Altostratos Holdings Limited
ABN 72 606 621 676

REPLACEMENT PROSPECTUS

For the issue of 40,000,000 Shares at an issue price of $0.40 per Share to raise a minimum of $16,000,000 with the right to accept oversubscriptions of up to a further 22,500,000 Shares at an issue price of $0.40 per Share to raise up to a further $9,000,000.

IMPORTANT INFORMATION
This is an important document that should be read in its entirety. If you do not understand it you should consult your professional advisers without delay.
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IMPORTANT NOTICE

OFFER
The Offer contained in this Prospectus is an invitation for you to apply for fully paid ordinary shares (Shares) in Altostratos Holdings Limited ABN 72 606 621 676 (Company) (Offer). This Prospectus is issued by the Company for the purposes of Chapter 6D of the Corporations Act 2001 (Cth) (Corporations Act).

REPLACEMENT PROSPECTUS
This Replacement Prospectus replaces a Prospectus dated and lodged with the Australian Securities and Investments Commission (ASIC) on 19 December 2018. For the purposes of this document, this Replacement Prospectus will be referred to as either “the Replacement Prospectus” or “this Prospectus”.

LODGEMENT AND LISTING
This Prospectus is dated Wednesday, 9 January 2019 and a copy was lodged with the ASIC on that date (Prospectus Date).

The Company will apply to the Australian Securities Exchange (ASX) within seven days after the Prospectus Date, for admission of the Company to the Official List and quotation of its Shares on ASX. The fact that the ASX may admit the Company to the Official List is not to be taken in any way as an indication of the merits of the Shares, the Offer or the Company. None of ASIC, ASX or any of their respective officers take any responsibility for the contents of this Prospectus or the merits of the investment to which this Prospectus relates.

NO LEAD MANAGER OR UNDERWRITER
No lead manager or underwriter has been appointed by the Company for the purposes of the Offer.

OFFER SUBJECT TO MINIMUM SUBSCRIPTION
If the Minimum Subscription (being $16,000,000) is not obtained before the expiration of four months after the date of issue of this Prospectus, the Company will not allot or issue any Shares and will repay all monies paid by Applicants for the Shares within the time prescribed under the Corporations Act, without interest.

EXPIRY DATE
This Prospectus expires on the date which is 13 months after the Prospectus Date (Expiry Date), and no Shares will be issued on the basis of this Prospectus after the Expiry Date.

NOT INVESTMENT ADVICE
The information contained in this Prospectus is not financial product advice and does not take into account your investment objectives, financial situation or particular needs. This Prospectus should not be construed as financial, taxation, legal or other advice. The Company is not licensed to provide financial product advice in respect of its securities or any other financial products.

It is important that you read this Prospectus carefully and in its entirety and seek professional advice where necessary before deciding whether to invest in the Company. There are risks associated with an investment in the Company. Some of the key risks you should consider are set out in Section 5 “Risk Factors”. You should carefully consider these risks in light of your personal circumstances (including financial and tax issues). There may be risks in addition to these that should be considered in light of your personal circumstances.

If you do not fully understand this Prospectus or are in doubt as to how to deal with it, you should seek professional guidance from your financial advisor, solicitor, accountant, tax advisor or other independent and qualified professional
adviser before deciding whether to invest in the Company.

Except as required by law, and only to the extent required, no person named in this Prospectus, nor any other person, warrants or guarantees the performance of the Company or any return on investment or any repayment of capital, made pursuant to this Prospectus.

This Prospectus includes information regarding the past performance of the Company and the AltoStratos Group. Investors should be aware that past performance is not indicative of future performance.

No person is authorised to give any information or to make any representation in connection with the Offer described in this Prospectus which is not contained in this Prospectus. Any information not so contained may not be relied upon as having been authorised by the Company, the Directors or any other person in connection with the Offer. You should rely only on information contained in this Prospectus.

FOREIGN JURISDICTIONS

This Prospectus does not constitute an offer or invitation to apply for Shares in any jurisdiction other than Australia. No action has been taken to register or qualify the Shares or the Offer, or to otherwise permit a public offering of the Shares, in any jurisdiction outside of Australia.

There may be legal restrictions related to the distribution of this Prospectus (including in electronic form) outside of Australia and therefore any person who resides outside of Australia and who receives this Prospectus outside of Australia should seek advice on, and observe, any such restrictions. Any failure to comply with these restrictions may constitute a violation of applicable securities laws. For details of selling restrictions that apply to Shares in certain jurisdictions outside of Australia, refer to Section 7.9.

This Prospectus may not be distributed to, or relied upon by, persons in the United States. The Shares being offered pursuant to this Prospectus have not been registered under the United States Securities Act of 1933, as amended (U.S. Securities Act) and may not be offered or sold in the United States absent registration or an applicable exemption from registration under the U.S. Securities Act and applicable United States securities laws of any state of the United States. The Shares may not be offered or sold in the United States, except in a transaction exempt from, or not subject to, registration under the U.S. Securities Act and applicable U.S. state securities laws.

FINANCIAL INFORMATION PRESENTATION

Section 4 sets out in detail the financial information referred to in this Prospectus and the basis of preparation of that information. All financial amounts contained in this Prospectus are expressed in Australian dollars unless otherwise stated. Any discrepancies between totals and sums of components in tables contained in this Prospectus are due to rounding.

The financial information in this Prospectus is presented in abbreviated form insofar as it does not include all the presentation and disclosures required by the Australian Accounting Standards and other mandatory professional reporting requirements applicable to general purpose financial reports prepared in accordance with the Corporations Act.

Investors should be aware that certain financial data included in this Prospectus may be ‘non-IFRS financial information’ under Regulatory Guide 230 Disclosing non-IFRS financial information, published by ASIC. The Company believes this non-IFRS financial information provides useful information to users in measuring the financial performance and conditions of the Company (as applicable). The non-IFRS measures do not have standardised meanings prescribed by Australian Accounting Standards and therefore may not be comparable to similarly titled measures presented by other entities, nor should they be construed as an alternative to other financial measures determined in accordance with Australian Accounting Standards. Investors are cautioned therefore not to place undue reliance on any non-IFRS
financial information and ratios included in this Prospectus.

Unless otherwise stated or implied, all pro forma data in this Prospectus gives effect to the pro forma adjustments referred to in Section 4.

NO FINANCIAL FORECASTS HAVE BEEN PREPARED NOR INCLUDED IN THIS PROSPECTUS

This Prospectus contains market data, industry forecasts and projections. The Company has obtained some of this information from market research prepared by third parties. There is no assurance that any of the forecasts contained in the reports, surveys and research of such third parties, which are referred to in this Prospectus, will be achieved. The Company has not independently verified this information. Estimates involve risks and uncertainties and are subject to change based on various factors, including those discussed in the risks set out in Section 5 of this Prospectus.

FORWARD-LOOKING STATEMENTS

This Prospectus may contain forward-looking statements concerning the Company’s business and operations, and condition, as well as the Company’s plans, objectives and expectations of its business, operations and financial performance and condition. Any statements in this Prospectus that are not of historical facts may be deemed to be forward-looking statements. You can identify these statement by words such as ‘aim’, ‘anticipate’, ‘assume’, ‘should’, ‘goal’, ‘intends’, ‘may’, ‘could’, ‘believes’, ‘estimates’, ‘targets’, ‘expects’ or other similar words that are predictions of or indicate future events and future trends.

Any forward-looking statements are subject to various risks that could cause the Company’s actual results to differ materially from the results expressed or anticipated in these statements. Forward-looking statements should be read in conjunction with, and are qualified by reference to, the risks set out in Section 5, and other information in this Prospectus. Such forward-looking statements are not guarantees of future performance and involve known and unknown risks, uncertainties, assumptions and other important factors, many of which are beyond the control of the Company, the Board and management. The Company cannot and does not give any assurance that the results, performance or achievements expressed or implied by the forward-looking statements contained in this Prospectus will actually occur and investors are cautioned not to place undue reliance on these forward looking statements.

You are urged to consider the risk factors carefully for evaluating the forward-looking statements and are cautioned not to place undue reliance on the forward-looking statements. These forward-looking statements speak only as at the date of this Prospectus. Unless required by law, the Company does not intend to publicly update or revise any forward looking statements to reflect new information or future events or otherwise. You should, however, review the information and the risks the Company describes in the reports to be filed from time to time with the ASX after the Prospectus Date.

EXPOSURE PERIOD

Pursuant to ASIC Corporations (Exposure Period) Instrument 2016/74, this Replacement Prospectus is not subject to an exposure period.

PROSPECTUS AVAILABILITY

During the Offer Period, a paper copy of this Prospectus will be available for Australian residents free of charge by contacting the Offer Information Line on 1300 737 760 (within Australia) or +61 2 9290 9600 (outside Australia) between 8:30 am to 5:30 pm (Sydney time), Monday to Friday (Business Days only).

The Prospectus is also available in electronic form at the offer website www.altostratos.com.

The Offer constituted by this Prospectus in electronic form is available only to persons within Australia. It is not available to persons in other jurisdictions (including the United States). Persons who access this Prospectus in electronic form
should ensure that they download and read the entire Prospectus. If you are unsure about the completeness of this Prospectus received electronically, or a printed copy of it, you should contact the Company.

APPLICATIONS
Applications for Shares under this Prospectus may be made only during the Offer Period on the appropriate application form (Application Form) attached to, or accompanying, this Prospectus in its paper copy form, or in its electronic form which must be downloaded in its entirety from the Offer website at www.altostratos.com. By submitting an Application, you declare that you were given access to this Prospectus, together with an Application Form. The Corporations Act prohibits any person from passing on to another person the Application Form unless it is attached to, or accompanied by, the complete and unaltered version of this Prospectus.

NO COOLING-OFF RIGHTS
Cooling-off rights do not apply to an investment in Shares issued under this Prospectus. This means that, in most circumstances, you cannot withdraw your Application once it has been accepted.

DEFINED TERMS AND TIME
Some of the terms and abbreviations used in this Prospectus have defined meanings. These are capitalised and defined in Section 11 of this Prospectus. Unless otherwise stated or implied, a reference to a time is a reference to Sydney time.

CURRENCY
Unless otherwise noted in this Prospectus, all references to “$”, “A$”, “AUD”, or “dollar” are to Australian dollars. References to “USD” are to United States dollars.

TIMETABLE
Notwithstanding any provision of this Prospectus, the Company may from time to time and without giving any notice, abridge or further abridge, extend or further extend any period or vary or further vary any date referred to in this Prospectus and for such period or to such later date as the Company thinks fit, whether or not the period to be extended has expired, or the date to be varied has passed.

PRIVACY
By filling out an Application Form to apply for Shares, you are providing personal information to the Company through the Share Registry, which is contracted by the Company to manage Applications. The Company, and the Share Registry on behalf of the Company, may collect, hold and use that personal information in order to process your Application, service your needs as a Shareholder, provide facilities and services that you request and carry out appropriate administration.

If you do not provide the information requested in the Application Form, the Company and the Share Registry may not be able to process or accept your Application.

Your personal information may also be used from time to time to inform you about other products and services offered by the Company, which it considers may be of interest to you.

Your personal information may also be provided to the Company’s agents and service providers on the basis that they deal with such information in accordance with the Company’s privacy policy. The agents and service providers of the Company may be located outside Australia, where your personal information may not receive the same level of protection as that afforded under Australian law. The types of agents and service providers that may be provided with your personal information and the circumstances in which your personal information may be shared are:

- the Share Registry for ongoing administration of the Shareholder register;
- printers and other companies for the purpose of preparation and distribution of statements and for handling mail;
market research companies for the purpose of analysing the Shareholder base and for product development and planning; and

legal and accounting firms, auditors, contractors, consultants and other advisers for the purpose of administering, and advising on, the Shares and for associated actions.

If an Applicant becomes a Shareholder, the Corporations Act requires the Company to include information about the Shareholder (including name, address and details of the Shares held) in its public Shareholder register. If you do not provide all the information requested, your Application Form may not be able to be processed.

The information contained in the Company’s Shareholder register must remain there even if that person ceases to be a Shareholder. Information contained in the Company’s Shareholder register is also used to facilitate dividend payments and corporate communications (including the Company’s financial results and annual reports and other information that the Company may wish to communicate to its Shareholders) and compliance by the Company with legal and regulatory requirements. An Applicant has a right to gain access to the information that the Company and the Share Registry hold about that person, subject to certain exemptions under law. A fee may be charged for access. Access requests must be made in writing or by telephone call to the Company’s registered office or the Share Registry’s office, details of which are disclosed in the Corporate Directory of this Prospectus. For more information, please email the Share Registry at enquiries@boardroomlimited.com.au or visit the Share Registry’s website at www.boardroomlimited.com.au.

