees or former employees or their dependents are or may become entitled under any such scheme or fund as mentioned above. Such pension or benefit may, if deemed desirable by the Board, be granted to an employee either before and in anticipation of, or upon or at any time after, his actual retirement.

*(vi) Compensation or payments for loss of office*

Payments to any present Director or past Director of any sum by way of compensation for loss of office or as consideration for or in connection with his retirement from office (not being a payment to which the Director is contractually or statutorily entitled) must be approved by the Company in general meeting.

*(vii) Loans and provision of security for loans to Directors*

The Company shall not directly or indirectly make a loan to a Director or a director of any holding company of the Company or any of their respective close associates, enter into any guarantee or provide any security in connection with a loan made by any person to a Director or a director of any holding company of the Company or any of their respective close associates, or, if any one or more of the Directors hold(s) (jointly or severally or directly or indirectly) a controlling interest in another company, make a loan to that other company or enter into any guarantee or provide any security in connection with a loan made by any person to that other company.

*(viii) Disclosure of interest in contracts with the Company or any of its subsidiaries*

With the exception of the office of auditor of the Company, a Director may hold any other office or place of profit with the Company in conjunction with his office of Director for such period and upon such terms as the Board may determine, and may be paid such extra remuneration for that other office or place of profit, in whatever form, in addition to any remuneration provided for by or pursuant to any other Articles. A Director may be or become a director, officer or member of any other company in which the Company may be interested, and shall not be liable to account to the Company or the members for any remuneration or other benefits received by him as a director, officer or member of such other company. The Board may also cause the voting power conferred by the shares in any other company held or owned by the Company to be exercised in such manner in all respects as it thinks fit, including the exercise in favour of any resolution appointing the Directors or any of them to be directors or officers of such other company.

No Director or intended Director shall be disqualified by his office from contracting with the Company, nor shall any such contract or any other contract or arrangement in which any Director is in any way interested be liable to be avoided, nor shall any Director so contracting or being so interested be liable to account to the Company for any profit realised by any such contract or arrangement by reason only of such Director holding that office or the fiduciary relationship established by it. A Director who is, in any way, materially interested in a contract or arrangement or proposed contract or arrangement with the Company shall declare the nature of his interest at the earliest meeting of the Board at which he may practically do so.

There is no power to freeze or otherwise impair any of the rights attaching to any share by reason that the person or persons who are interested directly or indirectly in that share have failed to disclose their interests to the Company.



A Director shall not vote or be counted in the quorum on any resolution of the Board in respect of any contract or arrangement or proposal in which he or any of his close associate(s) has/have a material interest, and if he shall do so his vote shall not be counted nor shall he be counted in the quorum for that resolution, but this prohibition shall not apply to any of the following matters:

- (aa) the giving of any security or indemnity to the Director or his close associate(s) in respect of money lent or obligations incurred or undertaken by him or any of them at the request of or for the benefit of the Company or any of its subsidiaries;
- (bb) the giving of any security or indemnity to a third party in respect of a debt or obligation of the Company or any of its subsidiaries for which the Director or his close associate(s) has/have himself/themselves assumed responsibility in whole or in part whether alone or jointly under a guarantee or indemnity or by the giving of security;
- (cc) any proposal concerning an offer of shares, debentures or other securities of or by the Company or any other company which the Company may promote or be interested in for subscription or purchase, where the Director or his close associate(s) is/are or is/are to be interested as a participant in the underwriting or sub-underwriting of the offer;
- (dd) any proposal or arrangement concerning the benefit of employees of the Company or any of its subsidiaries, including the adoption, modification or operation of either: (i) any employees' share scheme or any share incentive or Share Option Scheme under which the Director or his close associate(s) may benefit; or (ii) any of a pension fund or retirement, death or disability benefits scheme which relates to Directors, their close associates and employees of the Company or any of its subsidiaries and does not provide in respect of any Director or his close associate(s) any privilege or advantage not generally accorded to the class of persons to which such scheme or fund relates; and
- (ee) any contract or arrangement in which the Director or his close associate(s) is/are interested in the same manner as other holders of shares, debentures or other securities of the Company by virtue only of his/their interest in those shares, debentures or other securities.

*(ix) Proceedings of the Board*

The Board may meet anywhere in the world for the despatch of business and may adjourn and otherwise regulate its meetings as it thinks fit. Questions arising at any meeting shall be determined by a majority of votes. In the case of an equality of votes, the chairman of the meeting shall have a second or casting vote.

**(c) Alterations to the constitutional documents and the Company's name**

To the extent that the same is permissible under Cayman Islands law and subject to the Articles, the Memorandum and Articles of the Company may only be altered or amended, and the name of the Company may only be changed, with the sanction of a special resolution of the Company.

**(d) Meetings of member***(i) Special and ordinary resolutions*

A special resolution of the Company must be passed by a majority of not less than three-fourths of the votes cast by such members as, being entitled so to do, vote in person or by proxy or, in the case of members which are corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting of which notice specifying the intention to propose the resolution as a special resolution has been duly given.

Under Cayman Companies Law, a copy of any special resolution must be forwarded to the Registrar of Companies in the Cayman Islands within 15 days of being passed.

An “ordinary resolution”, by contrast, is a resolution passed by a simple majority of the votes of such members of the Company as, being entitled to do so, vote in person or, in the case of members which are corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting of which notice has been duly given.

A resolution in writing signed by or on behalf of all members shall be treated as an ordinary resolution duly passed at a general meeting of the Company duly convened and held, and where relevant as a special resolution so passed.

*(ii) Voting rights and right to demand a poll*

Subject to any special rights, restrictions or privileges as to voting for the time being attached to any class or classes of shares at any general meeting: (a) on a poll every member present in person or by proxy or, in the case of a member being a corporation, by its duly authorised representative shall have one vote for every share which is fully paid or credited as fully paid registered in his name in the register of members of the Company but so that no amount paid up or credited as paid up on a share in advance of calls or instalments is treated for this purpose as paid up on the share; and (b) on a show of hands every member who is present in person (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy shall have one vote. Where more than one proxy is appointed by a member which is a Clearing House (as defined in the Articles) or its nominee(s), each such proxy shall have one vote on a show of hands. On a poll, a member entitled to more than one vote need not use all his votes or cast all the votes he does use in the same way.

At any general meeting a resolution put to the vote of the meeting is to be decided by poll save that the chairman of the meeting may, pursuant to the Listing Rules, allow a resolution to be voted on by a show of hands. Where a show of hands is allowed, before or on the declaration of the result of the show of hands, a poll may be demanded by (in each case by members present in person or by proxy or by a duly authorised corporate representative):

- (A) at least two members;
- (B) any member or members representing not less than one-tenth of the total voting rights of all the members having the right to vote at the meeting; or
- (C) a member or members holding shares in the Company conferring a right to vote at the meeting on which an aggregate sum has been paid equal to not less than one-tenth of the total sum paid up on all the shares conferring that right.

Should a Clearing House or its nominee(s) be a member of the Company, such person or persons may be authorised as it thinks fit to act as its representative(s) at any meeting of the Company or at any meeting of any class of members of the Company provided that, if more than one person is so authorised, the authorisation shall specify the number and class of shares in respect of which each such person is so authorised. A person authorised in accordance with this provision shall be deemed to have been duly authorised without further evidence of the facts and be entitled to exercise the same rights and powers on behalf of the Clearing House or its nominee(s) as if such person were an individual member including the right to vote individually on a show of hands.

Where the Company has knowledge that any member is, under the Listing Rules, required to abstain from voting on any particular resolution or restricted to voting only for or only against any particular resolution, any votes cast by or on behalf of such member in contravention of such requirement or restriction shall not be counted.

*(iii) Annual general meetings*

The Company must hold an annual general meeting each year other than the year of the Company's adoption of the Articles. Such meeting must be held not more than 15 months after the holding of the last preceding annual general meeting, or such longer period as may be authorised by the Stock Exchange at such time and place as may be determined by the Board.

*(iv) Notices of meetings and business to be conducted*

An annual general meeting of the Company shall be called by at least 21 days' notice in writing, and any other general meeting of the Company shall be called by at least 14 days' notice in writing. The notice shall be exclusive of the day on which it is served or deemed to be served and of the day for which it is given, and must specify the time, place and agenda of the meeting and particulars of the resolution(s) to be considered at that meeting and, in the case of special business, the general nature of that business.

Except where otherwise expressly stated, any notice or document (including a share certificate) to be given or issued under the Articles shall be in writing, and may be served by the Company on any member personally, by post to such member's registered address or (in the case of a notice) by advertisement in the newspapers. Any member whose registered address is outside Hong Kong may notify the Company in writing of an address in Hong Kong which shall be deemed to be his registered address for this purpose. Subject to the Cayman Companies Law and the Listing Rules, a notice or document may also be served or delivered by the Company to any member by electronic means.

Although a meeting of the Company may be called by shorter notice than as specified above, such meeting may be deemed to have been duly called if it is so agreed:

- (i) in the case of an annual general meeting, by all members of the Company entitled to attend and vote thereat; and
- (ii) in the case of any other meeting, by a majority in number of the members having a right to attend and vote at the meeting holding not less than 95% of the total voting rights in the Company.

All business transacted at an extraordinary general meeting shall be deemed special business. All business shall also be deemed special business where it is transacted at an annual general meeting, with the exception of certain routine matters which shall be deemed ordinary business.

(v) *Quorum for meetings and separate class meetings*

No business shall be transacted at any general meeting unless a quorum is present when the meeting proceeds to business, and continues to be present until the conclusion of the meeting.

The quorum for a general meeting shall be two members present in person (or in the case of a member being a corporation, by its duly authorised representative) or by proxy and entitled to vote. In respect of a separate class meeting (other than an adjourned meeting) convened to sanction the modification of class rights the necessary quorum shall be two persons holding or representing by proxy not less than one-third in nominal value of the issued shares of that class.

(vi) *Proxies*

Any member of the Company entitled to attend and vote at a meeting of the Company is entitled to appoint another person as his proxy to attend and vote instead of him. A member who is the holder of two or more shares may appoint more than one proxy to represent him and vote on his behalf at a general meeting of the Company or at a class meeting. A proxy need not be a member of the Company and shall be entitled to exercise the same powers on behalf of a member who is an individual and for whom he acts as proxy as such member could exercise. In addition, a proxy shall be entitled to exercise the same powers on behalf of a member which is a corporation and for which he acts as proxy as such member could exercise if it were an individual member. On a poll or on a show of hands, votes may be given either personally (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy.

The instrument appointing a proxy shall be in writing under the hand of the appointor or of his attorney duly authorised in writing, or if the appointor is a corporation, either under seal or under the hand of a duly authorised officer or attorney. Every instrument of proxy, whether for a specified meeting or otherwise, shall be in such form as the Board may from time to time approve, provided that it shall not preclude the use of the two-way form. Any form issued to a member for appointing a proxy to attend and vote at an extraordinary general meeting or at an annual general meeting at which any business is to be transacted shall be such as to enable the member, according to his intentions, to instruct the proxy to vote in favour of or against (or, in default of instructions, to exercise his discretion in respect of) each resolution dealing with any such business.

**(e) Accounts and audit**

The Board shall cause proper books of account to be kept of the sums of money received and expended by the Company, and of the assets and liabilities of the Company and of all other matters required by the Cayman Companies Law (which include all sales and purchases of goods by the company) necessary to give a true and fair view of the state of the Company's affairs and to show and explain its transactions.

The books of accounts of the Company shall be kept at the head office of the Company or at such other place or places as the Board decides and shall always be open to inspection by any Director. No member (other than a Director) shall have any right to inspect any account, book or document of the Company except as conferred by the Cayman Companies Law or ordered by a court of competent jurisdiction or authorised by the Board or the Company in general meeting.