COMPANY WEBSITE

Any references to documents included on the Company’s website at www.altostratos.com are provided for convenience only and none of the documents or other information on the Company’s website are incorporated by reference into this Prospectus.

PHOTOGRAPHS AND DIAGRAMS

Photographs used in this Prospectus which do not have descriptions are for illustration or design purposes only and should not be interpreted to mean that any person shown endorses this Prospectus or its contents or that the assets shown in them are owned by the Company. Diagrams used in this Prospectus are illustrative only and may not be drawn to scale. Unless otherwise stated, all data contained in charts, graphs and tables is based on information available at the Prospectus Date.

This Prospectus also includes trademarks, trade names and service marks that are property of other organisations. Unless indicated, the Company does not purport to own this property.

INVESTIGATING ACCOUNTANT’S REPORT

The provider of the Investigating Accountant’s Report in relation to the financial information (Investigating Accountant’s Report) is required to provide Australian retail investors with a financial services guide in relation to its independent report under the Corporations Act. The Investigating Accountant’s Report and accompanying financial services guide is provided in Section 8.

FURTHER QUESTIONS

Call the Offer Information Line on 1300 737 760 (within Australia) and +61 2 9290 9600 (outside Australia) between 8:30 am and 5:30 pm (Sydney time), Monday to Friday (Business Days only) if you require assistance to complete the Application Form, require additional copies of this Prospectus or have any questions in relation to the Offer.

If you are unclear in relation to any matter or are uncertain as to whether acquiring Shares in the Company is a suitable investment for you, you should seek professional advice from your accountant, financial advisor, tax adviser, lawyer or other independent and qualified professional adviser before deciding whether to invest in the Company.
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CORPORATE DIRECTORY
KEY OFFER DETAILS

<table>
<thead>
<tr>
<th>KEY OFFER DATES</th>
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<tbody>
<tr>
<td>Lodgement of the Original Prospectus with ASIC</td>
<td>Wednesday, 19 December 2018</td>
</tr>
<tr>
<td>Lodgement of the Replacement Prospectus with ASIC</td>
<td>Wednesday, 9 January 2019</td>
</tr>
<tr>
<td>Opening Date for the Offer (Institutional Offer, Chairman’s List Offer and</td>
<td>Thursday, 10 January 2019</td>
</tr>
<tr>
<td>Retail Offer)</td>
<td></td>
</tr>
<tr>
<td>Closing Date for the Offer (Institutional Offer, Chairman’s List Offer and</td>
<td>Friday, 22 February 2019</td>
</tr>
<tr>
<td>Retail Offer)</td>
<td></td>
</tr>
<tr>
<td>Settlement</td>
<td>Wednesday, 27 February 2019</td>
</tr>
<tr>
<td>Expected dispatch of holdings statements</td>
<td>Thursday, 28 February 2019</td>
</tr>
<tr>
<td>Expected commencement of trading on ASX on a normal settlement basis</td>
<td>Tuesday, 5 March 2019</td>
</tr>
</tbody>
</table>

Dates may change

This timetable is indicative only and may change. Unless otherwise indicated, all times are stated in Sydney time. The Company reserves the right to vary any and all of the above dates without notice (including, subject to the ASX Listing Rules and the Corporations Act, to close the Offer early, to extend the Closing Date, or to accept late Applications, either generally or in particular cases, or to cancel or withdraw the Offer before Completion, in each case without notifying any recipient of this Prospectus or Applicants). If the Offer is cancelled or withdrawn before the issue of Shares, then all Application Monies will be refunded in full (without interest) as soon as possible in accordance with the requirements of the Corporations Act. Investors are encouraged to submit their Applications as soon as possible after the Offer opens.

<table>
<thead>
<tr>
<th>KEY OFFER DETAILS</th>
<th>Minimum Subscription</th>
<th>Maximum Subscription</th>
</tr>
</thead>
<tbody>
<tr>
<td>Offer Price per Share</td>
<td>$0.40</td>
<td>$0.40</td>
</tr>
<tr>
<td>Total number of Shares to be issued under the Offer</td>
<td>40,000,000</td>
<td>62,500,000</td>
</tr>
<tr>
<td>Gross proceeds from the Offer</td>
<td>$16,000,000</td>
<td>$25,000,000</td>
</tr>
<tr>
<td>Total number of existing Shares on issue prior to Completion</td>
<td>149,835,366</td>
<td>149,835,366</td>
</tr>
<tr>
<td>Total number of Shares on issue at Completion</td>
<td>189,835,366</td>
<td>212,335,366</td>
</tr>
<tr>
<td>Indicative market capitalisation at the Offer Price</td>
<td>$75,934,146.40</td>
<td>$84,934,146.40</td>
</tr>
</tbody>
</table>

Notes:
1. A number of the Shares on issue following Completion of the Offer will be subject to escrow restrictions. Further details regarding these restrictions are provided in Section 9.4.
2. Calculated as the total number of Shares on issue at Completion multiplied by the Offer Price. The Shares may not trade at the Offer Price after Listing. If the Shares trade below the Offer Price after Listing, the market capitalisation may be lower.
**How to invest**

Applications for Shares can only be made by completing and lodging the Application Form attached to or accompanying this Prospectus. In respect of the Retail Offer, the minimum Application is 5,000 Shares (being worth $2,000), and in multiples of 1,250 Shares (being worth $500) thereafter.

Instructions on how to apply for Shares are set out in Section 7 of this Prospectus and on the back of the Application Form.

**Questions**

If you have any questions about the Application Form, please contact the Offer Information Line on 1300 737 760 (within Australia) and +61 2 9290 9600 (outside Australia) between 8:30 am and 5:30 pm (Sydney time), Monday to Friday (Business Days only).

If you have any doubt as to what to do in relation to the Offer, you should seek professional advice from your accountant, financial advisor, tax adviser, lawyer or other independent and qualified professional adviser before deciding whether to invest in the Company.
CHAIRMAN’S LETTER

19 December 2018

Dear Investor,

On behalf of the Board of Altostratos Holdings Limited (AltoStratos or Company), it is my pleasure to offer you the opportunity to become a shareholder in AltoStratos.

The AltoStratos Group is focused on the I.T. and consumer electronics market within the Asia-Pacific region. The group serves as a Pan-Asian, vertically-integrated omni-channel adaptive routes-to-market solutions partner of leading I.T. and consumer electronic brands and manufacturers. Although the Company was only incorporated in June 2015, certain members of the AltoStratos Group have been operating in Asia for over 25 years.

The AltoStratos Group assists global I.T. brands in overcoming business-to-business (B2B) and business-to-consumer (B2C) supply chain and routes-to-market challenges by developing and deploying customised, omni-channel routes-to-market solutions. Specifically, the AltoStratos Group sells into both the B2B and B2C online and offline channels across the Asia-Pacific region playing multiple roles, including as:

• distributor and value-added reseller;
• online B2B and B2C e-commerce marketplace platform provider, through its:
  • B2B customised platforms, TechDirect.Asia and TechSeller.Asia; and
  • B2C customised platform, TechDeals.Asia;
• system integrator;
• repair and customer service centre, fulfilment centre, and warehousing and logistics partner.

The combination of vertical integration and online sales channels within the AltoStratos Group’s network of more than 4,000 brick-and-mortar dealers, resellers and service providers, enables the group to provide its customers with a seamless and consistent shopping experience across various channels and devices.

The Offer pursuant to the Prospectus is seeking to raise a minimum of $16,000,000 (and a maximum of $25,000,000) and is an important next step in AltoStratos’ strategic growth. The Board believes that the funds raised from the Offer will enable the AltoStratos Group to advance its growth strategy by expanding into new markets such as China, South Korea, Indonesia, the Philippines, Vietnam and Myanmar, expanding the Pan-Asian offering into the Australian market by building and operating fulfilment centres in Australia, growing B2B and B2C e-commerce on demand fulfilment capabilities, and developing new technologies to overcome routes-to-market challenges in the Asia-Pacific region.

This Prospectus contains detailed information about the Offer, the industry in which the AltoStratos Group operates and the group’s historical and operating financial information. It does not contain any forecast financial information. An investment in AltoStratos should be considered highly speculative and is subject to a range of risks, including the Company’s limited operating history and the AltoStratos Group’s historical losses. For more information about the key risks associated with an investment in AltoStratos please refer to Section 5 of this Prospectus.

Finally, it is crucial for you to note that there can be no guarantee that AltoStratos will achieve its stated objectives or that any forward-looking statements in this Prospectus will be realised or will otherwise eventuate. I strongly encourage you to read this document carefully and in its entirety before making your investment decision.

On behalf of the Board, I look forward to welcoming you as a Shareholder.

Wrixon Gasteen
Chairman
Altostratos Holdings Limited
INVESTMENT OVERVIEW
SECTION 1
# 1. INVESTMENT OVERVIEW

The information contained in this Section 1 is a summary only. You should read this Section 1 in conjunction with the information in the remainder of this Prospectus.

<table>
<thead>
<tr>
<th>TOPIC</th>
<th>SUMMARY</th>
<th>FURTHER INFORMATION</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>1.1 About the Company</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Who is the Issuer of this Prospectus?</td>
<td>AltoStratos Holdings Limited ABN 72 606 621 676, a company incorporated in Victoria, Australia. The Company is the ultimate holding company of the AltoStratos Group.</td>
<td>Section 2</td>
</tr>
<tr>
<td>Who is the AltoStratos Group?</td>
<td>The AltoStratos Group focuses on the I.T. and consumer electronics market within the Asia-Pacific region. The group serves as a Pan-Asian, vertically-integrated omni-channel adaptive routes-to-market (RTM) solutions partner of leading I.T. and consumer electronic brands and manufacturers. Although the Company was only incorporated in June 2015, members of the AltoStratos Group have been operating in Asia for over 25 years. The AltoStratos Group assists global I.T. brands in overcoming business-to-business (B2B) and business-to-consumer (B2C) supply chain and RTM challenges by developing and deploying customised, omni-channel RTM solutions. As a key link in the RTM supply chain, the AltoStratos Group creates sales and profitability opportunities for its customers and other stakeholders in the I.T. industry.</td>
<td>Section 2</td>
</tr>
<tr>
<td>What is the AltoStratos Group's corporate structure?</td>
<td>The corporate structure of the AltoStratos Group as at the Prospectus Date is as follows:</td>
<td>Section 2</td>
</tr>
</tbody>
</table>

1. Digiland (Thailand) Limited currently holds a minority interest in TTDG Co., Ltd (a company incorporated in Thailand), an entity which does not form part of, and has no role in, the AltoStratos Group. As at the Prospectus Date, TTDG Co., Ltd is in the process of being wound up. However, as Digiland (Thailand) Limited is only a minority shareholder in this entity, the timing of the winding up process is outside the control of the Board.
In which geographies does the AltoStratos Group operate in?

The AltoStratos Group members are located in Thailand, Malaysia, Singapore and Australia.

It is the intention of the Board, following Completion, to:

- further expand the Altostratos Group’s business operations into China, South Korea, Indonesia, the Philippines, Vietnam and Myanmar; and
- expand the Pan-Asian offering into the Australian market by building and operating fulfilment centres in Australia.

What is the AltoStratos Group’s business?

The AltoStratos Group focuses on the I.T. and consumer electronics market within the Asia-Pacific region. The group serves as a vertically-integrated, strategic, Pan-Asian, partner for global I.T. and consumer electronics brands with its key omni-channel adaptive RTM service offering.

The AltoStratos Group assists global I.T. brands in overcoming B2B and B2C supply chain and routes-to-market challenges by developing and deploying customised, omni-channel routes-to-market solutions. Specifically, the AltoStratos Group sells into both the B2B and B2C online and offline channels across the Asia-Pacific region playing multiple roles, including as:

- distributor and value-added reseller;
- online B2B and B2C e-commerce marketplace platform provider, through its:
  - B2B customised platforms, TechDirect.Asia and TechSeller.Asia; and
  - B2C customised platform, TechDeals.Asia;
- system integrator;
- repair and customer service centre, fulfilment centre, and warehousing and logistics partner.


The combination of vertical integration and innovative online sales channels through the AltoStratos Group’s network of more than 4000 brick-and-mortar dealers, resellers and service providers, enables the AltoStratos Group to provide both businesses and consumers with a seamless and consistent shopping experience across various channels and devices.