The Board shall from time to time cause to be prepared and laid before the Company at its annual general meeting balance sheets and profit and loss accounts (including every document required by law to be annexed thereto), together with a copy of the Directors' report and a copy of the auditors' report, not less than 21 days before the date of the annual general meeting. Copies of these documents shall be sent to every person entitled to receive notices of general meetings of the Company under the provisions of the Articles together with the notice of annual general meeting, not less than 21 days before the date of the meeting.

Subject to the rules of the stock exchange of the Relevant Territory (as defined in the Articles), the Company may send summarised financial statements to shareholders who have, in accordance with the rules of the stock exchange of the Relevant Territory, consented and elected to receive summarised financial statements instead of the full financial statements. The summarised financial statements must be accompanied by any other documents as may be required under the rules of the stock exchange of the Relevant Territory, and must be sent to those shareholders that have consented and elected to receive the summarised financial statements not less than 21 days before the general meeting.

The Company shall appoint auditor(s) to hold office until the conclusion of the next annual general meeting on such terms and with such duties as may be agreed with the Board. The auditors' remuneration shall be fixed by the Company in general meeting or by the Board if authority is so delegated by the members.

The auditors shall audit the financial statements of the Company in accordance with generally accepted accounting principles of Hong Kong, the International Accounting Standards or such other standards as may be permitted by the Stock Exchange.

**(f) Dividends and other methods of distribution**

The Company in general meeting may declare dividends in any currency to be paid to the members but no dividend shall be declared in excess of the amount recommended by the Board.

Except in so far as the rights attaching to, or the terms of issue of, any share may otherwise provide:

- (i) all dividends shall be declared and paid according to the amounts paid up on the shares in respect of which the dividend is paid, although no amount paid up on a share in advance of calls shall for this purpose be treated as paid up on the share;
- (ii) all dividends shall be apportioned and paid pro rata in accordance with the amount paid up on the shares during any portion(s) of the period in respect of which the dividend is paid; and
- (iii) the Board may deduct from any dividend or other monies payable to any member all sums of money (if any) presently payable by him to the Company on account of calls, instalments or otherwise.

Where the Board or the Company in general meeting has resolved that a dividend should be paid or declared, the Board may resolve:

- (aa) that such dividend be satisfied wholly or in part in the form of an allotment of shares credited as fully paid up, provided that the members entitled to such dividend will be entitled to elect to receive such dividend (or part thereof) in cash in lieu of such allotment; or
- (bb) that the members entitled to such dividend will be entitled to elect to receive an allotment of shares credited as fully paid up in lieu of the whole or such part of the dividend as the Board may think fit.

Upon the recommendation of the Board, the Company may by ordinary resolution in respect of any one particular dividend of the Company determine that it may be satisfied wholly in the form of an allotment of shares credited as fully paid up without offering any right to members to elect to receive such dividend in cash in lieu of such allotment.

Any dividend, bonus or other sum payable in cash to the holder of shares may be paid by cheque or warrant sent through the post. Every such cheque or warrant shall be made payable to the order of the person to whom it is sent and shall be sent at the holder's or joint holders' risk and payment of the cheque or warrant by the bank on which it is drawn shall constitute a good discharge to the Company. Any one of two or more joint holders may give effectual receipts for any dividends or other monies payable or property distributable in respect of the shares held by such joint holders.

Whenever the Board or the Company in general meeting has resolved that a dividend be paid or declared, the Board may further resolve that such dividend be satisfied wholly or in part by the distribution of specific assets of any kind.

The Board may, if it thinks fit, receive from any member willing to advance the same, and either in money or money's worth, all or any part of the money uncalled and unpaid or instalments payable upon any shares held by him, and in respect of all or any of the monies so advanced may pay interest at such rate (if any) not exceeding 20% per annum, as the Board may decide, but a payment in advance of a call shall not entitle the member to receive any dividend or to exercise any other rights or privileges as a member in respect of the share or the due portion of the shares upon which payment has been advanced by such member before it is called up.

All dividends, bonuses or other distributions unclaimed for one year after having been declared may be invested or otherwise used by the Board for the benefit of the Company until claimed and the Company shall not be constituted a trustee in respect thereof. All dividends, bonuses or other distributions unclaimed for six years after having been declared may be forfeited by the Board and, upon such forfeiture, shall revert to the Company.

No dividend or other monies payable by the Company on or in respect of any share shall bear interest against the Company.

The Company may exercise the power to cease sending cheques for dividend entitlements or dividend warrants by post if such cheques or warrants remain uncashed on two consecutive occasions or after the first occasion on which such a cheque or warrant is returned undelivered.

**(g) Inspection of corporate records**

For so long as any part of the share capital of the Company is listed on the Stock Exchange, any member may inspect any register of members of the Company maintained in Hong Kong (except when the register of members is closed) without charge and require the provision to him of copies or extracts of such register in all respects as if the Company were incorporated under and were subject to the Hong Kong Companies Ordinance.

**(h) Rights of minorities in relation to fraud or oppression**

There are no provisions in the Articles concerning the rights of minority members in relation to fraud or oppression. However, certain remedies may be available to members of the Company under Cayman Islands law, as summarised in paragraph 3(f) of this Appendix.

**(i) Procedures on liquidation**

A resolution that the Company be wound up by the court or be wound up voluntarily shall be a special resolution.

Subject to any special rights, privileges or restrictions as to the distribution of available surplus assets on liquidation for the time being attached to any class or classes of shares:

- (i) if the Company is wound up and the assets available for distribution among the members of the Company are more than sufficient to repay the whole of the capital paid up at the commencement of the winding up, then the excess shall be distributed *pari passu* among such members in proportion to the amount paid up on the shares held by them, respectively; and

- (ii) if the Company is wound up and the assets available for distribution among the members as such are insufficient to repay the whole of the paid-up capital, such assets shall be distributed so that, as nearly as may be, the losses shall be borne by the members in proportion to the capital paid up on the shares held by them, respectively.

If the Company is wound up (whether the liquidation is voluntary or compelled by the court), the liquidator may, with the sanction of a special resolution and any other sanction required by the Cayman Companies Law, divide among the members in specie or kind the whole or any part of the assets of the Company, whether the assets consist of property of one kind or different kinds, and the liquidator may, for such purpose, set such value as he deems fair upon any one or more class or classes of property to be so divided and may determine how such division shall be carried out as between the members or different classes of members and the members within each class. The liquidator may, with the like sanction, vest any part of the assets in trustees upon such trusts for the benefit of members as the liquidator thinks fit, but so that no member shall be compelled to accept any shares or other property upon which there is a liability.

**(j) Subscription rights reserve**

Provided that it is not prohibited by and is otherwise in compliance with the Cayman Companies Law, if warrants to subscribe for shares have been issued by the Company and the Company does any act or engages in any transaction which would result in the subscription price of such warrants being reduced below the par value of the shares to be issued on the exercise of such warrants, a subscription rights reserve shall be established and applied in paying up the difference between the subscription price and the par value of such shares.

**3. CAYMAN ISLANDS COMPANIES LAW**

The Company was incorporated in the Cayman Islands as an exempted company on 5 May 2015 subject to the Cayman Companies Law. Certain provisions of Cayman Islands company law are set out below but this section does not purport to contain all applicable qualifications and exceptions or to be a complete review of all matters of the Cayman Companies Law and taxation, which may differ from equivalent provisions in jurisdictions with which interested parties may be more familiar.

**(a) Company operations**

An exempted company such as the Company must conduct its operations mainly outside the Cayman Islands. An exempted company is also required to file an annual return each year with the Registrar of Companies of the Cayman Islands and pay a fee which is based on the amount of its authorised share capital.

**(b) Share capital**

Under Cayman Companies Law, a Cayman Islands company may issue ordinary, preference or redeemable shares or any combination thereof. Where a company issues shares at a premium, whether for cash or otherwise, a sum equal to the aggregate amount or value of the premiums on those shares shall be transferred to an account, to be called the “share premium account”. At the option of a company, these provisions may not apply to premiums on shares of that company allotted pursuant to any arrangements in consideration of the acquisition or cancellation of shares in any other company and issued at a premium.



The share premium account may be applied by the company subject to the provisions, if any, of its memorandum and articles of association, in such manner as the company may from time to time determine including, but without limitation, the following:

- (i) paying distributions or dividends to members;
- (ii) paying up unissued shares of the company to be issued to members as fully paid bonus shares;
- (iii) any manner provided in section 37 of the Cayman Companies Law;
- (iv) writing-off the preliminary expenses of the company; and
- (v) writing-off the expenses of, or the commission paid or discount allowed on, any issue of shares or debentures of the company.

Notwithstanding the foregoing, no distribution or dividend may be paid to members out of the share premium account unless, immediately following the date on which the distribution or dividend is proposed to be paid, the company will be able to pay its debts as they fall due in the ordinary course of business.

Subject to confirmation by the court, a company limited by shares or a company limited by guarantee and having a share capital may, if authorised to do so by its articles of association, by special resolution reduce its share capital in any way.

**(c) Financial assistance to purchase shares of a company or its holding company**

There are no statutory prohibitions in the Cayman Islands on the granting of financial assistance by a company to another person for the purchase of, or subscription for, its own, its holding company's or a subsidiary's shares. Therefore, a company may provide financial assistance provided the directors of the company, when proposing to grant such financial assistance, discharge their duties of care and act in good faith, for a proper purpose and in the interests of the company. Such assistance should be on an arm's-length basis.

**(d) Purchase of shares and warrants by a company and its subsidiaries**

A company limited by shares or a company limited by guarantee and having a share capital may, if so authorised by its articles of association, issue shares which are to be redeemed or are liable to be redeemed at the option of the company or a member and, for the avoidance of doubt, it shall be lawful for the rights attaching to any shares to be varied, subject to the provisions of the company's articles of association, so as to provide that such shares are to be or are liable to be so redeemed. In addition, such a company may, if authorised to do so by its articles of association, purchase its own shares, including any redeemable shares; an ordinary resolution of the company approving the manner and terms of the purchase will be required if the articles of association do not authorise the manner and terms of such purchase. A company may not redeem or purchase its shares unless they are fully paid. Furthermore, a company may not redeem or purchase any of its shares if, as a result of the redemption or purchase, there would no longer be any issued shares of the company other than shares held as treasury shares. In addition, a payment out of capital by a company for the redemption or purchase of its own shares is not lawful unless, immediately following the date on which the payment is proposed to be made, the company shall be able to pay its debts as they fall due in the ordinary course of business.

Shares that have been purchased or redeemed by a company or surrendered to the company shall not be treated as cancelled but shall be classified as treasury shares if held in compliance with the requirements of Section 37A(1) of the Cayman Companies Law. Any such shares shall continue to be classified as treasury shares until such shares are either cancelled or transferred pursuant to the Cayman Companies Law.

A Cayman Islands company may be able to purchase its own warrants subject to and in accordance with the terms and conditions of the relevant warrant instrument or certificate. Thus there is no requirement under Cayman Islands law that a company's memorandum or articles of association contain a specific provision enabling such purchases. The directors of a company may under the general power contained in its memorandum of association be able to buy, sell and deal in personal property of all kinds.

A subsidiary may hold shares in its holding company and, in certain circumstances, may acquire such shares.

**(e) Dividends and distributions**

Subject to a solvency test, as prescribed in the Cayman Companies Law, and the provisions, if any, of the company's memorandum and articles of association, a company may pay dividends and distributions out of its share premium account. In addition, based upon English case law which is likely to be persuasive in the Cayman Islands, dividends may be paid out of profits.

For so long as a company holds treasury shares, no dividend may be declared or paid, and no other distribution (whether in cash or otherwise) of the company's assets (including any distribution of assets to members on a winding up) may be made, in respect of a treasury share.

**(f) Protection of minorities and shareholders' suits**

It can be expected that the Cayman Islands courts will ordinarily follow English case law precedents (particularly the rule in the case of *Foss v. Harbottle* and the exceptions to that rule) which permit a minority member to commence a representative action against or derivative actions in the name of the company to challenge acts which are ultra vires, illegal, fraudulent (and performed by those in control of the Company) against the minority, or represent an irregularity in the passing of a resolution which requires a qualified (or special) majority which has not been obtained.

Where a company (not being a bank) is one which has a share capital divided into shares, the court may, on the application of members holding not less than one-fifth of the shares of the company in issue, appoint an inspector to examine the affairs of the company and, at the direction of the court, to report on such affairs. In addition, any member of a company may petition the court, which may make a winding up order if the court is of the opinion that it is just and equitable that the company should be wound up.

In general, claims against a company by its members must be based on the general laws of contract or tort applicable in the Cayman Islands or be based on potential violation of their individual rights as members as established by a company's memorandum and articles of association.

**(g) Disposal of assets**

There are no specific restrictions on the power of directors to dispose of assets of a company, however, the directors are expected to exercise certain duties of care, diligence and skill to the standard that a reasonably prudent person would exercise in comparable circumstances, in addition to fiduciary duties to act in good faith, for proper purpose and in the best interests of the company under English common law (which the Cayman Islands courts will ordinarily follow).

**(h) Accounting and auditing requirements**

A company must cause proper records of accounts to be kept with respect to: (i) all sums of money received and expended by it; (ii) all sales and purchases of goods by it; and (iii) its assets and liabilities.

Proper books of account shall not be deemed to be kept if there are not kept such books as are necessary to give a true and fair view of the state of the company's affairs and to explain its transactions.

If a company keeps its books of account at any place other than at its registered office or any other place within the Cayman Islands, it shall, upon service of an order or notice by the Tax Information Authority pursuant to the Tax Information Authority Law (2013 Revision) of the Cayman Islands, make available, in electronic form or any other medium, at its registered office copies of its books of account, or any part or parts thereof, as are specified in such order or notice.

**(i) Exchange control**

There are no exchange control regulations or currency restrictions in effect in the Cayman Islands.

**(j) Taxation**

Pursuant to section 6 of the Tax Concessions Law (2011 Revision) of the Cayman Islands, the Company has obtained an undertaking from the Governor-in-Cabinet that:

- (i) no law which is enacted in the Cayman Islands imposing any tax to be levied on profits or income or gains or appreciation shall apply to the Company or its operations; and
- (ii) no tax be levied on profits, income gains or appreciations or which is in the nature of estate duty or inheritance tax shall be payable by the Company:
  - (aa) on or in respect of the shares, debentures or other obligations of the Company; or
  - (bb) by way of withholding in whole or in part of any relevant payment as defined in section 6(3) of the Tax Concessions Law (2011 Revision).

The undertaking for the Company is for a period of 20 years from 26 May 2015.

The Cayman Islands currently levy no taxes on individuals or corporations based upon profits, income, gains or appreciations and there is no taxation in the nature of inheritance tax or estate duty. There are no other taxes likely to be material to the Company levied by the Government of the Cayman Islands save for certain stamp duties which may be applicable, from time to time, on certain instruments.

**(k) Stamp duty on transfers**

No stamp duty is payable in the Cayman Islands on transfers of shares of Cayman Islands companies save for those which hold interests in land in the Cayman Islands.

**(l) Loans to directors**

There is no express provision prohibiting the making of loans by a company to any of its directors. However, the company's articles of association may provide for the prohibition of such loans under specific circumstances.

**(m) Inspection of corporate records**

The members of a company have no general right to inspect or obtain copies of the register of members or corporate records of the company. They will, however, have such rights as may be set out in the company's articles of association.

**(n) Register of members**

A Cayman Islands exempted company may maintain its principal register of members and any branch registers in any country or territory, whether within or outside the Cayman Islands, as the company may determine from time to time. There is no requirement for an exempted company to make any returns of members to the Registrar of Companies in the Cayman Islands. The names and addresses of the members are, accordingly, not a matter of public record and are not available for public inspection. However, an exempted company shall make available at its registered office, in electronic form or any other medium, such register of members, including any branch register of member, as may be required of it upon service of an order or notice by the Tax Information Authority pursuant to the Tax Information Authority Law (2013 Revision) of the Cayman Islands.

**(o) Register of Directors and officers**

Pursuant to the Cayman Companies Law, the Company is required to maintain at its registered office a register of directors, alternate directors and officers which is not available for inspection by the public. A copy of such register must be filed with the Registrar of Companies in the Cayman Islands and any change must be notified to the Registrar within 60 days of any change in such directors or officers, including a change of the name of such directors or officers.

**(p) Winding up**

A Cayman Islands company may be wound up by: (i) an order of the court; (ii) voluntarily by its members; or (iii) under the supervision of the court.

The court has authority to order winding up in a number of specified circumstances including where, in the opinion of the court, it is just and equitable that such company be so wound up.

A voluntary winding up of a company (other than a limited duration company, for which specific rules apply) occurs where the company resolves by special resolution that it be wound up voluntarily or where the company in general meeting resolves that it be wound up voluntarily because it is unable to pay its debt as they fall due. In the case of a voluntary winding up, the company is obliged to cease to carry on its business from the commencement of its winding up except so far as it may be beneficial for its winding up. Upon appointment of a voluntary liquidator, all the powers of the directors cease, except so far as the company in general meeting or the liquidator sanctions their continuance.

In the case of a members' voluntary winding up of a company, one or more liquidators are appointed for the purpose of winding up the affairs of the company and distributing its assets.

As soon as the affairs of a company are fully wound up, the liquidator must make a report and an account of the winding up, showing how the winding up has been conducted and the property of the company disposed of, and call a general meeting of the company for the purposes of laying before it the account and giving an explanation of that account.

When a resolution has been passed by a company to wind up voluntarily, the liquidator or any contributory or creditor may apply to the court for an order for the continuation of the winding up under the supervision of the court, on the grounds that: (i) the company is or is likely to become insolvent; or (ii) the supervision of the court will facilitate a more effective, economic or expeditious liquidation of the company in the interests of the contributories and creditors. A supervision order takes effect for all purposes as if it was an order that the company be wound up by the court except that a commenced voluntary winding up and the prior actions of the voluntary liquidator shall be valid and binding upon the company and its official liquidator.

For the purpose of conducting the proceedings in winding up a company and assisting the court, one or more persons may be appointed to be called an official liquidator(s). The court may appoint to such office such person or persons, either provisionally or otherwise, as it thinks fit, and if more than one person is appointed to such office, the court shall declare whether any act required or authorised to be done by the official liquidator is to be done by all or any one or more of such persons. The court may also determine whether any and what security is to be given by an official liquidator on his appointment; if no official liquidator is appointed, or during any vacancy in such office, all the property of the company shall be in the custody of the court.

#### **(q) Reconstructions**

Reconstructions and amalgamations may be approved by a majority in number representing 75% in value of the members or creditors, depending on the circumstances, as are present at a meeting called for such purpose and thereafter sanctioned by the courts. Whilst a dissenting member has the right to express to the court his view that the transaction for which approval is being sought would not provide the members with a fair value for their shares, the courts are unlikely to disapprove the transaction on that ground alone in the absence of evidence of fraud or bad faith on behalf of management, and if the transaction were approved and consummated the dissenting member would have no rights comparable to the appraisal rights (i.e. the right to receive payment in cash for the judicially determined value of their shares) ordinarily available, for example, to dissenting members of a United States corporation.

**(r) Take-overs**

Where an offer is made by a company for the shares of another company and, within four months of the offer, the holders of not less than 90% of the shares which are the subject of the offer accept, the offeror may, at any time within two months after the expiration of that four-month period, by notice require the dissenting members to transfer their shares on the terms of the offer. A dissenting member may apply to the Cayman Islands courts within one month of the notice objecting to the transfer. The burden is on the dissenting member to show that the court should exercise its discretion, which it will be unlikely to do unless there is evidence of fraud or bad faith or collusion as between the offeror and the holders of the shares who have accepted the offer as a means of unfairly forcing out minority members.

**(s) Indemnification**

Cayman Islands law does not limit the extent to which a company's articles of association may provide for indemnification of officers and directors, save to the extent any such provision may be held by the court to be contrary to public policy, for example, where a provision purports to provide indemnification against the consequences of committing a crime.

**4. GENERAL**

Appleby, the Company's legal adviser on Cayman Islands law, has sent to the Company a letter of advice which summarises certain aspects of the Cayman Islands company law. This letter, together with a copy of the Cayman Companies Law, is available for inspection as referred to in the section headed "Documents Available for Inspection" in Appendix V to this prospectus. Any person wishing to have a detailed summary of Cayman Islands company law or advice on the differences between it and the laws of any jurisdiction with which he is more familiar is recommended to seek independent legal advice.

**FURTHER INFORMATION ABOUT OUR GROUP****1. Incorporation of our Company and registration under Part 16 of the Companies Ordinance**

Our Company was incorporated in the Cayman Islands under the Cayman Companies Law as an exempted company with limited liability on 5 May 2015.

Our Company was registered in Hong Kong under Part 16 of the Companies Ordinance as a non-Hong Kong company on 15 July 2015. Our principal place of business in Hong Kong for the purpose of registration under Part 16 of the Companies Ordinance is at Unit A5, 5th Floor, Hong Kong Spinners Industrial Building, Phase 6, 481 Castle Peak Road, Cheung Sha Wan, Hong Kong. In compliance with the requirements of the Companies Ordinance, Mr. Chan Wing Hong Alex and Ms. Ng Shun Ying have been appointed as the agents for the acceptance of service of process and any notice required to be served on our Company in Hong Kong.

As our Company was incorporated in the Cayman Islands, it operates subject to the relevant laws and regulations of the Cayman Islands and to its constitution which comprises the Memorandum of Association and the Articles of Association. A summary of certain parts of its constitution and relevant aspects of the Cayman Companies Law is set out in Appendix III to this prospectus.

**2. Change in the authorised and issued share capital of our Company**

- (a) As at the date of incorporation of our Company on 5 May 2015, its authorised share capital was HK\$380,000 divided into 38,000,000 Shares with a par value of HK\$0.01 each. On 5 May 2015, one fully paid Share was transferred from Reid Services Limited, an Independent Third Party, to Mr. Chan at par value.
- (b) On 15 June 2016, our Company allotted and issued one Share to Mr. Chan credited as fully paid in consideration of Mr. Chan transferring the entire interest in Protean Holdings to our Company.
- (c) On 21 June 2016, the authorised share capital of our Company was increased to HK\$40,000,000 consisting of 4,000,000,000 Shares.
- (d) Pursuant to the resolutions in writing of the sole Shareholder passed on 21 June 2016, an aggregate of 749,999,998 new Shares to be allotted and issued under the Capitalisation Issue to the sole Shareholder on the principal register of members of our Company in the Cayman Islands as at the close of business of the business day immediately preceding the Listing Date.
- (e) Immediately following completion of the Capitalisation Issue and the Global Offering but not taking into account any Shares which may be allotted and issued pursuant to the exercise of any options which may be granted under the Share Option Scheme and not taking into account of the exercise of the Over-allotment Option, the issued share capital of our Company will be HK\$10,000,000 divided into 1,000,000,000 Shares, all credited as fully paid and the 3,000,000,000 Shares will remain unissued.

Except as disclosed in this prospectus, there has been no alteration in the share capital of our Company since its incorporation.