Who are the AltoStratos Group’s customers?

The AltoStratos Group’s customers are made up of four main groups:

- global I.T. and consumer electronics brands and manufacturers;
- channel partners;
- B2B end-users; and
- B2C end-users.

The AltoStratos Group’s customers also include its network of more than 4000 channel partners, dealers, resellers, service providers and systems integrators across the Asia-Pacific region.
### How does the Company generate its revenue and what are its main costs?

The Company generates revenue through the operations of the AltoStratos Group, which encompasses the following activities:

- the selling of I.T. and consumer electronics products through the group’s distribution channels and customised online B2B and B2C e-commerce platforms;
- the provision of fulfilment services to global I.T. and consumer electronics brands and manufacturers and channel partners; and
- the provision of repair and service centres in the Asia-Pacific region to global brands and manufacturers.

The AltoStratos Group’s main costs are research and development, I.T. acquisition and maintenance, sales and marketing, logistics and fulfilment and staffing costs.

### What is the AltoStratos Group’s growth strategy?

The Board has established a comprehensive growth strategy to expand the AltoStratos Group’s business operations through:

- expanding into new markets through both organic growth and acquisitions in China, South Korea, Indonesia, the Philippines, Vietnam and Myanmar;
- expanding the Pan-Asian offering into the Australian market by building and operating fulfilment centres in Australia;
- growing B2B and B2C e-commerce on-demand fulfilment capabilities; and
- developing new technologies to overcome RTM challenges in the Asia-Pacific region.

### How does the AltoStratos Group expect to fund its operations and growth?

To date, the AltoStratos Group’s operations have been funded through shareholder equity and debt financing (i.e. share issuance and convertible notes). After Listing, it is expected that the Company will have sufficient cash flow from operations and cash on its balance sheet to meet its stated business objectives.

### What is the Company’s historical financial performance?

The Company’s historical financial performance is summarised in the table below:

<table>
<thead>
<tr>
<th></th>
<th>FY2016</th>
<th>FY2017</th>
<th>FY2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenue</td>
<td>27,840</td>
<td>17,358</td>
<td>12,204</td>
</tr>
<tr>
<td>Operating profit (loss)</td>
<td>(1,396)</td>
<td>(2,822)</td>
<td>(3,216)</td>
</tr>
<tr>
<td>NPAT</td>
<td>(1,647)</td>
<td>(2,794)</td>
<td>(3,338)</td>
</tr>
</tbody>
</table>

**Notes:** The financial information presented in this table is intended as a summary only and should be read in conjunction with the more detailed discussion of the financial information in Section 4, as well as the key risk factors set out in Section 5. For more information, see Section 4.10.
### What is the financial position of the Company before and after the Offer?

The Company’s financial position before and after the Offer (including pro forma adjustments) is set out below:

<table>
<thead>
<tr>
<th></th>
<th>30-Jun-18</th>
<th>30-Jun-18</th>
<th>Maximum subscription</th>
<th>Maximum subscription</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>30-Jun-18</td>
<td>adjustments</td>
<td>Pro forma</td>
<td>Pro forma</td>
</tr>
<tr>
<td><strong>Total Assets</strong></td>
<td>4,317</td>
<td>15,035</td>
<td>19,352</td>
<td>24,046</td>
</tr>
<tr>
<td><strong>Total Liabilities</strong></td>
<td>3,068</td>
<td>-</td>
<td>3,068</td>
<td>-</td>
</tr>
<tr>
<td><strong>Net Assets</strong></td>
<td>1,248</td>
<td>15,035</td>
<td>16,283</td>
<td>24,046</td>
</tr>
</tbody>
</table>

Note: Please refer to Section 4.10 for a more detailed discussion about the financial position of the Company before and after the Offer.

### 1.2 Key Strengths and Investment Highlights

#### Vertically-Integrated Omni-Channel Business Model across the Asia-Pacific Region

One of the key strengths of the AltoStratos Group lies in its vertically-integrated omni-channel business model that provides innovative solutions to the I.T. and consumer electronics industry across the Asia-Pacific region.

The AltoStratos Group’s omni-channel supply chain looks to control multiple complex factors, such as pricing, fulfilment, sales, stock management and ordering, by using a central stock pool. Through this model, the AltoStratos Group aims to ensure that service and fulfilment of customer needs is actioned in the right place at the right time.

#### Vertically-Integrated Market Expansion Strategy

By vertically integrating global brands within Pan-Asian distribution networks, downstream omni-channel sales channels and last-mile fulfilment capabilities, the AltoStratos Group’s vertically integrated business strategy enables the AltoStratos Group to achieve the following outcomes for its customers:

- competitive advantages;
- margin consolidation;
- operational efficiencies;
- acceleration of geographical expansion;
- lower transaction costs;
- improved market intelligence gathering and improve response to changing market conditions;
- diversified revenue streams; and
- economies of scale.

#### Established Operating Track Record of Group Members

Although the Company was incorporated in June 2015, the main operating entities of the AltoStratos Group, Digiland and Infonet, have been in operation and have represented leading I.T. brands in Asia for 25 years and 30 years respectively.

The AltoStratos Group’s on-demand adaptive RTM technologies deliver seamless, efficient and robust solutions across multiple distribution channels and geographies.
<table>
<thead>
<tr>
<th>TOPIC</th>
<th>SUMMARY</th>
<th>FURTHER INFORMATION</th>
</tr>
</thead>
<tbody>
<tr>
<td>Strong Asian Presence</td>
<td>The AltoStratos Group’s members are located in Thailand, Malaysia, Singapore and Australia. These strategically located regional offices enable the AltoStratos Group to extend its geographical area of operations from North-Asia through Indochina, South-East Asia and into Australasia. The AltoStratos Group’s strong Pan-Asian footprint enables it to offer global brands an efficient and robust solution to transact and conduct business in the region.</td>
<td>Section 2</td>
</tr>
<tr>
<td>Data Analytics and Market Insight</td>
<td>The AltoStratos Group’s context-driven knowledge and insights assist I.T. and consumer electronics brands to push research and development and to deliver innovative product enhancements based on the specific needs of individual customers and their end-users. The group's market insights are founded on an ability to analyse and understand the buying behaviours of the B2B and B2C I.T. buyers across traditional and digital channels and to create proactive sales and marketing initiatives that engage and interact with key customers.</td>
<td>Section 2</td>
</tr>
<tr>
<td>Innovation</td>
<td>The AltoStratos Group aims to create new solutions to meet changing market trends. By pre-emptively building new capabilities, reinventing successful business models and reallocating resources to optimise new opportunities, the AltoStratos Group assists its customers to optimise organisational capacity, adapt to changing markets and improve predictability. The group leverages innovation and technology to meet consumer demands for a seamless 'order from anywhere, fulfil from anywhere' buying experience.</td>
<td>Section 2</td>
</tr>
<tr>
<td>Functional Excellence</td>
<td>The AltoStratos Group’s core competencies in service excellence assists customers to adapt to changing market requirements. The group adopts a holistic approach to managing customers’ sales journeys by mapping each customer’s omni-channel strategies through the sales funnel in order to equip customers with the tools to react and deliver their product and service offerings in light of changing trading conditions.</td>
<td>Section 2</td>
</tr>
<tr>
<td>Network of Physical Brick-and-Mortar Stores Across the Asia-Pacific Region</td>
<td>The AltoStratos Group has a B2B network of more than 4000 brick-and-mortar reseller points across the Asia-Pacific region comprising of dealers, chain stores, specialty stores, VARs, supermarkets and other retailers. The AltoStratos Group’s physical brick-and-mortar network allows the group to:  - reach consumers in areas where online shopping has not achieved widespread adoption;  - reach consumers who want to “touch, feel and experience” a product before purchase;  - sell to consumers who prefer to research online but purchase offline (ROPO);  - leverage physical premises for its Ship ‘N’ Collect service; and  - extend the offline product offerings of its network partners onto the AltoStratos Group’s e-commerce marketplace.</td>
<td>Section 2</td>
</tr>
</tbody>
</table>
### B2B and B2C e-commerce Platforms


Its B2B customised platform TechDirect.Asia, provides the full product catalogue, specifications, pricing and in-country stock availability for each brand, which enables B2B buyers to reduce the amount of time spent online researching for products and solutions.

Through TechDeals.Asia the AltoStratos Group also hosts B2C online marketplaces across Asia, which allows channel partners to showcase and sell their products online using the group’s e-commerce expertise and market reach.

### 1.3 Summary of Key Risks

There are a number of risks associated with an investment in the Company and the AltoStratos Group which may affect its financial performance, financial position, cash flows, distributions, growth prospects and share price. The following table is a summary of the key risks that the AltoStratos Group is exposed to. Further details about these and other specific and general risks associated with an investment in the Company are set out in Section 5. An investment in the Shares offered under this Prospectus should be considered as highly speculative and investors should consider the risk factors described below, including the additional risks in Section 5, before making an investment decision.

#### Limited operating history and historical losses

Although the main operating entities of the AltoStratos Group, Digiland and Infonet, have been in operation and have represented leading I.T. brands in Asia for 25 years and 30 years respectively, the Company was only incorporated in June 2015 and has limited operating and performance history. In addition, the AltoStratos Group to date has generated historical losses.

Accordingly, the Company’s limited financial and operating track record, and the group’s financial track record, is not sufficient to provide any certainty or assurance that the AltoStratos Group can or will achieve the objectives set out in this Prospectus. Investment in the Company is therefore highly speculative.

#### Concentrated shareholding

Following Completion of the Offer, the founders of the Company will hold a combined 68.74% shareholding on the basis on the Minimum Subscription and a combined 61.46% shareholding on the basis of the Maximum Subscription. Accordingly, the founders will be in a position to exert significant influence over the outcome of matters relating to the Company.