### 3. Resolutions in writing passed by our sole Shareholder

Pursuant to the written resolutions passed by our sole Shareholder on 21 June 2016, among other resolutions:

- (i) the authorised share capital of our Company was increased from HK\$380,000 to HK\$40,000,000 by the creation of 3,962,000,000 Shares;
- (ii) our Company approved and conditionally adopted the Articles of Association which will become effective on the Listing Date;
- (iii) conditional on the share premium account of our Company being credited as a result of the Global Offering, the Capitalisation Issue was approved, and our Directors were authorised to capitalise and apply an aggregate amount of HK\$7,499,999.98 standing to the credit of our Company's share premium, to pay up in full at par 749,999,998 Shares for allotment and issuance to the holders of Shares whose names appear on the register of members of our Company as at 21 June 2016, each ranking *pari passu* in all respects with the then existing issued Shares, and our Directors were authorised to give effect to such capitalisation;
- (iv) conditional on (A) the Listing Committee granting the listing of, and permission to deal in our Shares in issue and to be issued as mentioned in this prospectus (including any Shares which may be allotted and issued pursuant to the Over-allotment Options, or upon the exercise of any options which may be granted under the Share Option Scheme); (B) the entering into of the agreement on the Offer Price between the Sole Global Coordinator (on behalf of the Underwriters) and our Company; and (C) the obligations of the Underwriters under the Underwriting Agreements becoming unconditional and not being terminated in accordance with the terms of the Underwriting Agreements or otherwise, in each case on or before the date determined in accordance with the respective terms of the Underwriting Agreements:
  - (1) the Global Offering and the Over-allotment Option were approved and our Directors were authorised to allot and issue the Offer Shares;
  - (2) the Over-allotment Option be and is hereby approved and our Directors be and are hereby authorised to allot and issue any Shares which may be required to be issued if the Over-allotment Option is exercised;
  - (3) the rules of the Share Option Scheme, the principal terms of which are set out in the section headed "Other Information – 15. Share Option Scheme" in this Appendix, were approved and adopted and that our Directors were authorised to implement the same, to grant options to subscribe for Shares thereunder and to allot and issue Shares pursuant to the exercise of any options which may be granted under the Share Option Scheme; and
  - (4) following the increase of the authorised share capital of our Company and conditional on the share premium account of our Company being credited as a result of the issue of Offer Shares pursuant to the Global Offering, the allotment and issue of a total of 749,999,998 new Shares credited as fully paid at par, each ranking *pari passu* in all respects with the then existing issued Shares, to the sole Shareholder on the principal register of members of our Company in the Cayman Islands as at the close of business of the business day immediately preceding the



Listing Date, or such other time as a Director in his absolute discretion may determine, by way of capitalisation of the sum of HK\$7,499,999.98 standing to the credit of the share premium account of our Company;

- (v) a general unconditional mandate was given to our Directors to exercise all powers of our Company to allot, issue and deal with (including the power to make an offer or agreement, or to grant securities which would or might require Shares to be allotted and issued, whether during the continuance of such mandate or thereafter), otherwise than by way of rights issue, or an issue of Shares upon the exercise of any subscription or conversion rights attached to any warrants or any securities which are convertible into Shares or pursuant to the exercise of any options which may be granted under the Share Option Scheme, any other option scheme or similar arrangement for the time being adopted for the grant or issue to officers and/or employees of our Company and/or any of our subsidiaries or any other person of share or rights to acquire Shares or any scrip dividend schemes or similar arrangements providing for the allotment and issue of Shares in lieu of the whole or part of a dividend on Shares in accordance with the Articles or a specific authority granted by our Shareholders in general meeting, Shares with a total nominal value not exceeding 20% of the aggregate of the total nominal value of the share capital of our Company in issue immediately following completion of the Global Offering and the Capitalisation Issue (excluding any Shares that may be issued upon exercise of the Over-allotment Option), such mandate to remain in effect, until whichever is the earliest of: (1) the conclusion of the next annual general meeting of our Company; or (2) the expiration of the period within which the next annual general meeting of our Company is required to be held pursuant to the Articles or the applicable laws of the Cayman Island to general meeting; or (3) the passing of an ordinary resolution of our Shareholders in the general meeting of our Company revoking, varying or renewing such mandate given to our Directors;
- (vi) a general unconditional mandate (“**Repurchase Mandate**”) was given to our Directors to exercise all powers of our Company to repurchase Shares on the Stock Exchange and/or on any other stock exchange on which the securities of our Company may be listed and which is recognised by the SFC and the Stock Exchange for this purpose, such number with a total nominal amount not exceeding 10% of the aggregate of the total nominal amount of the share capital of our Company in issue following the completion of the Capitalisation Issue and the Global Offering (excluding our Shares which may be allotted and issued upon the exercise of the Over-allotment Option or any options which may be granted under the Share Option Scheme), until whichever is the earliest of: (1) the conclusion of the next annual general meeting of our Company; or (2) the expiration of the period within which the next annual general meeting of our Company is required to be held pursuant to the Articles or the applicable laws of the Cayman Islands; or (3) the passing of an ordinary resolution of our Shareholders in the general meeting of our Company revoking, varying or renewing such mandate given to our Directors;
- (vii) the general mandate granted to our Directors pursuant to paragraph (iv) above be extended by the aggregate nominal value of share capital of our Company repurchased pursuant to the Repurchase Mandate; and
- (viii) the Share Option Scheme was approved and adopted and our Directors were authorised to grant options to subscribe for Shares thereunder and to allot, issue and deal with Shares pursuant to the exercise of options granted under the Share Option Scheme.

#### 4. Reorganisation

In preparing for the Listing, the companies comprising our Group underwent the Reorganisation to rationalise the corporate structure of our Group, details of which are set out in the section headed “History, Reorganisation and Corporate Structure – Reorganisation” in this prospectus. Following the Reorganisation, our Company became the holding company of our Group.

Diagrams showing our Group structure after the Reorganisation and immediately upon completion of Capitalisation Issue and Global Offering, but without taking into account of Shares that may be allotted and issued pursuant to the exercise of any options which may be granted under the Share Option Scheme, and the exercise of the Over-allotment Option, are set out in the section headed “History, Reorganisation and Corporate Structure – Shareholding and Corporate Structure” in this prospectus.

#### 5. Changes in the share capital of the subsidiaries of our Company

The subsidiaries of our Company are listed in the Accountants’ Report, the text of which is set out in Appendix I to this prospectus. Save as disclosed in the section headed “History, Reorganisation and Corporate Structure” in this prospectus, no other alteration in the share capital of each of our Company’s subsidiaries took place within two years immediately preceding the date of this prospectus.

#### 6. Repurchase by our Company of its own securities

This paragraph includes the information required by the Stock Exchange to be included in this prospectus concerning the repurchase by our Company of its own securities.

##### **(a) Provisions of the Listing Rules**

The Listing Rules permit companies whose primary listing is on the Stock Exchange to purchase their securities on the Stock Exchange subject to certain restrictions, some of which are summarised below:

##### *(i) Shareholders’ approval*

All proposed purchases of securities on the Stock Exchange by a company with its primary listing on the Stock Exchange must be approved in advance by an ordinary resolution of shareholders, either by way of general mandate or by specific approval in relation to a particular transaction.

Pursuant to the written resolutions passed by our sole Shareholder on 21 June 2016 the Repurchase Mandate was granted to our Directors authorising the purchase of Shares by our Company as described above in the section headed “Further Information about our Group – 3. Resolutions in writing passed by our sole Shareholder” in this Appendix.

##### *(ii) Sources of funds*

Repurchases must be funded out of funds legally available for the purpose in accordance with the Memorandum and the Articles and the applicable laws of the Cayman Islands. A listed company is prohibited from repurchasing its own securities on the Stock Exchange for a consideration other than cash or for settlement otherwise than in accordance with the trading rules of the Stock Exchange from time to time.

Under the Cayman Islands law, any repurchases by our Company may be made out of profits of our Company or out of the sum standing to the credit of the share premium account of our Company or out of the proceeds of a fresh issue of Shares made for the purpose of the repurchase or, if authorised by its Articles and subject to the Cayman Companies Law, out of capital and, in case of any premium payable on the repurchase out of profits of our Company or from sums standing to the credit of the share premium account of our Company or, if authorised by its Articles and subject to the Cayman Companies Law, out of capital.

*(iii) Connected parties*

The Listing Rules prohibit our Company from knowingly repurchasing its Shares from a “core connected person”, which includes a Director, chief executive or substantial Shareholder or any of its subsidiaries or an associate or any of them and a core connected person shall not knowingly sell our Shares to our Company on the Stock Exchange.

**(b) Reasons for repurchases**

Our Directors believe that it is in the best interests of our Company and our Shareholders for our Directors to have the general authority from our Shareholders to enable our Company to repurchase securities in the market. Such repurchases may, depending on market conditions and funding arrangements at the time, lead to an enhancement of the net asset value and/or earnings per Share and will only be made if our Directors believe that such repurchases will benefit our Company and its Shareholders.

**(c) Exercise of the Repurchase Mandate**

The exercise in full of the Repurchase Mandate, on the basis of 1,000,000,000 Shares in issue immediately following the Listing (excluding our Shares which may be allotted and issued upon the exercise of the Over-allotment Option or any options which may be granted under the Share Option Scheme), could result in up to 100,000,000 Shares being repurchased by our Company during the period in which the Repurchase Mandate remains in force.

On the basis of the current financial position of our Group as disclosed in this prospectus and taking into account the current working capital position of our Group, our Directors consider that, if the Repurchase Mandate were to be exercised in full, there might be a material adverse impact on the working capital and/or gearing positions of our Group (as compared with the positions disclosed in this prospectus). However, our Directors do not propose to exercise the Repurchase Mandate to such an extent as would, in the circumstances, have a material adverse effect on the working capital requirements of our Group or the gearing levels which, in the opinion of our Directors are from time to time appropriate for our Group.

**(d) Funding of repurchase**

In repurchasing our Shares, our Company may only apply funds legally available for such purpose in accordance with the Memorandum and the Articles and the applicable laws of the Cayman Islands.

Our Directors do not propose to exercise the Repurchase Mandate to such extent as would, in the circumstances, have a material adverse effect on the working capital requirements of our Company or the gearing levels which in the opinion of our Directors are from time to time appropriate for our Company.

**(e) General**

None of our Directors nor, to the best of their knowledge having made all reasonable enquiries, any of their close associates currently intends to sell any Shares to our Company or its subsidiaries if the Repurchase Mandate is exercised.

Our Directors have undertaken to the Stock Exchange that, so far as the same may be applicable, they will exercise the Repurchase Mandate in accordance with the Listing Rules, the Articles of Association and the applicable laws of the Cayman Islands.

No core connected person of our Company has notified our Company that he/she/it has a present intention to sell Shares to our Company, or has undertaken not to do so, in the event the Repurchase Mandate is exercised.

Our Directors will not exercise the Repurchase Mandate if the repurchase would result in the number of Shares which are in the hands of the public falling below 25% of the total number of Shares in issue (or such other percentage as may be prescribed as the minimum public shareholding under the Listing Rules).

If, as a result of a repurchase of securities, a Shareholder's proportionate interest in the voting rights of our Company increases, such increase will be treated as an acquisition for the purposes of the Codes on Takeovers and Mergers and Share Buy-backs (the "**Takeovers Code**"). Accordingly, a Shareholder, or group of Shareholders acting in concert (within the meaning of the Takeovers Code), could obtain or consolidate control of our Company and may become obliged to make a mandatory offer in accordance with Rule 26 of the Takeovers Code. Save as aforesaid, our Directors are not aware of any consequence which would arise under the Takeovers Code as a consequence of any repurchase made pursuant to the Repurchase Mandate immediately after Listing.

No repurchase of Shares has been made since the incorporation of our Company.