#### Financial Reporting Risk

The Company lodged its annual report for the year ended 30 June 2018 with ASIC approximately 3 weeks late. This late lodgement means the Company breached its financial reporting obligations under Chapter 2M of the Corporations Act, which may affect the Company’s operations moving forward.
<table>
<thead>
<tr>
<th>TOPIC</th>
<th>SUMMARY</th>
<th>FURTHER INFORMATION</th>
</tr>
</thead>
<tbody>
<tr>
<td>Dependence on supplier relationships</td>
<td>The AltoStratos Group has a large number of suppliers, some of which the AltoStratos Group does not have a formal agreement with, or such agreement has expired. Several of the agreements have been entered into on a non-exclusive basis and may be terminated on short notice. There is a risk that any changes in the terms of the AltoStratos Group’s relationship with its suppliers, or should the supplier terminate the relationship, would materially impact on the AltoStratos Group’s operations.</td>
<td>Section 5.2.4</td>
</tr>
<tr>
<td>Need to attract new customers and retain existing customers</td>
<td>The AltoStratos Group’s operations and revenues rely heavily on its ability to attract new customers and retain existing customers. Any failure by the AltoStratos Group to attract new customers and/or retain existing customers will adversely affect the AltoStratos Group’s financial performance.</td>
<td>Section 5.2.5</td>
</tr>
<tr>
<td>Competition</td>
<td>The market that the AltoStratos Group operates in involves changing technologies, evolving industry expectations, frequent new product introductions and changes in customer requirements. There is always the risk that competitors may have substantially greater financial, marketing and technological resources than the AltoStratos Group and, as a result, may disrupt the AltoStratos Group’s business operations and market share.</td>
<td>Section 5.2.6</td>
</tr>
<tr>
<td>Loss of key suppliers</td>
<td>The AltoStratos Group business model and operations are dependent on ongoing distribution relationships with suppliers in competitive and evolving industries. There can be no guarantee that these relationships with key suppliers will continue or, if they do continue, that these relationships will continue to be successful or commercially viable for the AltoStratos Group.</td>
<td>Section 5.2.7</td>
</tr>
<tr>
<td>Loss of key management personnel</td>
<td>The AltoStratos Group’s ability to effectively execute its growth strategy depends on the performance and expertise of its key management personnel. The loss of these key management personnel, or any delay in their replacement, may adversely impact upon the AltoStratos Group’s future business and financial performance.</td>
<td>Section 5.2.8</td>
</tr>
<tr>
<td>Need to attract and retain skilled staff</td>
<td>The AltoStratos Group’s ability to effectively execute its growth strategy also depends on the skills, working relationship and continued services of its key staff. There is a risk that the AltoStratos Group may not be able to find effective replacements in a timely manner or recruit suitably qualified and talented staff in a time frame that meets its growth objectives.</td>
<td>Section 5.2.9</td>
</tr>
<tr>
<td>No long term or material contracts</td>
<td>The AltoStratos Group does not have any long term or material contracts with any of its suppliers, service providers or customers. There is a risk that any of the AltoStratos Group’s suppliers, service providers and customers may choose to stop utilising the services of the AltoStratos Group, which would impact upon the group’s ability to execute on its growth and operational strategy.</td>
<td>Section 5.2.10</td>
</tr>
<tr>
<td>Disruption or failure of technology systems</td>
<td>The AltoStratos Group is dependent on the performance, reliability and availability of its technology systems, including those provided by third party providers for the delivery of certain of its services. Any disruption or failure of the AltoStratos Group’s technology systems, including those provided by third party providers, may adversely affect the AltoStratos Group’s business and financial position.</td>
<td>Section 5.2.11</td>
</tr>
<tr>
<td>TOPIC</td>
<td>SUMMARY</td>
<td>FURTHER INFORMATION</td>
</tr>
<tr>
<td>----------------------------------------------------------------------</td>
<td>-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------</td>
<td>---------------------</td>
</tr>
<tr>
<td>Performance and reliability of websites, databases and operating systems</td>
<td>The AltoStratos Group’s operational performance is dependent on the availability and performance of the group’s websites, I.T. and management systems. Should these systems not perform adequately or be available this could result in transaction delays and/or the inability of customers to utilise the AltoStratos Group’s services, which could result in material reputational damage and financial losses for the AltoStratos Group.</td>
<td>Section 5.2.12</td>
</tr>
<tr>
<td>No assurance that future plans will be commercially successful</td>
<td>The AltoStratos Group intends to expand its business, including by expanding into new markets (through both organic growth and acquisitions in China, South Korea, Indonesia, the Philippines, Vietnam and Myanmar), expanding its Pan-Asian offering into the Australian market by building and operating fulfilment centres in Australia, growing B2B and B2C e-commerce on-demand fulfilment capabilities and developing new technologies to overcome RTM challenges in the Asia-Pacific region. These expansion plans involve many risks, including but not limited to capital expenditures incurred in respect of the costs of setting up new facilities, transaction costs for the acquisition of existing businesses, increased marketing and promotional expenses as well as other working capital requirements.</td>
<td>Section 5.2.13</td>
</tr>
<tr>
<td>Expansion into new markets</td>
<td>As the AltoStratos Group looks to expand its presence in China, South Korea, Indonesia, the Philippines, Vietnam and Myanmar as part of its growth strategy, it will become subject to the risks associated with doing business in regions which may have political, legal and economic instability, and unfamiliar legal and regulatory systems and frameworks. This gives rise to a number of risks in the foreign jurisdictions in which the AltoStratos Group may expand its operations, and could interrupt or have an adverse effect on parts of the AltoStratos Group's operations and financial performance.</td>
<td>Section 5.2.18</td>
</tr>
</tbody>
</table>

**1.4 Directors and Key Management**

**Who are the Directors of the AltoStratos Group?**
- Wrixon Gasteen, Independent Non-Executive Chairman Director;
- Lee Yuen Wai, Chief Executive Officer and Managing Director;
- Punya Tephassadin Na Ayudhaya, Executive Director;
- Long Ming Fai, Edwin, Non-executive Director;
- David Cornwell, Independent Non-Executive Director; and
- Michael Ray Herrington, Independent Non-Executive Director

**Who are the key management personnel of the Company and what is their expertise?**

The Company’s executive team is led by its Chief Executive Officer and Managing Director, Mr Lee Yuen Wai, who is supported by Mr Punya Tephassadin Na Ayudhaya, Executive Director.

Section 6.1.1

Section 6.1.2
**What are the Directors paid?**

The Non-Executive Directors will receive the following remuneration from Listing:

- Wrixon Gasteen - $100,000 per annum (including applicable superannuation)
- Long Ming Fai, Edwin - $60,000 per annum (including applicable superannuation)
- David Cornwell - $60,000 per annum (including applicable superannuation)
- Michael Ray Herrington - $60,000 per annum (including applicable superannuation)

Mr Lee Yuen Wai and Mr. Punya Tephassadin Na Ayudhaya are remunerated for their services in accordance with their respective employment contracts with the Company (details of which are set out in Section 6.2.4).

### 1.5 Interests, Benefits and Related Party Transactions

#### Who are the substantial Shareholders of the Company before the Offer and what will be their interest in the Company upon Completion of the Offer?

<table>
<thead>
<tr>
<th>Substantial Shareholder</th>
<th>As at the Prospectus Date</th>
<th>As at Completion of the Offer on the basis of the Minimum Subscription</th>
<th>As at Completion of the Offer on the basis of the Maximum Subscription</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Shares</td>
<td>%</td>
<td>%</td>
</tr>
<tr>
<td>Lee Yuen Wai</td>
<td>84,825,000</td>
<td>56.61</td>
<td>44.68</td>
</tr>
<tr>
<td>Long Ming Fai, Edwin</td>
<td>45,675,000</td>
<td>30.48</td>
<td>24.06</td>
</tr>
<tr>
<td>Mercurial Capital Limited</td>
<td>11,750,000</td>
<td>7.84</td>
<td>6.19</td>
</tr>
</tbody>
</table>

Note:
1. the above table does not take into account any Shares that any of the substantial Shareholders may acquire under the Offer.

#### What are the current interests of the Board in the Company, and what will the interests of the Board be following Completion?

<table>
<thead>
<tr>
<th>DIRECTOR</th>
<th>SHARES AS AT PROSPECTUS DATE</th>
<th>% AS AT PROSPECTUS DATE</th>
<th>SHARES AS AT COMPLETION ON THE BASIS OF THE MINIMUM SUBSCRIPTION</th>
<th>% AS AT COMPLETION ON THE BASIS OF THE MINIMUM SUBSCRIPTION</th>
<th>SHARES AS AT COMPLETION ON THE BASIS OF THE MAXIMUM SUBSCRIPTION</th>
<th>% AS AT COMPLETION ON THE BASIS OF THE MAXIMUM SUBSCRIPTION</th>
</tr>
</thead>
<tbody>
<tr>
<td>Wrixon Gasteen</td>
<td>NI</td>
<td>NI</td>
<td>NI</td>
<td>NI</td>
<td>NI</td>
<td>NI</td>
</tr>
<tr>
<td>Lee Yuen Wai</td>
<td>84,825,000</td>
<td>56.61</td>
<td>44.68</td>
<td>39.95</td>
<td>84,825,000</td>
<td>39.95</td>
</tr>
<tr>
<td>Punya Tephassadin Na Ayudhaya</td>
<td>NI</td>
<td>NI</td>
<td>NI</td>
<td>NI</td>
<td>NI</td>
<td>NI</td>
</tr>
<tr>
<td>Long Ming Fai, Edwin</td>
<td>45,675,000</td>
<td>30.48</td>
<td>24.06</td>
<td>21.51</td>
<td>45,675,000</td>
<td>21.51</td>
</tr>
<tr>
<td>David Cornwell</td>
<td>NI</td>
<td>NI</td>
<td>NI</td>
<td>NI</td>
<td>NI</td>
<td>NI</td>
</tr>
<tr>
<td>Michael Ray Herrington</td>
<td>NI</td>
<td>NI</td>
<td>NI</td>
<td>NI</td>
<td>NI</td>
<td>NI</td>
</tr>
</tbody>
</table>

Note:
1. the above table does not take into account any Shares the Directors may acquire under the Offer. Please refer to section 6 for further information.
<table>
<thead>
<tr>
<th>TOPIC</th>
<th>SUMMARY</th>
<th>FURTHER INFORMATION</th>
</tr>
</thead>
<tbody>
<tr>
<td>What significant benefits are payable to Directors and other persons connected with the Company or the Offer?</td>
<td><strong>Parties</strong></td>
<td><strong>Benefit</strong></td>
</tr>
<tr>
<td></td>
<td>Directors</td>
<td>Remuneration and fees</td>
</tr>
<tr>
<td></td>
<td>Management team</td>
<td>Remuneration pursuant to employment agreement with the Company</td>
</tr>
<tr>
<td></td>
<td>Advisers</td>
<td>Fees for services</td>
</tr>
<tr>
<td>Does the Company have any employee and executive incentive plan in place?</td>
<td>Currently, the Company does not have any employee or any executive incentive plan in place.</td>
<td>Section 6</td>
</tr>
<tr>
<td></td>
<td>However, in the future, the Board may determine to put in place an employee and/or executive incentive plan for the Company.</td>
<td></td>
</tr>
<tr>
<td>What escrow arrangements will be in place as at Completion?</td>
<td>Subject to the Company being admitted to the Official List, it is anticipated that the ASX will treat up to approximately 142,928,459 Shares as restricted securities for the purposes of the ASX Listing Rules.</td>
<td>Section 9.4</td>
</tr>
<tr>
<td></td>
<td>The Company will announce to the ASX full details (quantity and duration) of the Shares that are ‘restricted securities’ and that will be held in escrow prior to the Shares commencing trading on ASX.</td>
<td></td>
</tr>
<tr>
<td>Have there been significant related party transactions prior to the Offer?</td>
<td>No.</td>
<td>Section 9.6</td>
</tr>
</tbody>
</table>

**1.6 Summary of the Offer**

**What is the Offer?**

This Prospectus provides investors with the opportunity to participate in the Offer to acquire Shares in the Company to be quoted on ASX.

Under the Offer, the Company is offering 40,000,000 Shares at $0.40 per Share to raise the Minimum Subscription (being, $16,000,000) with the right to accept oversubscriptions of up to a further 22,500,000 Shares at $0.40 per Share (being $9,000,000) to raise the Maximum Subscription (being, $25,000,000).

**How is the Offer structured?**

The Offer will consist of:

- the Institutional Offer;
- the Chairman’s List Offer; and
- the Retail Offer.