**FURTHER INFORMATION ABOUT THE BUSINESS OF OUR GROUP****7. Summary of material contracts**

The following contracts (not being contracts in the ordinary course of business) have been entered into by members of our Group within the two years preceding the date of this prospectus and are or may be material:







- (a) the sale and purchase agreement for shares dated 20 April 2015 entered into between Tramunta Ventures Limited (as vendor) and Protean Holdings Limited (as purchaser) for the transfer of 350,000 shares of Pismo Research (Malaysia) Sdn Bhd from Tramunta Ventures Limited to Protean Holdings Limited at a consideration of RM350,000;
- (b) the sale and purchase agreement for shares dated 22 April 2015 entered into between Tramunta Ventures Limited (as vendor) and Protean Holdings Limited (as purchaser) for the transfer of 1,000 shares of Peplink International Limited from Tramunta Ventures Limited to Protean Holdings Limited at a consideration of HK\$1,000;
- (c) instrument of transfer and bought and sold notes all dated 22 April 2015 entered into between Tramunta Ventures Limited (as transferor) and Protean Holdings Limited (as transferee) for the transfer of 1,000 shares of Peplink International Limited from Tramunta Ventures Limited to Protean Holdings Limited at a consideration of HK\$1,000;
- (d) the sale and purchase agreement for shares dated 22 April 2015 entered into between Tramunta Ventures Limited (as vendor) and Protean Holdings Limited (as purchaser) for the transfer of one share of Pepwave Limited from Tramunta Ventures Limited to Protean Holdings Limited at a consideration of HK\$1;
- (e) instrument of transfer and bought and sold notes all dated 22 April 2015 entered into between Tramunta Ventures Limited (as transferor) and Protean Holdings Limited (as transferee) for the transfer of one share of Pepwave Limited from Tramunta Ventures Limited to Protean Holdings Limited at a consideration of HK\$1;
- (f) the sale and purchase agreement for shares dated 22 April 2015 entered into between Tramunta Ventures Limited (as vendor) and Protean Holdings Limited (as purchaser) for the transfer of one share of Pismo Labs Limited from Tramunta Ventures Limited to Protean Holdings Limited at a consideration of HK\$1;
- (g) instrument of transfer and bought and sold notes all dated 22 April 2015 entered into between Tramunta Ventures Limited (as transferor) and Protean Holdings Limited (as transferee) for the transfer of one share of Pismo Labs Limited from Tramunta Ventures Limited to Protean Holdings Limited at a consideration of HK\$1;
- (h) the sale and purchase agreement for shares dated 22 April 2015 entered into between Tramunta Ventures Limited (as vendor) and Protean Holdings Limited (as purchaser) for the transfer of one share of Pismo Labs Technology Limited from Tramunta Ventures Limited to Protean Holdings Limited at a consideration of HK\$1;
- (i) instrument of transfer and bought and sold notes all dated 22 April 2015 entered into between Tramunta Ventures Limited (as transferor) and Protean Holdings Limited (as transferee) for the transfer of one share of Pismo Labs Technology Limited from Tramunta Ventures Limited to Protean Holdings Limited at a consideration of HK\$1;

- (j) the sale and purchase agreement for shares dated 22 April 2015 entered into between Tramunta Ventures Limited and Protean Holdings Limited for the transfer of one share of Peplink Worldwide Limited from Tramunta Ventures Limited to Protean Holdings Limited at a consideration of US\$1;
- (k) the sale and purchase agreement for shares dated 20 May 2015 entered into between Chan Wing Hong Alex (as vendor) and Protean Holdings Limited (as purchaser) for the transfer of one share of Pegatrack Limited from Chan Wing Hong Alex to Protean Holdings Limited at a consideration of HK\$1;
- (l) instrument of transfer and bought and sold notes all dated 20 May 2015 entered into between Chan Wing Hong Alex (as transferor) and Protean Holdings Limited (as transferee) for the transfer of one share of Pegatrack Limited from Chan Wing Hong Alex to Protean Holdings Limited at a consideration of HK\$1;
- (m) the sale and purchase agreement dated 15 June 2016 entered into between Chan Wing Hong Alex (as vendor) and our Company (as purchaser) for the transfer of one share of Protean Holdings Limited from Chan Wing Hong Alex to our Company for a consideration of HK\$53,387.25 and settled by allotting and issuing one Share, credited as fully paid to Chan Wing Hong Alex;
- (n) the Deed of Non-Competition dated 21 June 2016 executed by Chan Wing Hong Alex in favour of our Company (for itself and as trustee for each of its subsidiaries), particulars of which are set out in the section headed “Relationship with our Controlling Shareholder – Deed of Non-Competition” in this prospectus;
- (o) the deed of indemnity dated 21 June 2016 executed by Chan Wing Hong Alex in favour of our Company (for itself and as trustee for each of its subsidiaries), particulars of which are set out in the section headed “Other Information – 16. Tax and other indemnities” in this Appendix; and
- (p) the Hong Kong Underwriting Agreement.

## 8. Intellectual property rights of our Group

## (a) Trademarks

As at the Latest Practicable Date, we had registered the following trademarks which we believe are material to our business:

No.	Trademark	Owner	Place of Registration	Class	Registration Number	Expiry Date
1.	  	Pismo Labs Technology Limited	HK	9	300944307	30 August 2017
2.	 Pep wave 	Pismo Labs Technology Limited	HK	9	301104993	29 April 2018
3.		Pismo Labs Technology Limited	U.S.	9	3495022	1 September 2018
4.	PEPLINK	Pismo Labs Technology Limited	E.U.	9, 41, 42	011595253	22 February 2023
5.	PEPWAVE	Pismo Labs Technology Limited	U.S.	9	4341065	27 May 2023
6.	PEPWAVE	Pismo Labs Technology Limited	E.U.	9, 41, 42	011595238	22 February 2023
7.	INCONTROL	Pismo Labs Technology Limited	U.S.	9	4639769	17 November 2024
8.	SPEEDFUSION	Pismo Labs Technology Limited	U.S.	9	4306501	18 March 2023
9.	SPEEDFUSION	Pismo Labs Technology Limited	E.U.	9, 38, 42	011595212	22 February 2023
10.	MEDIAFAST	Pismo Labs Technology Limited	U.S.	9	4302739	11 March 2023
11.	MEDIAFAST	Pismo Labs Technology Limited	E.U.	9, 38, 42	011595221	22 February 2023
12.	PLOVER BAY	Pismo Labs Technology Limited	HK	9	303400271	6 May 2025

*(b) Patents*

As at the Latest Practicable Date, we were the registered owner of the following patents which we believe are material to our business:

<u>No.</u>	<u>Patent</u>	<u>Owner</u>	<u>Place of Registration</u>	<u>Patent Number</u>	<u>Application Date</u>	<u>Period of Validity (No. of Years)</u>
1.	Throughput Optimization for Bonded Variable Bandwidth Connections . . . . .	Pismo Labs Technology Limited	U.S.	U.S. 9,019,827	23 December 2009	20
2.	Systems and Methods Providing Assisted Aiming for Wireless Links . . . . .	Pismo Labs Technology Limited	U.S.	U.S. 9,055,455	29 June 2011	20
3.	Pole Mount for Communication Device . . . . .	Pismo Labs Technology Limited	U.S.	U.S. D730,331	15 February 2012	14
4.	Managing Actions of a Network Device . . . . .	Pismo Labs Technology Limited	U.S.	U.S. 9,219,646	12 July 2012	20
5.	Methods and Systems for Transmitting Packets Through Network Interfaces . . . . .	Pismo Labs Technology Limited	U.S.	U.S. 9,258,216	5 July 2013	20
6.	Method and Apparatus for Managing Identifiers of a Multiple WANS Network Device. . . . .	Pismo Labs Technology Limited	U.S.	U.S. 9,313,092	2 March 2012	20
7.	Method and System for Allowing the Use of Domain Names in Enforcing Network Policy . . . . .	Pismo Labs Technology Limited	U.S.	U.S. 9,369,345	11 November 2011	20
8.	Method, Device, and System to Prioritise Encapsulating Packets in a Plurality of Logical Network Connections . . . . .	Pismo Labs Technology Limited	U.S.	U.S. 9,369,398	25 October 2012	20
9.	Protocol for Layer Two Multiple Network Links Tunnelling . . . . .	Pismo Labs Technology Limited	U.S.	U.S. 9,369,550	11 November 2011	20
10.	Managing Actions of a Network Device . . . . .	Pismo Labs Technology Limited	U.K.	GB2513795	12 July 2012	20

As at the Latest Practicable Date, applications have been made for the registration of the following patents which we believe are material to our business:

<u>No.</u>	<u>Patent</u>	<u>Place of Application</u>	<u>Applicant/Assignee</u>	<u>Application Number</u>	<u>Date of Application</u>
1.	Method and System for Reduction of Time Variance of Packets Received from Bonded Communication Links . . . . .	E.U.	Pismo Labs Technology Limited	11873586.9	4 October 2011
2.	Method and System for Reduction of Time Variance of Packets Received from Bonded Communication Links . . . . .	U.S.	Pismo Labs Technology Limited	13822637	20 June 2013
3.	Method and System to Reduce Wireless Network Packets for Centralised Layer Two Network . . . . .	U.S.	Pismo Labs Technology Limited	14003236	5 September 2013
4.	Methods and Systems for Estimating Network Performance . . . . .	U.S.	Pismo Labs Technology Limited	14369717	30 June 2014
5.	Methods and Systems for Displaying Network Performance Information . . . . .	U.S.	Pismo Labs Technology Limited	14369718	30 June 2014
6.	Methods and Systems for Transmitting and Receiving Data Through Tunnel Groups. . . . .	U.S.	Pismo Labs Technology Limited	14396747	24 October 2014
7.	Selecting Base Station at a Multi-SIM Communication Device. . . . .	U.S.	Pismo Labs Technology Limited	14396750	24 October 2014
8.	Using a Plurality of SIM Cards at a Wireless Communication Device. . . . .	U.S.	Pismo Labs Technology Limited	14396751	24 October 2014
9.	Circuits and Systems to Exchange Subscriber Identity Module (SIM) Information Over a Distance . . . . .	U.S.	Pismo Labs Technology Limited	14396748	24 October 2014
10.	Methods and Systems for Transmitting Broadcast Data. . . . .	PCT International Application	Pismo Labs Technology Limited	PCT/IB2014/065685	29 October 2014



No.	Patent	Place of Application	Applicant/Assignee	Application Number	Date of Application
11.	Throughput Optimization for Bonded Variable Bandwidth Connection . . . . .	U.S.	Pismo Labs Technology Limited	14585202	30 December 2014
12.	Methods and Systems for Establishing VPN Connections at a VPN Management Server . . . . .	U.S.	Pismo Labs Technology Limited	14421140	11 February 2015
13.	Method and System for Increasing Data Flow Transmission . . . . .	U.S.	Pismo Labs Technology Limited	14422175	17 February 2015
14.	Methods and Systems for Estimating Missing Data	U.S.	Pismo Labs Technology Limited	14695376	24 April 2015

(c) *Domain Names*

As at the Latest Practicable Date, we had registered the following domain names which we believe are material to our business:

Registrant/Assignee	Domain Names	Expiry Date
Pismo Labs Technology Limited . . . . .	peplink.com	15 November 2018
Pismo Labs Technology Limited . . . . .	pepwave.com	11 September 2019
Pismo Labs Technology Limited . . . . .	ploverbay.com	10 March 2021

Save as disclosed herein, there are no other trade or service marks, patents, other intellectual or industrial property rights which are material to our Group's business.

## FURTHER INFORMATION ABOUT OUR DIRECTORS

### 9. Particulars of service contracts

Each of our executive Directors has entered into a service contract with our Company pursuant to which each of them has agreed to act as Director for a fixed term of three years commencing from the Listing Date unless terminated by either party thereto giving not less than three months' prior written notice and is subject to termination provisions therein and retirement and re-elections at the annual general meeting of our Company in accordance with the Articles of Association or any other applicable laws from time to time whereby he shall vacate his office.