**What rights and liabilities attach to the Shares being offered under this Prospectus?**

A description of the Shares, including the rights and liabilities attaching to them is set out in Section 9.5.
<table>
<thead>
<tr>
<th>TOPIC</th>
<th>SUMMARY</th>
<th>FURTHER INFORMATION</th>
</tr>
</thead>
<tbody>
<tr>
<td>Why is the Offer being conducted?</td>
<td>The Offer is being conducted by the Company to:</td>
<td>Section 7.2</td>
</tr>
<tr>
<td></td>
<td>• provide the Company with the opportunity to raise the funds under the Offer and also provide access to capital markets in order to provide the AltoStratos Group with the financial flexibility to pursue its goals (as further detailed in Section 2.2);</td>
<td></td>
</tr>
</tbody>
</table>
|                                            | • provide a liquid market for the Company’s Shares; and  
|                                            | • provide the Company, and by extension the AltoStratos Group, with the benefits of an increased profile arising from being listed on the ASX.                                                       |                     |
| What is the capital structure of the Company following Completion of the Offer? | On Completion, the Company will have on issue:                                                                                                                                                      | Section 7.3          |
|                                            | • 189,835,366 Shares, on the basis of the Minimum Subscription; and  
|                                            | • 212,335,366 Shares, on the basis of the Maximum subscription.                                                                                                                                       |                     |
|                                            | For further details on the capital structure see Section 7.3.                                                                                                                                           |                     |
| Will the Shares be quoted on ASX?          | The Company will, within seven days of the Prospectus Date, apply to ASX for admission to the Official List and quotation of the Shares under the Code ATO.                                                | Section 7.5          |
| What is the allocation policy?             | The Company will determine the allocation of Shares under the Offer at its discretion.                                                                                                             | Section 7.5          |
| What is the minimum Application under the Offer? | The minimum Application under the Retail Offer is 5,000 Shares (being worth $2,000), and in multiples of 1,250 Shares (being worth $500) thereafter. There is no maximum value of Shares that may be applied for under the Retail Offer. | Section 7.5          |
| Has the Company appointed a Lead Manager or Underwriter to the Offer | No. No lead manager or underwriter has been appointed by the Company for the purposes of the Offer.                                                                                                    | Section 7.5          |
| How do I apply for Shares?                | • Chairman’s List Offer Applicants, being those who received a personalised invitation to apply for Shares under the Chairman’s List Offer, should follow the instructions in their personalised invitation.  
<p>|                                            | • Retail Offer Applicants may apply for Shares by completing a valid Application Form attached to or accompanying this Prospectus or available online together with this Prospectus at <a href="http://www.altostratos.com/investor">www.altostratos.com/investor</a>. | Section 7.5          |
|                                            | To the extent permitted by law, an Application by an applicant under the Offer is irrevocable.                                                                                                         |                     |
| When will I know if my Application has been successful? | A holding statement confirming your allocation under the Offer will be sent to you if your Application is successful.                                                                                        | Section 7            |
| What happens if the Minimum Subscription is not achieved? | If the Company does not receive Applications for the Minimum Subscription (being $16,000,000) before the expiration of four months after the Prospectus Date, the Company will not allot or issue any Shares and all Application Monies will be refunded in full (without interest) as soon as possible in accordance with the requirements of the Corporations Act. | Section 7.5          |</p>
<table>
<thead>
<tr>
<th>TOPIC</th>
<th>SUMMARY</th>
<th>FURTHER INFORMATION</th>
</tr>
</thead>
<tbody>
<tr>
<td>Can the Offer be withdrawn?</td>
<td>Yes. Separate to whether or not the Company achieves the Minimum Subscription under the Offer, the Company reserves the right not to proceed with the Offer at any time before the issue of Shares to Successful Applicants. If the Offer does not proceed, Application Monies will be refunded. No interest will be paid on any Application Monies refunded as a result of the withdrawal of the Offer.</td>
<td>Section 7</td>
</tr>
<tr>
<td>What is the Company's dividend policy?</td>
<td>The policy of the Company will be to invest all cash flow into the business in order to maximise the growth potential of the Company. Accordingly, no dividends will be paid for the foreseeable future following the Company’s listing on the ASX and the Board cannot and does not give any assurance as to the extent, timing, level, franking or payment of dividends in the future. Any future dividend payment will be at the discretion of the Board.</td>
<td>Section 4.14</td>
</tr>
<tr>
<td>Is there any brokerage, commission or stamp duty considerations?</td>
<td>No brokerage, commission or stamp duty is payable by Applicants on the acquisition of Shares under the Offer.</td>
<td>Section 7.5</td>
</tr>
<tr>
<td>What are the tax implications of investing in the Shares?</td>
<td>Given that the taxation consequences of an investment will depend upon the investor’s particular circumstances, it is the obligation of each investor to make their own enquiries concerning the taxation consequences of an investment in the Company. An overview of the tax treatment for Australian resident investors is included in Section 9.11 of this Prospectus.</td>
<td>Section 7.5</td>
</tr>
<tr>
<td>How can I obtain further information?</td>
<td>Call the Offer Information Line on 1300 737 760 (within Australia) or +61 2 9290 9600 (outside Australia) between 8:30 am and 5:30 pm (Sydney Time), Monday to Friday (Business Days only). If you are unclear in relation to any matter or are uncertain as to whether an investment in the Company is suitable for you, you should consult with your stockbroker, solicitor, financial advisor, accountant or other independent professional adviser before deciding whether to invest.</td>
<td>Section 7</td>
</tr>
</tbody>
</table>
1.7 Proposed Use of Funds

Table 1: Proposed Use of Funds

<table>
<thead>
<tr>
<th>USE OF FUNDS</th>
<th>OFFER PROCEEDS (A$)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>On the basis of the</td>
</tr>
<tr>
<td></td>
<td>Minimum Subscription</td>
</tr>
<tr>
<td></td>
<td>On the basis of the</td>
</tr>
<tr>
<td></td>
<td>Maximum Subscription</td>
</tr>
<tr>
<td>Research &amp; Development¹</td>
<td>2,600,000</td>
</tr>
<tr>
<td>Development of an Australian Fulfilment Centre²</td>
<td>6,400,000</td>
</tr>
<tr>
<td>Offer Costs</td>
<td>1,300,000</td>
</tr>
<tr>
<td>Group Premises &amp; Equipment³</td>
<td>1,600,000</td>
</tr>
<tr>
<td>Group Capex/Working Capital³</td>
<td>4,100,000</td>
</tr>
<tr>
<td>Total</td>
<td><strong>16,000,000</strong></td>
</tr>
</tbody>
</table>

Notes
1. The AltoStratos Group intends to enhance and expand its existing B2B and B2C e-commerce platforms to further improve the user experience and functionality. At the same time, the group plans to make further investments into customised technology that will enable the group to achieve greater integration with its global customers and network of resellers to enhance its visibility across the supply-chain.

2. The AltoStratos Group intends to expand its Pan-Asian offering into the Australian market. As part of its Australian expansion strategy, the AltoStratos Group intends to build and operate fulfilment centres in Australia. In particular, the AltoStratos Group plans to establish automated fulfilment centres in certain Australian cities, which at the Prospectus Date is anticipated to be Sydney and Melbourne and potentially Brisbane and Perth, within the next 18 to 24 months. In respect of each fulfilment centre to be established in Australia, this would include the building of automated storage and retrieval systems, software integration with global brands, and last-mile fulfilment capabilities. The number and size of the fulfilment centres to be established in Australia will ultimately be dependent on the fulfilment model that will be adopted with respect to the AltoStratos Group’s intended Australian expansion. Accordingly, the Use of Funds allocated to the “Development of an Australian Fulfilment Centre” at the Minimum Subscription Amount (as set out above) may be applied by the group to the costs associated with the establishment of only one (or potentially more) fulfilment centres in Australia, as the costs will vary depending on the ultimate fulfilment model to be adopted in this regard.

3. The AltoStratos Group plans to expand into fast growing markets such as China, South Korea, Indonesia, the Philippines, Vietnam and Myanmar. This expansion will incur new capital and operating costs associated with the AltoStratos Group’s expansion plans as well as transaction costs relating to the establishment of new businesses and acquisition of existing businesses in these jurisdictions. In particular, the Use of Funds allocated to “Group Premises and Equipment” at the Minimum Subscription Amount (as set out above) is the anticipated average cost associated with the potential establishment of one (or potentially two) new business entities in any of these jurisdictions, inclusive of costs associated with office and warehouse equipment and fit-out.

The Board believes that on Completion the Company will have sufficient funds available from the cash proceeds to fulfil the purposes of the Offer and meet the Company’s current stated business objectives.

Additional funds raised beyond the Minimum Subscription will be combined with existing cash reserves to further increase the strength of the Company’s balance sheet to fund ongoing operational costs of the Company and, to the extent possible, to execute on the AltoStratos Group’s growth strategy (as detailed in Section 2.4).

The above table is a statement of current intentions as at the Prospectus Date based on the Company’s present plans and business conditions. Investors should note that, as with any budget, the allocation of funds set out in the table above may change depending on a number of factors, including the outcome of sales success, operational and development activities, regulatory developments and market and general economic conditions, and also having regard to the risks specified in Section 5 of the Prospectus. In light of this, the Board reserves the right to alter the way in which the funds are applied with respect to the Company’s current stated business objectives and/or alter the Company’s business objectives (as applicable). More generally, the Board may consider the use of further equity or debt funding if appropriate to further accelerate growth or fund the Company’s current stated business objectives, or otherwise a specific project, transaction or acquisition opportunity (including if the Company’s stated business objectives change).
BUSINESS OVERVIEW
SECTION 2
2. BUSINESS OVERVIEW

2.1 The AltoStratos Group Corporate Structure

2.1.1 The Company

The Company is the ultimate holding company of the AltoStratos Group.

The Company was established on 23 June 2015 as a proprietary company limited by shares registered in Victoria and was converted to a public company limited by shares on 27 March 2018.

The AltoStratos Group is comprised of:

- the Company, being the ultimate holding company of the AltoStratos Group;
- Altostratos Holdings Pte Ltd;
- Digiland (Thailand) Ltd (Digiland);
- Infonet Systems & Services Pte Ltd (Infonet); and
- Altostratos (Malaysia) Sdn Bhd (Altostratos Malaysia)

1. Digiland (Thailand) Limited currently holds a minority interest in TTDG Co., Ltd (a company incorporated in Thailand), an entity which does not form part of, and has no role in, the AltoStratos Group. As at the Prospectus Date, TTDG Co., Ltd is in the process of being wound up. However, as Digiland (Thailand) Limited is only a minority shareholder in this entity, the timing of the winding up process is outside the control of the Board.
2.1.2 Altostratos Holdings Pte Ltd

Altostratos Holdings Pte Ltd is the immediate holding company of the AltoStratos Group’s operating entities and is the operational headquarters for the AltoStratos Group.

Altostratos Holdings Pte Ltd provides the following key functions for the AltoStratos Group:

- strategic management services;
- financial management services;
- group-wide shared services; and
- R&D and innovation centre.

Altostratos Holdings Pte Ltd is strategically located in relation to the group’s key spheres of operations in North Asia and Australasia. Altostratos Holdings Pte Ltd supports the AltoStratos Group’s operational requirements throughout the region and provides critical group-wide services and solutions.

2.1.3 Digiland (Thailand) Ltd

Digiland, which has been operating in Thailand since 1993, was acquired by the AltoStratos Group in July 2016 from Mercurial Capital Limited.

Under Thailand Corporate Law, companies are required to have a minimum of three shareholders. Accordingly, Altostratos Holdings Pte Ltd holds all of the shares on issue in Digiland, being 12,700,000 ordinary shares directly and beneficially, as follows:

- Altostratos Holdings Pte Ltd holds both legal and beneficial title to 12,699,998 ordinary shares on issue in Digiland; and
- Mr Lee Yuen Wai and Dr Long Ming Fai Edwin each hold legal title to 1 ordinary share on issue in Digiland on behalf of Altostratos Holdings Pte Ltd.

Digiland is a sales, marketing and technical support oriented company that provides solutions for various I.T. requirements and serves the IndoChina markets. Digiland also provides warehouse and fulfillment services for its customers selling into the wider IndoChina markets.

Along with Infonet and Altostratos Malaysia (see below), Digiland is one of the three key operating entities in the AltoStratos Group.

2.1.4 Infonet Systems & Services Pte Ltd

Infonet, which has been operating in Singapore since 1983, is a wholly owned subsidiary of the Company through Altostratos Holdings Pte Ltd, and was acquired by Altostratos Holdings Pte Ltd from Mercurial Capital Limited in July 2016.

Infonet is a technology company that provides its customers with end-to-end quality solutions in all areas of I.T. Infonet’s core competencies include systems migration, network management, extended support services, consultancy and professional training certification.

Infonet serves the South-East Asian markets and along with Digiland and Altostratos Malaysia is one of the three key operating entities in the AltoStratos Group.

2.1.5 Altostratos (Malaysia) Sdn Bhd

Altostratos Malaysia, which has been operating in Malaysia since 2016, serves the needs of the domestic I.T. and consumer electronics market as well as supporting the Altostratos Group’s operations in South-East Asia. Along with Digiland and Infonet, Altostratos Malaysia is one of the three key operating entities in the AltoStratos Group.
2.2 Introduction to the AltoStratos Group

2.2.1 Pan-Asian vertically-integrated omni-channel adaptive RTM solutions partner of leading I.T. brands and manufacturers.

Although the Company was incorporated in June 2015, the main operating entities of the AltoStratos Group, Digiland and Infonet, have been in operation and have represented leading I.T. brands in Asia for over 25 years and 30 years respectively.

As a key link in the RTM supply chain, the AltoStratos Group creates sales and profitability opportunities for the group’s customers and other stakeholders in the I.T. channel. The AltoStratos Group offers technology, solutions, sales channels, local knowledge, insight and supply chain processes to simplify market access for global brands, providing the AltoStratos Group’s customers with a combination of traditional and digital channel strategies across the Asia-Pacific Region.

FIGURE 2: ALTOSTRATOS GROUP OVERVIEW

- **Established Operating Track Record**: AltoStratos Group members have been representing global I.T. brands for more than 25 years.
- **Strong Asian Presence**: Strategically located across the Asia-Pacific from North-Asia, through Indochina, South-East Asia and into Australasia.
- **Data Analytics & Market Insight**: Strategies driven by market intelligence and local knowledge.
- **Innovation**: Creating new technologies and solutions to meet changing market trends.
- **Functional Excellence**: Integrated operations planning and execution that effectively aligns complex paths-to-markets with customer needs and buying behaviour.
The AltoStratos Group members play multiple roles in both the online and offline I.T. channel RTM supply chain including as distributor, VAR, online B2B and B2C e-commerce stores, system integrator, repair and customer service centre, fulfilment centre, and warehousing and logistics partner across the Asia-Pacific region.

The AltoStratos Group’s on-demand adaptive RTM technologies deliver seamless, efficient and robust solutions across multiple distribution channels and geographies.

By vertically integrating global brands within Pan-Asian distribution networks, downstream omni-channel sales channels and last-mile fulfillment capabilities, the AltoStratos Group’s vertically integrated business strategy enables the AltoStratos Group to achieve the following outcomes for its customers:

- competitive advantages;
- margin consolidation;
- operational efficiencies;
- acceleration of geographical expansion;
- lower transaction costs;
- improved market intelligence gathering and improve response to changing market conditions;
- diversified revenue streams; and
- economies of scale.

FIGURES 3: ALTOSTRATOS KEY RTM SERVICES
2.2.2 Strong Pan-Asian Presence

The AltoStratos Group’s members are located in Thailand, Malaysia, Singapore and Australia.

These strategically located regional offices enable the AltoStratos Group to extend its geographical area of operations from North-Asia through Indochina, South-East Asia and into Australasia.

The AltoStratos Group’s significant Pan-Asian footprint, which combines local knowledge with a corporate presence, enables the AltoStratos Group to offer global brands a complete solution to transact and conduct business in these fast growing markets.

Maintaining close links with channel partners and end-users across the Asia-Pacific region, the AltoStratos Group provides I.T. brands with the opportunity to obtain improved demand visibility, country and regional demand consolidation, and forecasting.

The AltoStratos Group utilises established relationships and local knowledge to determine the right channel strategies to meet the needs of customers in each Asian market, in order to navigate the proliferation of channels for connecting, engaging and selling to clients, customers and end-users.

The AltoStratos Group’s extensive regional network, robust understanding of diverse customer expectations and government regulations, enable the AltoStratos Group to build scalable and cost-effective RTM strategies and solutions for its clients.

Having an established presence in local markets, close to customers, enables the AltoStratos Group to anticipate, prepare for and react with agility and speed to changes and new developments in the market.
2.2.3 Data Analytics & Market Insight

Digital innovation may be driving RTM change, but customer decision-making still plays a central role in determining effective RTM strategies. Capturing and optimising customer data to frame business decisions is fundamental to delivering services and meeting customer needs.

The AltoStratos Group delivers meaningful insights and conclusions that create competitive advantages for its customers. The AltoStratos Group’s market insights are founded on an ability to analyse and understand the various buying behaviours of the B2B and B2C I.T. buyer across traditional and digital channels, and to create proactive sales and marketing initiatives that engage and interact with key customers. The AltoStratos Group uses its comprehensive data insights to determine the right channel strategies to meet the needs of global I.T. brands in each Asian market in which it operates.

The AltoStratos Group also provides its customers with detailed analysis of their true ‘cost-to-serve’, including:

- analysis of profitability by customer, product, service and channel;
- expense allocation by both activity and customer type;
- granular views of costs and the natural cost element levels; and
- forecast scenarios of future costs and profits.

By leveraging customised data management systems to drive service delivery improvements and enhance the overall quality of the purchasing and aftersales experience in order to address real-time needs, the AltoStratos Group is able to deliver comprehensive value and support to global I.T. brands.

The AltoStratos Group’s organisation-wide shared and optimised data tools and analytic capabilities, coupled with the group’s sophisticated back-end reporting, accurate product and stock management data and contextualised customer and market information, enable sales, marketing and service teams to efficiently respond to a broad range of customer requirements.

In this regard, the AltoStratos Group’s customers are able to leverage on the group’s data collation, analysis and management expertise, utilising the group’s established networks and an on-the-ground knowledge of shifting consumer, business and legal trends to further their sales strategies and operations.
2.2.4 Innovation

One of the AltoStratos Group’s core values is the group’s ceaseless drive to create customised solutions for its customers to meet changing market trends.

By pre-emptively building new capabilities, reinventing successful business models and reallocating resources to optimise new opportunities, the AltoStratos Group assists its customers to optimise organisational capacity, adapt to changing markets and improve predictability. The AltoStratos Group leverages on innovation and technology to meet consumer demands for a seamless ‘order from anywhere, fulfil from anywhere’ buying experience.

The AltoStratos Group’s Ship ‘N’ Collect service provides customers with the convenience of ordering online and collecting from its more than 4000 brick-and-mortar reseller points across Asia, including I.T. chain stores, supermarkets and independent and specialty I.T. stores. At the same time, Ship ‘N’ Collect provides customers with the ability to ship product returns and repairs to manufacturers via the reseller points or through a courier pick-up service.

By converging the traditional indirect sales channels of brick-and-mortar retail shops with domestic and cross-border e-commerce, the AltoStratos Group provides its customers with the necessary infrastructure to maximise sales opportunities in both the online and offline I.T. channels in the Asia-Pacific Region.

In the case of highly specialised products and value-added solutions, where end-users are unable to simply ‘click and purchase’ due to complex technical attributes requiring careful explanation, the AltoStratos Group works with brand owners to develop and deploy tailored product and service delivery solutions that add clearly defined value and endure for a defined period after the initial purchase has been concluded.

2.2.5 Functional Excellence

In many Asian markets, distribution networks have developed based on local market characteristics, geographies and infrastructure limitations. In some cases, active and passive wholesalers, distributors and sub-distributors may all be operating in the same market, which can reduce transparency and obstruct the desired distribution coverage.

The AltoStratos Group’s core competencies in service excellence enables customers to adapt to changing market requirements. The AltoStratos Group adopts a holistic approach to managing its customer’s sales journeys by mapping each customer’s omni-channel strategies through the sales funnel in order to equip customers with the tools to react to and deliver their product and service offerings in light of changing trading conditions.

The AltoStratos Group’s vertically-integrated omni-channel adaptive RTM solutions align the complex paths-to-market in Asia with customers’ needs and buying behaviour.

Leveraging customised omni-channel technology platforms and service management tools, the AltoStratos Group combines extensive industry and product knowledge with structured sales and service capabilities.

These technology platforms and service management tools integrate data analytics, customer relationship management, in-house information and enterprise planning and resource systems to provide customers with constant access to up-to-date, precise performance and service data.
The AltoStratos Group has a B2B network of more than 4,000 brick-and-mortar reseller points across the Asia-Pacific region comprising dealers, chain stores, specialty stores, VARs, supermarkets and other retailers.

Although online sales in the Asia-Pacific region are growing at a rapid pace, most consumers still prefer to purchase from traditional brick-and-mortar stores. In-store experience has a significant impact on overall sales volumes both online and offline. Even if the final point of purchase is online, the brand connections made in-store will carry over and impact online purchase decisions.

The AltoStratos Group’s omni-channel strategy, in which mobile, online and in-store experiences complement, rather than compete with one another, is an essential pillar of the AltoStratos Group’s business model.

The AltoStratos Group’s physical brick-and-mortar network allows the AltoStratos Group to:
- reach consumers in areas where online shopping has not achieved widespread adoption;
- reach consumers who want to ‘touch, feel and experience’ a product before purchase;
- sell to consumers who prefer to ROPO;
- leverage on the physical brick-and-mortar network for its Ship ‘N’ Collect service; and
- extend the offline product offerings of its network partners onto the AltoStratos Group’s e-commerce marketplace.

Diverse regulatory environments in Asia also provide unique challenges, especially for companies operating in the I.T. industry due to varying registration procedures for products in different markets, while the import of certain products may be prohibited altogether.

The AltoStratos Group continually monitors the relevant regulations in each market to ensure customer products are in compliance with the supervisory frameworks, systems and certification schemes in each country in which the customer’s products are sold.
2.2.7 The AltoStratos Group’s B2B and B2C e-Commerce Platforms

The AltoStratos Group delivers customised e-commerce B2B and B2C buying experiences for multi-tier distribution channels including brand owners, OEMs, channel partners, distributors, dealers, resellers, service providers and consumers.

**B2B Customised Platform**

**TechDirect.Asia**

TechDirect.Asia is a customised e-commerce platform of the AltoStratos Group, which broadens the AltoStratos Group’s offering to its global I.T. customers by enhancing the ability of global I.T. brands to reach their enterprise and small and mid-sized business customers in Asia via a one-stop e-commerce channel which complements the customer’s offline sales channel strategies and online presence.

Recognising that the needs of business and corporate buyers differ greatly from those of consumers, TechDirect.Asia helps buyers get complete visibility across the range of I.T. solutions through a holistic, unified view of the path-to-purchase. By providing the full product catalogue, specifications, pricing and in-country stock availability for each brand, TechDirect.Asia enables B2B buyers to reduce the amount of time spent online researching for products and solutions.

Additionally, corporate buyers on TechDirect.Asia have access to live online pre-sale technical support, detailed product comparisons, product customisation, online payment, on-demand fulfilment, order tracking, and even post-sale service and support.

**TechSeller.Asia**

TechSeller.Asia is another customised B2B e-commerce platform of the AltoStratos Group that connects global I.T. brands, OEMs, channel partners, dealers, resellers, service providers and systems integrators with the group’s network of more than 4000 physical brick-and-mortar and e-commerce platforms across the Asia-Pacific region.

**B2C Customised Platform**

**TechDeals.Asia**

TechDeals.Asia, which is another customised e-commerce platform of the AltoStratos Group, is a dedicated online I.T. B2C marketplace, which provides the AltoStratos Group’s channel partners – including global brands, manufacturers, dealers, chain stores and specialty stores, among others, with the ability to showcase and sell their products online using the AltoStratos Group’s e-commerce expertise and market reach. In addition, TechDeals.Asia also provides consumers with all the best online I.T. and consumer electronics deals in one place.

By developing and hosting online e-commerce platforms for global I.T. firms, the AltoStratos Group helps its customers address the greater price transparency, enhanced search functionality, ratings and reviews, and personalised product and service recommendations demanded by changing B2B and B2C buying behaviour.
2.3 The AltoStratos Group’s Revenue Model

The Company generates revenue through the operations of the AltoStratos Group, which encompasses the following activities:

- the selling of I.T. and consumer electronics products through the group’s distribution channels and customised online B2B and B2C e-commerce platforms;
- the provision of fulfilment services to global I.T. and consumer electronics brands and manufacturers and channel partners; and
- the provision of repair and service centres in the Asia-Pacific region to global brands and manufacturers.

The AltoStratos Group’s activities are set out in detail in this Section 2.

2.4 The AltoStratos Group’s Growth Strategy

The AltoStratos Group’s growth strategy is set out below. The AltoStratos Group intends to execute on its growth strategy within 18-24 months after Listing. Although each component of the growth strategy (as detailed below) forms a key and related part of the strategy as a whole, the growth strategy will be pursued by the group in the following order:

a. Expanding the Pan-Asian offering into the Australian market

The AltoStratos Group intends to expand its Pan-Asian offering into the Australian market. As part of its Australian expansion strategy, the AltoStratos Group intends to build and operate fulfilment centres in Australia. In particular, the AltoStratos Group plans to establish automated fulfilment centres in certain Australian cities, which at the Prospectus Date is anticipated to be Sydney and Melbourne and potentially Brisbane and Perth, within the next 18 to 24 months. In respect of each fulfilment centre to be established in Australia, this would include the building of automated storage and retrieval systems, software integration with global brands, and last-mile fulfilment capabilities.

The number and size of the fulfilment centres to be established in Australia will ultimately be dependent on the fulfilment model that will be adopted with respect to the AltoStratos Group’s intended Australian expansion. In this regard, various variables will need to be considered by the AltoStratos Group with respect to the fulfilment model to be adopted, for example, whether the Australian fulfilment centres will hold products on hand (such as in the case of Digiland Thailand that operates a large warehouse) or otherwise operating on-demand fulfilment, whether products will be sourced from local suppliers in Australia or otherwise from overseas, and whether the fulfilment centres will be providing reverse logistics.

As at the Prospectus Date, the AltoStratos Group continues to consider the most suitable fulfilment model that is to be adopted with respect to the Australian fulfilment centres as part of its intended expansion into Australia. In addition, the AltoStratos Group has not, at this time, identified any specific sites for the Australian fulfilment centres within those major Australian cities identified for its expansion or entered into any contractual negotiations with respect to its intended expansion into Australia.

After Listing, the Company intends to finalise the fulfilment model to be adopted with respect to the Australian fulfilment centres and will provide all material updates to investors in this regard.

b. Expanding into new markets through both organic growth and acquisitions in China, South Korea, Indonesia, the Philippines, Vietnam and Myanmar

The AltoStratos Group intends to expand into fast growing markets such as China, South Korea, Indonesia, the Philippines, Vietnam and Myanmar through both the establishment of new businesses and acquisition of existing businesses in these jurisdictions.