Each of our independent non-executive Directors has entered into a letter of appointment with our Company on 21 June 2016. Each letter of appointment is for an initial term of three years commencing from the Listing Date, which may be terminated by either party by giving not less than three months' prior written notice and is subject to termination provisions therein and retirement and re-elections at the annual general meeting of our Company in accordance with the Articles of Association or any other applicable laws from time to time whereby he shall vacate his office.

Save as aforesaid, none of our Directors has or is proposed to have a service contract with our Company or any of its subsidiaries other than agreements expiring or determinable by the employer within one year without the payment of compensation (other than statutory compensation).

### 10. Directors' remuneration

Remuneration of approximately US\$0.72 million, US\$1.03 million and US\$0.95 million in aggregate were paid by our Group to our Directors in respect of each of the three years ended 31 December 2015.

Under the current arrangements, it is expected that our Directors will be entitled to receive an aggregate remuneration of approximately US\$1.00 million, for the year ending 31 December 2016, excluding the discretionary bonuses payable to the executive Directors.

None of our Directors or any past directors of any member of our Group has been paid any sum of money for each of the three years ended 31 December 2015 as (i) an inducement to join or upon joining our Company; or (ii) for loss of office as a director of any member of our Group or of any other office in connection with the management of the affairs of any members of our Group.

There has been no arrangement under which a Director has waived or agreed to waive any remuneration for each of the three years ended 31 December 2015.

## 11. Disclosure of interests

### (i) *Interests and short positions of Directors in the share capital of our Company and its associated corporations*

So far as our Directors are aware, immediately following completion of the Global Offering (assuming the Over-allotment Option is not exercised and taking no account of any Shares which may be allotted and issued upon the exercise of any option which may be granted under the Share Option Scheme), the interests and short positions of our Directors and chief executive of our Company in our Shares or underlying Shares and debentures of our Company or its associated corporations (within the meaning of Part XV of the SFO) which will have to be notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of the SFO) once our Shares are listed, or which will be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein once our Shares are listed, or which will be required pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers of the Listing Rules to be notified to our Company and the Stock Exchange once our Shares are listed, will be as follows:

<u>Name of Director</u>	<u>Name of our Group member/associated corporation</u>	<u>Capacity</u>	<u>Number of Shares</u> <i>(Note 1)</i>	<u>Approximate percentage of shareholding</u>
Mr. Chan . . . . .	Our Company	Beneficial owner	750,000,000 (L)	75%

*Notes:*

- The letter "L" denotes the entity/person's long position in our Shares or the shares in the share capital of the relevant associated corporation.

Save as disclosed above, so far as our Directors are aware, immediately following completion of the Global Offering (assuming the Over-allotment Option is not exercised and taking no account of any Shares to be allotted and issued upon the exercise of any options which may be granted under the Share Option Scheme), none of our Directors and chief executive of our Company has any interests or short positions in our Shares or underlying Shares and debentures of our Company or its associated corporations which will have to be notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of the SFO) once our Shares are listed, or which will be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein once our Shares are listed, or which will be required pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers of the Listing Rules to be notified to our Company and the Stock Exchange once our Shares are listed.

*(ii) Substantial Shareholders and other interests disclosable under the SFO*

So far as is known to our Directors, immediately following completion of the Global Offering (assuming the Over-allotment Option is not exercised and taking no account of any Shares which may be allotted and issued upon the exercise of any options that may be granted under the Share Option Scheme), the following person (other than a Director or the chief executive of our Company) will have an interest or short position in our Shares and underlying Shares which would fall to be disclosed to our Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who will be, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other members of our Group or have any option in respect of such capital:

Name	Capacity	Number of Shares (Note 1)	Approximate percentage of shareholding
Mr. Chan . . . . .	Beneficial owner	750,000,000 (L)	75%

*Notes:*

- The letter "L" denotes the entity/person's long position in our Shares or the shares in the share capital of the relevant associated corporation.

Save as disclosed above, our Directors are not aware of any person (other than a Director or the chief executive of our Company) who will, immediately following completion of the Global Offering (assuming the Over-allotment Option is not exercised and taking no account of any Shares to be allotted and issued upon the exercise of any options which may be granted under the Share Option Scheme), have interests or short positions in our Shares or underlying Shares which would fall to be disclosed to our Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, who will be, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any members of our Group or have any option in respect of such capital.

**12. Agency fees or commissions received**

Except as disclosed in the section headed "Underwriting" in this prospectus, no commissions, discounts, brokerages or other special terms have been granted in connection with the issue or sale of any capital of any member of our Group within the two years immediately preceding the date of this prospectus.

**13. Related party transactions**

During the two years immediately preceding the date of this prospectus, our Group engaged in the related party transactions as mentioned in Note 27 of the Accountants' Report set out in Appendix I to this prospectus.

**14. Disclaimers**

Save as disclosed in this prospectus:

- and taking no account of any Shares which may be taken up or acquired under the Global Offering or issued upon the exercise of Over-allotment Option or the exercise of any options which may be granted under the Share Option Scheme, none of our Directors or chief executive of our Company had any interest or short position in our Shares, underlying Shares or debentures of our Company or its associated corporations (within the meaning of Part XV of the SFO) which will have to be notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed

to have under such provisions of the SFO) once our Shares are listed, or which will be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, once our Shares are listed, or which will be required pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers of the Listing Rules to be notified to our Company and the Stock Exchange once our Shares are listed on the Main Board;

- (ii) and taking no account of any Shares which may be taken up or acquired under the Global Offering or issued upon the exercise of the Over-allotment Option or the exercise of any options which may be granted under the Share Option Scheme, so far as is known to our Directors, no person (not being a Director or chief executive of our Company) will have an interest or short position in our Shares or underlying Shares which would fall to be disclosed to our Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or will be directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other members of our Group or have any option in respect of such capital immediately following completion of the Global Offering;
- (iii) none of our Directors or any persons referred to in the section headed “Other Information – 21. Qualifications and consents of experts” in this Appendix has any direct or indirect interest in the promotion of, or in any assets which have been within the two years immediately preceding the date of this prospectus acquired or disposed of by or leased to any member of our Group, or are proposed to be acquired, disposed of by or leased to any member of our Group nor will any Director apply for Shares either in his own name or in the name of a nominee;
- (iv) none of our Directors or any persons referred to in the section headed “Other Information – 21. Qualifications and consents of experts” in this Appendix is materially interested in any contract or arrangement subsisting at the date of this prospectus which is significant in relation to the business of our Group taken as a whole;
- (v) none of the persons referred to in the section headed “Other Information – 21. Qualifications and consents of experts” in this Appendix has any shareholding in any member in our Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member in our Group; and
- (vi) no option had been granted or agreed to be granted by our Company as at the Latest Practicable Date.

## OTHER INFORMATION

### 15. Share Option Scheme

The following is a summary of the principal terms of the Share Option Scheme conditionally approved by a written resolution of the then Shareholder passed on 21 June 2016 and adopted by a resolution of our Board on 21 June 2016. The terms of the Share Option Scheme are in accordance with the provisions under the Listing Rules. As at the Latest Practicable Date, no option had been granted pursuant to the Share Option Scheme.

(a) *Purpose*

The purpose of the Share Option Scheme is to recognise and acknowledge the contributions of the Eligible Participants (as defined in paragraph (b) below) to our Group by granting options to them as incentives or rewards.

Our Directors consider that the Share Option Scheme will enable our Group to reward the employees, our Directors and other selected participants for their contributions to our Group. Given that our Board is entitled to impose any conditions, restrictions or limitations as it may think fit when making an offer (“**Offer**”) on a case by case basis, and that the exercise price of an option cannot in any event fall below the price stipulated in the Listing Rules or such higher price as may be fixed by our Directors, it is expected that grantees of an option will make an effort to contribute to the development of our Group so as to bring about an increased market price of our Shares in order to capitalise on the benefits of the options granted.

(b) *Who may join*

Our Board may during the Scheme Period (as defined in paragraph (j) below) at its absolute discretion (subject to any conditions as it may think fit) Offer to grant options to subscribe for such number of Shares as our Board may determine at an option price determined in accordance with paragraph (c) below to the following persons (“**Eligible Participants**”):

- (i) any executive, employee, director (including non-executive director and independent non-executive director) of any member of our Group or any entity in which any member of our Group holds an equity interest (the “**Invested Entity**”);
- (ii) any advisor, consultant, professional, agent, contractor, customer, provider of goods and/or services, business or joint venture partner of any member of our Group or any Invested Entity whom our Board in its sole discretion considers eligible for the Scheme on the basis of his or her contribution to our Group or the Invested Entity (as the case may be); and
- (iii) any person whom our Board in its sole discretion considers has contributed or will contribute to our Group or to the Invested Entity (as the case may be).

(c) *Subscription price*

The subscription price of a Share payable on the exercise of any particular option granted under the Share Option Scheme shall be such price as our Board in its absolute discretion shall determine, save that such price shall at least be the highest of:

- (i) the nominal value of our Shares;
- (ii) the closing price of our Shares as stated in the Stock Exchange’s daily quotations sheet on the date of Offer, which must be a day on which the Stock Exchange is open for the business of dealing in securities (“**Business Day**”); and
- (iii) the average closing prices of our Shares as stated in the Stock Exchange’s daily quotations sheets for the five Business Days immediately preceding the date of Offer.

or (where applicable) such price as from time to time adjusted pursuant to the Share Option Scheme.

(d) *Acceptance of Offer*

HK\$1.00 is payable by an Eligible Participant on acceptance of an Offer of option. Any Offer of option may be accepted, in whole or in part, in a board lot of dealing in Shares on the Stock Exchange or an integral multiple thereof and in writing received by any Director or the secretary of our Company until 5:00 p.m. on the date specified in the Offer provided that no such Offer shall be open for acceptance after the expiry of the Scheme Period (as defined in paragraph (j) below) or after the Share Option Scheme has been terminated in accordance with the rules thereof.

(e) *Maximum number of Shares in respect of which options may be granted*

The maximum number of Shares in respect of which options may be granted under the Share Option Scheme and under any other schemes of our Group must not in aggregate exceed 10% of the total number of Shares in issue as at the Listing Date (the “Limit”). Options which have lapsed in accordance with the terms of the Share Option Scheme (or any other schemes of our Group) will not be counted for the purpose of calculating the Limit.

Subject to the approval of our Shareholders in general meeting and/or such other requirements prescribed under the Listing Rules from time to time, our Company may refresh the Limit at any time provided that:

- (i) the Limit as refreshed does not exceed 10% of our Shares in issue as at the date of the approval by the refreshed Limit;
- (ii) the options previously granted under all the schemes of our Group (including those outstanding, cancelled, lapsed in accordance with the provisions of the Share Option Scheme or exercised options) will not be counted for the purpose of calculating the Limit as refreshed; and
- (iii) a circular containing the information and the disclaimer, respectively required under Rule 17.02(2)(d) and Rule 17.02(4) of the Listing Rules shall be despatched to our Shareholders together with the notice of the relevant general meeting.

Our Company may also with the approval of Shareholders in general meeting grant options in respect of Shares in excess of the Limit (as refreshed from time to time) to Eligible Participants specifically identified by our Company before such approval is sought. The circular issued by our Company to our Shareholders shall contain a generic description of the specified Eligible Participants who may be granted such options, the number and terms of the options to be granted, the purpose of granting options to the specified Eligible Participants with an explanation as to how the options serve such purpose, the information required under Rule 17.02(2)(d) and the disclaimer required under Rule 17.02(4) of the Listing Rules.