As at the Prospectus Date, the Company is actively assessing a number of strategic asset and business acquisitions in these jurisdictions, including, businesses that are currently operating as fulfilment centres. However, none of these opportunities being assessed are, at this time, sufficiently advanced or complete. The Company will provide all material updates to investors upon entry into any material transaction.
Asian markets demand agility and speed from competitive players when reacting to changing market conditions. Companies must seamlessly navigate the proliferation of channels for connecting, engaging and selling to clients, customers and end-users.

While Asia’s urban centres drive dynamic new patterns of demand, companies seeking to expand their reach across geographies are reaching out to previously untapped rural areas in Asia. The broader availability of internet access is empowering rural consumers to purchase products online, bringing them increasingly into the RTM equation.

The AltoStratos Group’s expansion into new markets will increase the group’s presence in local markets providing the group with close contact to end-users. This enables the AltoStratos Group to anticipate and better prepare for changes and new developments impacting on the group’s customers.

c. Growing B2B and B2C e-commerce on-demand fulfilment capabilities

The digital revolution has added speed and dynamism to both the B2B and the B2C procurement process, creating new counterpoints for I.T. companies to reallocate resources, drive innovation and improve service delivery, both in national and cross-border markets.

Supply chains have become more automated and efficient, improving warehouse utilisation and product availability. This makes it easier for new technologies to trade across geographical barriers.

d. Developing new technologies to overcome RTM challenges in Asia

As Asia’s economic and infrastructure capabilities and demographic structures shift and realign, companies are looking to optimise and overcome the fragmented routes of access to customers in more focused ways.

The growth of online-savvy urban consumers creates both new opportunities as well as new supply chain pressures for global I.T. brands. At the same time, the diversity (in terms of both format and location) of traditional brick-and-mortar stores in Asia adds complexity to RTMs, especially in large geographical markets such as China, Thailand, the Philippines, Vietnam and Indonesia. Further, cross-border trading and trading in previously untapped regional areas creates additional logistical, distribution and after-sales service challenges.

Utilising a combination of digital, modern and traditional trade channels as part of a balanced omni-channel strategy requires new levels of flexibility across the entire value chain in order to react to fluid and fast moving trading conditions in Asian markets.

As business demands multiply across Asia, data-enabled smart logistics, warehousing and distribution simplify both ordering and stock management.

Technologies and solutions that enable flexible and resilient supply chains and RTMs are vital to enable companies to compete in the Asian consumer economy of the future. For I.T. manufacturers, the challenge to seamlessly manage digital and traditional channels across urban and rural geographies is becoming more complex and more resource intensive. Finding the right RTM partner with proven technologies and solutions has become a critical business decision.
INDUSTRY OVERVIEW
SECTION 3
3. INDUSTRY OVERVIEW

3.1 Introduction

The AltoStratos Group is focused on the I.T. and consumer electronics market within the Asia-Pacific region. The group serves as a Pan-Asian, vertically integrated omni-channel adaptive RTM solutions partner of leading I.T. and consumer electronic brands and manufacturers.

The AltoStratos Group assists global I.T. brands in overcoming B2B and B2C supply chain and RTM challenges by developing and deploying customised, omni-channel routes-to-market solutions. Specifically, the AltoStratos Group sells into both the B2B and B2C online and offline channels across the Asia-Pacific region playing multiple roles, including as:

• distributor and value-added reseller;

• online B2B and B2C e-commerce marketplace platform provider, through its:
  • B2B customised platforms, TechDirect.Asia and TechSeller.Asia; and
  • B2C customised platform, TechDeals.Asia;

• system integrator;

• repair and customer service centre, fulfilment centre, and warehousing and logistics partner.

The combination of vertical integration and online sales channels with the AltoStratos Group's network of more than 4,000 brick-and-mortar dealers, resellers and service providers, enables the group to provide its customers with a seamless and consistent shopping experience across various channels and devices.

Further information regarding the AltoStratos Group is provided in Section 2.

This Section 3 provides relevant industry information for the key market areas that the AltoStratos Group operates within, along with key trends impacting these markets relevant to the AltoStratos Group as at the Prospectus Date.
3.2 Consumer e-Commerce

**Native Mobile Commerce**
Agile and short acting platforms, specifically designed for the mobile experience. Prerequisites for a strong mobile strategy include strong branding and intuitive and useable apps to create a seamless shopping experience.

**Delivery Solutions**
Service and product delivery experiences require ambitious and innovative solutions. These include delivering time-sensitive items by drone and simplifying deliveries for customers through exact delivery times.

**VoiceCommerce & Smart Re-Ordering**
Using voice commands to place orders via smart agents, although generally not practical for initial orders, can be convenient for repeat orders and is on the rise. As are other services used to simplify the reorder process. For basic items requiring little consideration, consumers may employ subscription services for items that they need regularly and in predetermined quantities or use on-demand ordering.

**Loyalty & Memberships**
Merchants can successfully increase customer engagement, as well as basket sizes and purchase frequency, through the cultivation of customer loyalty. Strategies include offering special offers and advantages (content, discounts, faster deliveries, special products, etc.) to participants in shopping clubs or membership programs.

**Marketplaces & Search Engine Optimisation**
Winning the marketplace race requires expertise in areas including customer service, logistics, payments, and search engine optimisation. Marketplace competition is high in terms of price and product quality, meaning many consumers find marketplaces the perfect choice for most products.

**Checkout & Payment Simplification**
Reducing the checkout and payment process to as few steps as possible is a proven method for driving adoption of online shopping. The simplest checkout methods can require as little as a single click.
Consumers are spending more of their income online in every region of the world, including in the Asia-Pacific region. Almost half of the global e-commerce revenue comes from the Asian market, where revenue is expected to show an annual growth rate of 11.3% between 2018 and 2022.

<table>
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<td>1,771.0</td>
<td>2,052.7</td>
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</tbody>
</table>

SOURCE: EMARKETER 2018


B2C e-commerce sales (in billions)

% change

2012  2013  2014  2015  2016  2017

1,058  1,251  1,504  1,771  2,052  2,357

22.3%  18.3%  20.2%  17.7%  18.9%  14.8%

SOURCE: STATISTA 2018

**FIGURE 4: GLOBAL COMPARISON – PROJECTED E-COMMERCE REVENUE IN MILLION US$ IN 2018**
Consumer Electronics

Sales of consumer electronics makes up a large amount of revenue in the Asia-Pacific region, amounting to a projected USD 178,576 million market volume in 2018.

As technology continues to evolve consumer desire for the newest products remains strong as early adopters seek to update their devices to the season’s newest model.

Asia and Australasia’s desire for new technology is also represented by the region’s trends towards the so-called ROPO-phenomenon. While online purchases of consumer electronics are common, even more common is the practice of researching electronics online and purchasing them in person.

Consumer utilisation of both online and offline shopping channels speaks to the vital importance of omni-channel strategies by retailers. Omni-channel retailing is no longer a future aspiration but is rather a requirement for retailers who wish to remain competitive in today’s evolving market.

**FIGURE 5 : E-COMMERCE – ELECTRONICS & MEDIA – CONSUMER ELECTRONICS**

<table>
<thead>
<tr>
<th>Countries</th>
<th>Revenue in million US$</th>
<th>User in millions</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2018</td>
<td>2022</td>
</tr>
<tr>
<td>China</td>
<td>114,909</td>
<td>168,430</td>
</tr>
<tr>
<td>Japan</td>
<td>16,711</td>
<td>21,772</td>
</tr>
<tr>
<td>South Korea</td>
<td>8,348</td>
<td>11,293</td>
</tr>
<tr>
<td>India</td>
<td>4,820</td>
<td>9,410</td>
</tr>
<tr>
<td>Indonesia</td>
<td>1,178</td>
<td>2,085</td>
</tr>
<tr>
<td>Thailand</td>
<td>940</td>
<td>1,238</td>
</tr>
<tr>
<td>Hong Kong</td>
<td>894</td>
<td>1,305</td>
</tr>
<tr>
<td>Singapore</td>
<td>770</td>
<td>1,130</td>
</tr>
<tr>
<td>Vietnam</td>
<td>617</td>
<td>874</td>
</tr>
<tr>
<td>Philippines</td>
<td>405</td>
<td>624</td>
</tr>
<tr>
<td>Malaysia</td>
<td>305</td>
<td>414</td>
</tr>
</tbody>
</table>

**FIGURE 6 : CONSUMER ELECTRONICS TRENDS 2018**

1. Convertible Tablets/Laptops
2. Smart Home Devices
3. Augmented Reality
4. Companion Robots
5. Chip Wars
6. Artificial Intelligence
7. Health Sensors
8. 5G Technology
9. Smarter Cars
10. Facial Recognition
11. Virtual Reality
12. Smart Cities
13. Connected Devices
14. Wireless Charging
15. Micro LED TV
16. 3D Printers
17. Boosted Performance
18. Analysis in Sports Tech
19. Drones

**SOURCE STATISTA 2018**
3.3 I.T. Industry RTM

The I.T. industry encompasses businesses that develop, implement, maintain and utilise I.T., directly or indirectly, including system integrators, software implementation companies, offshore development companies, communication services suppliers, network integrators, outsourcing partners, desktop management companies, data centre specialists and I.T. consultancy firms.

3.3.1 Leading Global I.T. Players

The global I.T. space has traditionally been dominated by a few leading players in core I.T. fields such as hardware, software, services and infrastructure, with new global players being established in emerging fields such as cloud, mobility, digital and data.

3.3.2 Traditional I.T. Channel & RTM

The way I.T. companies primarily deliver their goods and services to end users is collectively known as the 'I.T. Channel'. I.T. Channel providers range in size from small sole proprietors to large global conglomerates.

More than two-thirds of core-I.T. products find the end customer through the indirect sales channel. The reseller channel is important in the technology industry, both for end users (many of whom buy all of their technology through a reseller) and for software companies (some of whom sell exclusively through resellers).

The I.T. Channel plays a key role in facilitating the flow of technology goods and services from producers and manufacturers to both B2B and B2C customers. It also encompasses training, maintenance, integration into existing systems and many other facets of the technology industry. The entire channel ecosystem, which consists of solution providers, managed service providers VARs, vendors, distributors, cloud service providers, and more, works in tandem to supply and support the industry’s customer needs.

Even the best companies in the I.T. space, who have consistently enjoyed the status of market leaders, continue to evolve, reinvent, and innovate their existing successful supply chains. This helps them manage risks and swiftly respond to changes in the economic, technological and competitive environment, as well as providing for the exploration and exploitation of new opportunities more effectively than their competitors.

3.3.3 What is RTM?

RTM is the way a company brings the right products to the right points of sale at the right time. RTM is a channel or pipeline through which the company sends its goods in one direction, with the payments generated from the sales moving in the opposite direction. In the absence of the right RTM strategy, companies with the best products or services may falter by failing to supply their products to the right set of customers at the right time.

Historically, the role of RTM in the I.T. industry was limited to distributing products from depots to as many points of sale within a regional or national focus as possible. However, the scope of RTM in the I.T. industry has expanded over time to encompass a global focus with multiple distribution channels. An efficient RTM model aligns marketing, sales and distribution in companies with a strong focus on allocation and optimisation of funds invested in each of these areas.

The RTMs that I.T. companies use to sell and service their trade accounts determine sales volume and ultimate growth, the ability to deliver proper levels of customer service in a cost effective manner and the ability to successfully manage scarce retail shelf space for their products. Additionally, the concept of RTM not only describes how goods and services reach the market and their ultimate destination through different sources, but also encompasses training, maintenance, integration into existing systems and many other factors.

A tactical RTM strategy involves multiple channel partners, who perform one or many functions in respect of ordering, shipping and handling, storage, display, promotion, selling and after-sale services. These tasks are performed by one or many market players.

While designing an efficient RTM approach, companies must consider all the activities necessary for the execution of a sales and service value chain for each of its customer segments to create a solid foundation for constructing profitable RTMs. The last few years have witnessed the emergence of a mix of direct and indirect RTMs. With a strong focus on digital media, technology and service, manufacturers and retailers are increasingly looking to plan, build and manage multiple RTMs.