Notwithstanding the foregoing, our Shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other share option schemes of our Company at anytime shall not exceed 30% of our Shares in issue from time to time. No Offer may be made under any schemes of our Company (including the Share Option Scheme) if this will result in the 30% limit being exceeded.

(f) *Maximum entitlement of each Eligible Participant*

The total number of Shares issued and which fall to be issued upon exercise of the options granted under the Share Option Scheme and any other schemes of our Group (including both exercised and outstanding options) to each Eligible Participant in the 12-month period up to and including the date of grant of the options shall not exceed 1% of our Shares in issue as at the date of grant of the options.

Any further grant of options in excess of this 1% limit shall be subject to:

- (i) the issue of a circular by our Company disclosing the identity of the Eligible Participant, the number of and terms of the options to be granted (and options previously granted to such participant) and the information as required under Rule 17.02(2)(d) and the disclaimer required under Rule 17.02(4) of the Listing Rules together with the notice of the relevant general meeting; and
- (ii) the approval of our Shareholders in general meeting and/or other requirements prescribed under the Listing Rules from time to time with such Eligible Participant and his close associates (or his associates if such Eligible Participant is a connected person) abstaining from voting.

The number and terms (including the exercise price) of options to be granted to such Eligible Participant must be fixed before our Shareholders' approval and the date of our Board meeting at which our Board proposes to grant the options to such Eligible Participant shall be taken as the date of grant of the options for the purpose of calculating the subscription price of our Shares.

(g) *Granting options to connected persons*

Any grant of options to a director, chief executive (as defined in the Listing Rules) or substantial shareholder (as defined in the Listing Rules) of our Company or any of their respective associates is required to be approved by the independent non-executive Directors (excluding any independent non-executive Director who is proposed to be an option holder).

If our Company proposes to grant options to a substantial shareholder or any independent non-executive director of our Company or their respective associates which will result in the number of Shares issued and to be issued upon exercise of options granted and to be granted (including options exercised, cancelled and outstanding) to such person in the 12-month period up to and including the date of such grant:

- (i) representing in aggregate over 0.1% of our Shares in issue; and
- (ii) having an aggregate value in excess of HK\$5 million, based on the closing price of our Shares at the date of each grant,

such further grant of options will be subject to the issue of a circular by our Company together with the notice of the relevant general meeting and the approval of our Shareholders in general meeting at which such proposed grantee, his associates and all core connected persons of our Company shall abstain from voting in favour at such general meeting except that any such persons may vote against the relevant resolution at the general meeting provided that his intention to vote against the proposed grant has been stated in our Shareholders' circular referred to in the paragraph below, and/or such other requirements prescribed under the Listing Rules from time to time. Such Shareholders' approval is also required for any change in the terms of options granted to a substantial shareholder or an independent non-executive Director, or any of their respective associates.

Our Shareholders' circular referred to in the preceding paragraph shall contain the following information:

- (i) details of the number and terms (including the subscription price) of the options as required under Rules 17.03(5) to 17.03(10) of the Listing Rules to be granted to each Eligible Participant, which must be fixed before our Shareholders' meeting, and the date of meeting of our Board proposing such further grant should be taken as the date of grant for the purpose of calculating the subscription price;
  - (ii) a recommendation from the independent non-executive Directors (excluding any independent non-executive Director who is proposed to be an option holder) to the independent Shareholders as to voting;
  - (iii) information relating to any Directors who are trustees of the Scheme or have a direct or indirect interest in the trustees;
  - (iv) a statement in the form set out in paragraph 2 of Appendix I, Part B of the Listing Rules;
  - (v) a disclaimer required under Rule 17.02(4) of the Listing Rules;
  - (vi) information required under Rule 2.17 of the Listing Rules; and
  - (vii) any other information as required by the Stock Exchange.
- (h) *Restrictions on the times of grant of options*

For so long as our Shares are listed on the Stock Exchange,

- (i) no Offer shall be made after any inside information has come to the knowledge of our Company until such inside information has been published in accordance with the requirements of the Listing Rules. In particular, no Offer may be made during the period commencing one month immediately preceding the earlier of:
  - (A) the date of our Board meeting (as such date is first notified to the Stock Exchange in accordance with the Listing Rules) for the approval of our Company's results for any year, half-year, quarterly or any other interim period (whether or not required under the Listing Rules); and
  - (B) the deadline for our Company to publish an announcement of its results for any year or half-year under the Listing Rules, or quarterly or any other interim period (whether or not required under the Listing Rules),and ending on the date of publication of the results announcement. No option may be granted during any period of delay in publishing a results announcement; and
- (ii) the Directors must not make any Offer to an Eligible Participant who is a Director during the periods or times in which the Directors are prohibited from dealing in our Shares pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers prescribed by the Listing Rules or any corresponding code or securities dealing restrictions adopted by our Company.



(i) *Rights are personal to option holder*

An option is personal to the option holder. No option holder shall in any way sell, transfer, charge, mortgage, encumber or create any interest (legal or beneficial) in favour of any other person over or in relation to any options, except for the transmission of an option on the death of the option holder to his personal representative(s).

(j) *Exercise period and duration of the Share Option Scheme*

Subject to the rules of the Share Option Scheme, options may be exercised by an Eligible Participant, in whole or in part, at any time during any period determined by the Board (provided that such period shall not) not exceed ten years from the date of grant and notified to an Eligible Participant. Subject to earlier termination by our Company in general meeting, the Share Option Scheme shall be valid and effective for a period commencing from the Listing Date and expiring on the Business Day preceding the tenth anniversary of such date ("**Scheme Period**").

(k) *Rights of exercise for option holders*

Subject to the rules of the Share Option Scheme, our Board may at its discretion, when making an Offer, impose any conditions, restrictions or limitations in relation thereto as it may think fit, including but not limited to the achievement of any performance target. Subject to the aforesaid, an Eligible Participant to whom any option is granted is not required to achieve any performance target before an option can be exercised.

No Director shall deal in any securities of our Company unless he fully complies with the provisions of the Model Code.

In the event that the grantee ceases to be an Eligible Participant under the Share Option Scheme during any relevant option period by reason of ill-health, injury, disability or death or because his employing company ceases to be a member of our Group before exercising his options in full, the grantee or his personal representative, as the case may be, may exercise the options (to the extent not already exercised) within a period of six months of such ill-health, injury, disability or death or cessation, failing which such options will lapse and determine at the end of the relevant period.

In the event that a grantee ceases to be an Eligible Participant under the Share Option Scheme by reason of retirement in accordance with his contract of employment or upon expiration of his contract of employment or term of directorship before exercising his options in full, the grantee may exercise the options (to the extent not already exercised) within a period of six months after he so retires or expiration of his contract of employment or term of directorship, failing which such options will lapse and determine at the end of the relevant period.

In the event that a grantee ceases to be an Eligible Participant under the Share Option Scheme by reason of voluntary resignation other than by reason of the circumstances set out above or by termination of his employment in accordance with the termination provisions of his contract of employment by his employing company before exercising his options in full, such options and any outstanding Offer will lapse and determine on the date of the resignation or termination.

(l) *Discretion of our Board*

Notwithstanding the aforesaid in paragraph (k) above, in each case, our Board may in its absolute discretion decide that any option shall not so lapse or determine subject to such conditions or limitations as our Board may decide.

(m) *Rights on general offers*

If a general offer by way of takeover is made to all of our Shareholders and the offeror shall have obtained control of our Company as a consequence, option holders shall, subject to paragraph (k) above, be entitled at any time within the period of one month after control has been obtained to exercise the option in whole or in part (to the extent not already exercised). Any option that has not been so exercised within the one-month period shall cease and determine.

(n) *Rights on winding-up*

In the event a notice is given by our Company to its members to convene a general meeting for the purposes of considering, and if thought fit, approving a resolution to voluntarily wind-up our Company, each option holder shall be entitled to exercise all or any of his or her options (to the extent not already exercised) at any time thereafter until such resolution is duly passed or defeated or the general meeting concluded or adjourned sine die, whichever shall first occur. If such resolution is duly passed, all options shall, to the extent that they have not been exercised, cease and determine and all outstanding Offers shall lapse.

(o) *Rights on compromise or arrangement between our Company and its members or creditors*

If a compromise or arrangement between our Company and its members or creditors is proposed for the purposes of or in connection with a scheme for the reconstruction of our Company or its amalgamation with any other companies pursuant to the laws of the jurisdiction in which our Company was incorporated, our Company shall give notice to all the option holders on the same date as it gives notice of the meeting to its members or creditors summoning the meeting to consider such compromise or arrangement and each option holder (or where permitted his personal representative) shall forthwith be entitled to exercise his or her option until the earlier of the date two months thereafter or the date on which the compromise or arrangement is sanctioned by the court. But the exercise of the option as aforesaid shall be conditional upon the compromise or arrangement being sanctioned by the court and becoming effective.

Upon such compromise or arrangement becoming effective, all options shall, to the extent that they have not been exercised, lapse and all outstanding Offers shall lapse.

(p) *Ranking of Shares issued upon exercise of options*

Our Shares to be allotted and issued upon the exercise of an option will not carry voting rights until completion of the registration of the option holder (or any other person nominated by the option holder) as our Shareholder thereof in the register of members of our Company. Subject to the aforesaid, Shares allotted and issued on the exercise of options will rank *pari passu* in all respects with Shares in issue on the date of the entry of such option holder in the register of members of our Company, including those arising on liquidation, as attached to the other fully-paid Shares in issue on the date of exercise, save that they will not rank for any dividend or other distribution declared or recommended or resolved to be paid or made by reference to a record date prior to the date of entry of such option holder in the register of members of our Company.

(q) *Effect of alterations to capital*

Upon any variation in the share capital of our Company arising from any reduction, sub-division or consolidation of share capital, any rights issue or the issue of any share capital by way of capitalisation of profits or reserves or in connection with an open offer to our Shareholders (each a “**Relevant Event**”), the number or nominal amount of Share comprised in each option and/or the subscription price thereunder may be adjusted in any manner as our Board (having received a confirmation in writing from the auditors of our Company or an approved independent

financial adviser that in their/its opinion the adjustments proposed satisfy the requirements of the note to Rule 17.03(13) of the Listing Rules and/or the rules, requirements and guidelines issued by the Stock Exchange from time to time) may deem appropriate provided always that:

- (i) no increase shall be made in the aggregate subscription price relating to any option;
- (ii) any adjustments should give each option holder the same proportion of the share capital of our Company as that to which he was previously entitled prior to such adjustments;
- (iii) no adjustments shall be made which will enable a Share to be issued at less than its nominal value; and
- (iv) where the Relevant Event arises from an issue of Shares, references to options shall include references to options that have been exercised prior to the date of the adjustment in respect of Shares which otherwise do not rank and are not entitled to participate in the issue by reason of the option holder not having been then registered as the holder of the relevant Shares.

*(r) Lapse of options*

An option shall lapse automatically (to the extent not already exercised) on the earliest of:

- (i) the date of expiry of the option as may be determined by our Board;
- (ii) the date of lapse as provided in paragraphs (k), (m) or (o) above;
- (iii) the date of commencement of a winding up of a Company; and
- (iv) the date on which the option holder commits a breach of paragraph (i) above.

*(s) Alteration of the Share Option Scheme*

The Share Option Scheme may be altered in any respect by resolution of our Board except that:

- (i) any alteration to the advantage of the option holders (present or future) or the Eligible Participants (as the case may be) in respect of the matters contained in Rule 17.03 of the Listing Rules; and
- (ii) any material alteration to the terms and conditions of the Share Option Scheme or any change to the terms of options granted,

shall first be approved by our Shareholders in general meeting except where the proposed alteration takes effect automatically under the existing terms of the Share Option Scheme. The amended terms of the Share Option Scheme must still comply with the relevant requirements of Chapter 17 of the Listing Rules. Any change to the authority of our Board in relation to any alteration to the terms of the Share Option Scheme must be approved by Shareholders in general meeting.

(t) *Cancellation of options*

Any unexercised option may be cancelled if the relevant option holder so agrees. Issuance of new options to the same option holder may only be made if there are unissued options available under the Share Option Scheme (excluding the cancelled options) within the 10% Limit or the Limit as refreshed pursuant to the terms of the Share Option Scheme and in compliance with the terms of the Share Option Scheme in force from time to time.

(u) *Termination of the Share Option Scheme*

Our Company may by ordinary resolution in general meeting at any time terminate the Share Option Scheme and in such event no further options shall be granted but the provisions of the Share Option Scheme shall remain in force and effect to the extent necessary to give effect to the exercise of any options granted prior thereto or otherwise as may be required in accordance with the provisions of the Share Option Scheme. Options granted prior to such termination but not yet exercised at the time of termination shall continue to be valid and exercisable in accordance with the Share Option Scheme.

(v) *Administration of the Share Option Scheme*

The Share Option Scheme shall be administered by our Board whose decision (save as otherwise provided therein) shall be final and binding on all parties.

(w) *Condition of the Share Option Scheme*

The Share Option Scheme is conditional upon: (1) the approval for the listing of, and permission to deal in, our Shares in issue and to be issued, and any Shares to be issued pursuant to the exercise of Options under the Share Option Scheme, being granted by the Listing Committee; (2) the Global Offering becoming unconditional and not being terminated according to the terms thereof; and (3) the commencement of dealing of our Shares on the Stock Exchange.

(x) *Present status of the Share Option Scheme*

As at the Latest Practicable Date, no option had been granted or agreed to be granted under the Share Option Scheme. Application has been made to the Listing Committee for listing of and permission to deal in our Shares (being 100,000,000 Shares, representing not more than 10% of our Company's issued share capital upon the Listing (assuming the Over-allotment Option is not exercised and no exercise of any option which may be granted under the Share Option Scheme)) which fall to be issued pursuant to the exercise of any options which may be granted under the Share Option Scheme.

(y) *Value of Options*

Our Directors consider it inappropriate to disclose the value of the options which may be granted under the Share Option Scheme as if they had been granted at the Latest Practicable Date. Any such valuation will have to be made on the basis of certain option pricing model or other methodology, which depends on various assumptions including, the exercise price, the exercise period, interest rate, expected volatility and other variables. As no options have been granted, certain variables are not available for calculating the value of options. Our Directors believe that any calculation of the value of options as at the Latest Practicable Date based on a number of speculative assumptions would not be meaningful and to a certain extent would be misleading to investors.

**16. Tax and other indemnities**

Our Controlling Shareholder (the “**Indemnifier**”) has entered into a deed of indemnity with and in favour of our Company (for itself and as trustee for each of its present subsidiaries) (being the material contract referred to in the section headed “Further Information about the Business of our Group – 7. Summary of material contracts” in this Appendix) to provide indemnities in respect of, among other matters, taxation resulting from income, profits or gains earned, accrued or received, estate duty, any damages, cost, charges and expenses arising from any property claims or third-party claims or claims by the government of Hong Kong to which any member of our Group may be subject and payable on or before the date when dealing in Shares first commence on the Stock Exchange.

**17. Litigation**

As at the Latest Practicable Date, neither our Company nor any of our subsidiaries was engaged in any litigation, arbitration or claim of material importance and no litigation, arbitration or claim of material importance is known to our Directors to be pending or threatened by or against our Company or any member of our Group that would have a material adverse effect or the results of operations or financial condition of our Group.

**18. Sponsor**

The Sole Sponsor has made an application on behalf of our Company to the Listing Committee for the listing of, and permission to deal in, our Shares in issue and to be issued as mentioned herein (including any Shares to be issued pursuant to the exercise of the Over-allotment Option and any Shares to be issued within the Limit pursuant to the exercise of any options that may be granted under Share Option Scheme). All necessary arrangements have been made to enable such Shares to be admitted into CCASS.

The Sole Sponsor is independent of our Company in accordance with Rule 3A.07 of the Listing Rules.

The Sole Sponsor will receive a fee of approximately HK\$4.3 million for acting as the Sole Sponsor to the Listing.

**19. Promoter**

Our Company has no promoter as the term is defined under the Listing Rules.

**20. Preliminary expenses**

The preliminary expenses incurred by our Company in relation to our incorporation were approximately US\$4,100 and were paid by our Group.

## 21. Qualifications and consents of experts

The qualifications of the experts who have given opinions or advices in this prospectus are as follows:

Name	Qualification
Southwest HK Capital . . . . .	Licenced corporation under the SFO to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities as defined in the SFO
Deloitte Touche Tohmatsu . . . . .	Certified public accountants
Appleby . . . . .	Cayman Islands attorney-at-law
Leung Wai-Keung, Richard . . . . .	Barrister-at-law
Norton Rose Fulbright LLP . . . . .	Qualified to advise on the economic sanction laws and regulations of the United States, the U.N. and the E.U.
Clayton Utz . . . . .	Qualified to advise on the applicability of economic sanctions administered under Australian law
Wei Tu Law Firm . . . . .	Qualified to advise on PRC law
Quocirca . . . . .	Industry consultant

Each of the experts set out in the table above has given and has not withdrawn its written consent to the issue of this prospectus with the inclusion of its reports and/or letters and/or opinions and summaries of opinions (as the case may be) and/or the references to its name or summaries of opinion included in the form and context in which they are respectively included.

## 22. Binding effect

This prospectus shall have the effect, if an application is made in pursuance hereof, of rendering all persons concerned bound by all the provisions (other than the penal provisions) of sections 44A and 44B of the Companies (Winding up and Miscellaneous Provisions) Ordinance insofar as applicable.

## 23. Bilingual prospectus

Pursuant to Rule 11.14 of the Listing Rules and section 4 of the Companies Ordinance (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong), the English language and Chinese language versions of this prospectus are being published separately but are available to the public at the same time.

## 24. Miscellaneous

- a. Save as disclosed in this prospectus, within the two years preceding the date of this prospectus:
  - (i) no share or loan capital of our Company or any of its subsidiaries had been issued or agreed to be issued or was proposed to be issued fully or partly paid either for cash or for a consideration other than cash;
  - (ii) no share or loan capital of our Company or any of its subsidiaries was under option or was agreed conditionally or unconditionally to be put under option;
  - (iii) no commission had been paid or payable for subscribing or agreeing to subscribe, or procuring or agreeing to procure the subscriptions, for any share in our Company or any of its subsidiaries; and

- (iv) no commissions, discounts, brokerages or other special terms had been granted in connection with the issue or sale of any share or loan capital of our Company or any of its subsidiaries.
  
- b. Our Directors have confirmed that (i) there has been no material adverse change in the financial or trading positions of our Group since 31 December 2015 (being the date to which the latest audited combined financial information of our Group were made up); and (ii) there had not been any interruption in the business of our Group which might have or have had a significant effect on the financial position of our Group in the 12 months immediately preceding the date of this prospectus.
  
- c. Our Company has no founder, management or deferred shares.
  
- d. No securities of our Group are listed, and no listing of any such securities is proposed to be sought, on any other stock exchange.
  
- e. All necessary arrangements have been made to enable our Shares to be admitted into CCASS.
  
- f. Our Group had not issued any debentures nor did it have any outstanding debentures or any convertible debt securities as at the Latest Practicable Date.

**DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES IN HONG KONG**

The documents attached to the copy of this prospectus delivered to the Registrar of Companies in Hong Kong for registration were: (a) copies of the **WHITE, YELLOW and GREEN** Application Forms, (b) the written consents referred to in the section headed “Other Information – 21. Qualifications and consents of experts” in Appendix IV to this prospectus, (c) a statement of adjustment made by Deloitte Touche Tohmatsu in arising at the figures set out in the Accountants’ Report, the text of which is set out in Appendix I to this prospectus and (d) copies of the material contracts referred to in the section headed “Further Information about the Business of our Group – 7. Summary of material contracts” in Appendix IV to this prospectus.

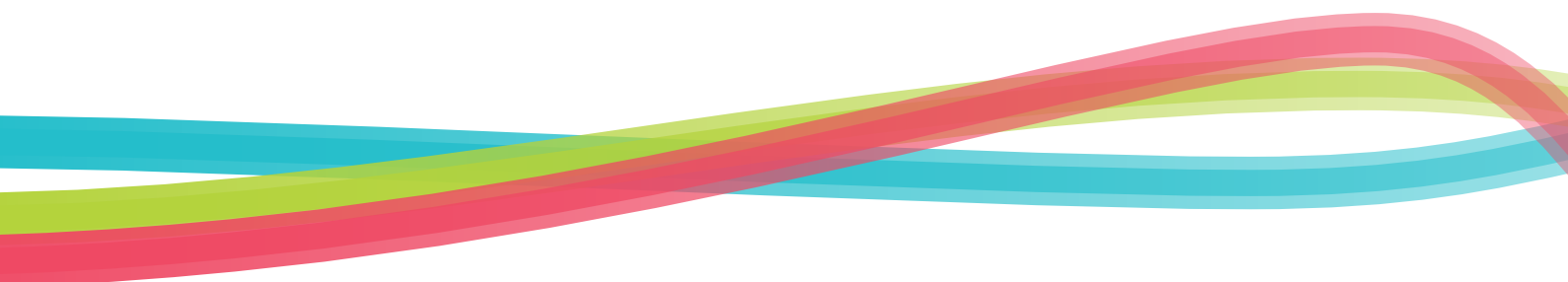
**DOCUMENTS AVAILABLE FOR INSPECTION**

Copies of the following documents will be available for inspection at the offices of Stephenson Harwood at 18th Floor, United Centre, 95 Queensway, Hong Kong during normal business hours up to and including the date which is 14 days from the date of this prospectus:

- (a) the Memorandum and Articles of Association;
- (b) the Accountants’ Report of our Group issued by Deloitte Touche Tohmatsu, the text of which is set out in Appendix I to this prospectus and the related statement of adjustments;
- (c) the assurance report on the compilation on unaudited pro forma financial information of our Group prepared by Deloitte Touche Tohmatsu, the text of which is set out in Appendix II to this prospectus;
- (d) the audited consolidated financial statements of Protean Holdings for the years ended 31 December 2013, 2014 and 2015;
- (e) the letter of advice prepared by Appleby summarising certain aspects of the Cayman Companies Law referred to in Appendix III to this prospectus;
- (f) the Quocirca Report;
- (g) the advice in respect of certain economic sanctions administered by the United States, United Nations and European Union prepared by Norton Rose Fulbright LLP;
- (h) the advice in respect of certain economic sanctions administered by Australia law prepared by Clayton Utz;
- (i) the legal opinion prepared by Leung Wai-Keung, Richard, Barrister-at-law, as to Hong Kong law in respect of the Predecessor Companies Ordinance, the Companies Ordinance, the Inland Revenue Ordinance and the Telecommunication Ordinance;
- (j) the legal opinion prepared by Wei Tu Law Firm as to PRC law in respect of the revocation of business licence of Unitech Networks China (GZ) Ltd.;
- (k) the Cayman Companies Law;
- (l) the material contracts referred to in the section headed “Further Information about the Business of our Group – 7. Summary of material contracts” in Appendix IV to this prospectus;



- (m) the service contracts referred to in the section headed “Further Information about our Directors – 9. Particulars of service contracts” in Appendix IV to this prospectus;
- (n) the rules of the Share Option Scheme; and
- (o) the written consents referred to in the section headed “Other Information – 21. Qualifications and consents of experts” in Appendix IV to this prospectus.



**plover bay**

**Plover Bay Technologies Limited**

玊灣科技有限公司