Effective RTMs enable companies to pursue profitable growth, service excellence and consumer engagement at the point of sale. A dynamic RTM model has a strong customer focus, is aligned with the company’s strategic goals and value offering and is supported by its operational capabilities. These RTMs perfectly balance customer needs, revenue growth, cost-to-serve and are flexible enough to be adapted in response to changing strategic goals and competitive threats.
3.4 Challenges to I.T. Industry RTM

There are a number of challenges that must be met when setting the right RTM strategy to respond to rapidly changing technologies and consumer sentiment. Some of these challenges include:

3.4.1 Geographical Diversity
Understanding where current and potential customers are located, and how to reach them.

3.4.2 Different Regulatory Frameworks Across Countries
Diverse regulatory environments can provide unique challenges with respect to patents and other rules related to I.T. products and services. Technology firms are also responsible for their products’ end of lifecycle processes, and will therefore need to observe collection, recovery, recycling and destruction/disposal regulations. Such rules vary by state, country and region, leading to highly complex compliance requirements.

3.4.3 Distribution Landscape
In some countries, distribution networks have developed based on local market characteristics and limitations pertaining to infrastructure. For example, there is a possibility that active and passive wholesalers, distributors and sub-distributors all operate in parallel within the same market, reducing transparency and obstructing the desired distribution coverage.

3.4.4 Customer Preferences
Getting the right products and services to customers is vital, and in-depth knowledge of the applicable markets is critical. Most consumers are no longer defined by location. They are highly fragmented, with rapidly changing preferences, and are increasingly digital and mobile, sharing their purchasing ideas and preferences through social media.

3.4.5 Shrinking Product Lifecycles
These are placing immense pressure on supply chains to deliver next-generation products more quickly and through preferred transportation modes at preferred locations. New products are continually becoming better and cheaper, and with every product introduction, the value of incumbent competitor products decreases. Such short product lifecycles mean that having new products at a customers’ door at the right time is a critical challenge.

While these challenges are present in countries across the globe, there are some unique to the Asian market. For example:

3.4.6 Asia is a particularly diverse continent
Understanding where existing and potential customers are located is a challenge. Thailand, for example, is marked by the presence of many modern malls and hypermarkets, yet a large percentage of sales are derived from approximately 300,000 traditional stores. Given that the invoice value per store is small, the complexity lies in devising a strategy for forming a diverse product portfolio to counteract the volume of physical store locations. Malaysia, on the other hand, has a huge demarcation between the East and the West. Since East Malaysia represents 20% of the population but 60% of the total land area, it is best covered by wholesalers. West Malaysia, with four main areas, out of which only three are economically developed, presents a combination of international players, local national chains and independent retailers.

3.4.7 Asia is a region of significant cultural diversity and distribution networks frequently result from local market characteristics
RTMs are served by active and passive wholesalers, distributors and sub-distributors all operating in parallel. This interferes with the distribution coverage, as companies find it challenging to understand who is serving what and in which region.

3.4.8 Getting to serious buyers is an uphill battle
Different countries across Asia select their suppliers by different sets of criteria. For example, Japanese companies still follow the old custom and look for advertisements from suppliers in printed industry magazines.
FIGURE 7: MOST POPULAR SHOPPING CHANNELS IN THAILAND, 2016

- 31% Hypermarkets
- 26% Minimarkets
- 12% Mom & pop stores
- 10% Department stores
- 7% Supermarkets
- 7% Street hawkers
- 5% Specialty stores
- 2% Online stores

SOURCE: STATISTA 2018
3.5 Solutions to RTM Challenges

The aim is to achieve distribution objectives using methods containing an optimum blend of cost and profitability, including:

- expanding reach into new markets and consumer segments;
- increasing speed to market;
- winning at points-of-sale in all RTMs;
- reducing costs of developing new capabilities; and
- increasing consumer relevance.

As companies increasingly engage in business in multiple markets across geographies, movement away from a one-size-fits-all approach is required.

3.6 The Omni-Channel RTM Approach

3.6.1 What is Omni-Channel?

Omni is derived from the word ‘omnis’ meaning ‘all’ or ‘universal’. Omni channel is a multichannel sales approach facilitating the provision of an integrated shopping experience for customers.

As the retail front-end evolves to enable customers to order from anywhere, it is critical to service and fulfil these orders with equal ease and flexibility. Similarly, the fulfillment approach must take on a multi-faceted nature incorporating numerous channels, such as retail channels, concessions, franchises, catalogues, web stores and smart phone applications.

An omni-channel supply chain looks to control multiple complex factors, such as pricing, fulfilment, sales, stock management and ordering, by using a central stock pool. The central stock pool is the cornerstone of these operations. The aim of an Omni-Channel supply chain is to ensure that the service and fulfillment of customer needs is catered for in an effective manner.
3.6.2 Evolution of Consumer Buying Behaviour

Over the last few years, the behaviour of corporate and consumer buyers has changed significantly. The process for purchasing products or services generally comprises three phases:

- exploration phase - to gain awareness of needs and search for solutions;
- solution analysis - to identify and assess the available solutions; and
- search and comparison – to conduct a detailed search and comparison of offers once potential suppliers have been identified.

Prior to the internet’s widespread development, the sales team was the point of contact for buyers looking to define needs, ensuring competitive intelligence and identifying solutions. Most buyers today spend a considerable amount of time online searching for companies and products, capitalising on information on potential suppliers and available solutions. The digital world now allows buyers to conduct the exploration and solution analysis phases completely independent of potential suppliers.
3.6.3 Building Omni-Channel Capabilities

Building out omni-channel capabilities is important for I.T. manufacturers. This is due to buyers actively incorporating digital channels into their buyer journey, leaving I.T. brands that have yet to develop these channels lagging behind. But as digital channels are often not the only channels that a buyer touches throughout their purchase journey, I.T. brands must find ways to integrate data from all available sources to capture and keep their customers’ attention.

In today’s channel-rich environment, omni-channel capabilities drive the engagement of core shoppers with retail brands and ultimately draw them to physical stores. Traditional retailers with physical stores achieve far greater results by leveraging multiple channels and synchronising the physical and the digital worlds, providing shoppers with a seamless, multi-channel experience that online retailers are unable to generally match.

3.6.4 Omni-Channel Facilitates the Optimisation of the Buying Experience

The omni-channel strategy rests on the idea that providing a flawless shopping experience in brick-and-mortar stores while also using multiple digital channels (such as Facebook, LinkedIn, Twitter and YouTube) not only differentiates a business from its peers, but also gives a competitive edge over single channel competitors. The omni-channel strategy provides a seamless and consistent shopping experience across various channels and devices.

From a supply chain perspective, the omni-channel strategy helps companies obtain greater visibility across channels, along with a holistic, unified view of the path to purchase. With a platform that supports omni-channel effectively, manufacturers can deliver a unique and optimised buying experience for each channel, centered around unique job functions or preferences.

Apart from these, manufacturers are also looking beyond existing capabilities to the technologies that will drive the future of their businesses. These include:

- automated pricing optimisation;
- personalised recommendations; and
- wearable computing in distribution centres.

3.6.5 Omni-Channel Challenges

Building an effective omni-channel experience for buyers is complex and requires the simultaneous integration of capable technology and transformation of organisational legacy structures and processes.

Most of the challenges I.T. brands face are related to organisational issues, including:

- difficulty in integrating back-office technology;
- difficulty in sharing customer data and analytics;
- limits in terms of distribution partners, franchises or wholesale customers; and
- conflict between channel organisations.

Other challenges include implementation restrictions, limited personnel capabilities and internal resistance.

Building and running a successful omni-channel supply chain strategy requires continual investment. Some of the challenges include:

- lack of dedicated resources and capabilities;
- high level of investment required to succeed;
- challenge of supply chain complexity;
- limitations of siloed organisational structures; and
- lack of senior leadership support.

The features or functions that customers expect include:

- **website** - enhanced search functionality;
- **rating** - showing ratings and reviews;
- **recommendations** - improved personalised product or service recommendations;
- **integration** - integration with back-end systems; and
- **merchandising** - recommendations of further relevant products and services.
FIGURE 10: ALTOSTRATOS GROUP’S OMNI-CHANNEL STRATEGIES TO OVERCOME RTM CHALLENGES IN ASIA-PACIFIC
FINANCIAL INFORMATION
SECTION 4
4. FINANCIAL INFORMATION

4.1 Introduction

The financial Information contained in this section comprises the:

- statutory historical consolidated statements of profit and loss and other comprehensive income for the years ended 30 June 2016 (FY2016) 30 June 2017 (FY2017) and 30 June 2018 (FY2018) (together Statutory Historical Income Statements);
- statutory historical consolidated statements of cash flow for FY2016, FY2017 and FY2018 (together Statutory Historical Cash Flows); and

(taken together the Statutory Historical Financial Information) and

- pro forma historical consolidated statements of profit and loss and other comprehensive income for FY2016, FY2017 and FY2018 (together Pro forma Historical Income Statements);
- pro forma historical consolidated cash flows for FY2016, FY2017 and FY2018 (together Pro forma Historical Cash Flows); and

(taken together the Pro Forma Historical Financial information).

The Statutory Historical Financial Information and the Pro Forma Historical Financial information together form the ‘Financial Information’.

Also summarised in this Section are:

- The basis of preparation and presentation of the Financial Information (Section 4.2);
- The pro forma adjustments to the Statutory Historical Financial Information and reconciliations to the Pro Forma Historical Financial Information respectively of preparation and presentation of the Financial Information (Sections 4.5, 4.8 and 4.10);
- Key financial and operating metrics (Section 4.4);
- Commentary on the liquidity of, and the sources of capital available to, the Company (Section 4.11);
- Commentary on absence of indebtedness of the Company (Section 4.12);
- Management’s discussion and analysis of the Pro Forma Historical Financial Information (Section 4.13);
- A summary of the Company’s dividend policy (Section 4.14).

The information in this Section 4 should be read in conjunction with the risk factors set out in Section 5 and other information contained in this Prospectus.

All amounts disclosed in the tables are presented in Australian dollars and unless otherwise noted, are rounded to the nearest $1,000. Rounding of figures provided in the Financial Information may result in some immaterial differences between the sum of components and the totals outlined within tables and percentage calculation.
4.2 Basis of Preparation and Presentation of The Financial Information

The Financial Information included in this Prospectus is intended to present potential investors with information to assist them in understanding the underlying historical financial performance, cash flows and financial position of the Company. The Directors are responsible for the preparation and presentation of the Financial Information.

The Financial Information has been prepared and presented in accordance with the recognition and measurement principles of the Australian Accounting Standards (AAS), which are consistent with International Financial Reporting Standards (IFRS) and the interpretations issued by the International Accounting Standards Board (IASB). The Financial Information is presented in an abbreviated form insofar as it does not include all the disclosures, statements or comparative information as required by the AAS applicable to annual financial reports prepared in accordance with the Corporations Act.

The significant accounting policies adopted in the preparation of the Financial Information are set out in the Appendix (Section 10) and have been consistently applied throughout the financial periods presented in this Prospectus.

The Historical Financial Information has been reviewed and reported on by BDO Corporate Finance (East Coast) Pty Ltd (BDO) as set out in the Independent Limited Assurance Report on Historical Financial Information set out in Section 8). Investors should note the scope and limitations of the Independent Limited Assurance Report (refer to Section 8).

4.2.1 Preparation of the Statutory and Pro Forma Historical Financial Information

The Statutory Historical Financial Information has been extracted from the reviewed management accounts of the Company for FY2016 and the general purpose audited statutory consolidated financial statements of the AltoStratos Group for FY2017 and FY2018. The financial statements were audited by BDO East Coast Partnership, who issued an unqualified audit opinion with an emphasis of matter regarding the going concern assumption in respect of each of these financial reports.

The Pro Forma Historical Financial Information has been prepared for the purpose of inclusion in this Prospectus. The Pro Forma Historical Income Statements and Pro Forma Historical Cash Flows have been derived from the Statutory Historical Financial Information, with pro forma adjustments being made to reflect the impact of historical acquisitions, to eliminate certain non-recurring items, and adjustments to reflect the AltoStratos Group’s operating and capital structure following the completion of the Offer, including standalone public company expenses.

The Pro Forma Historical Statement of Financial Position as at 30 June 2018 is based on the audited statutory consolidated financial statements of the AltoStratos Group at that date adjusted to reflect the impact of the Offer and other material transactions post 30 June 2018 (refer to Section 7).

Refer to Section 4.5 for a reconciliation between Statutory Historical Results and Pro Forma Historical Results, to Section 4.8 for a reconciliation between the Statutory Historical Cash Flows and the Pro Forma Historical Cash Flows and to Section 4.10 for a reconciliation between the Statutory Historical Statement of Financial Position and the Pro Forma Historical Statement of Financial Position.

The Financial Information in this section should be read in conjunction with

- The summary of significant accounting policies and additional financial disclosures set out in Section 10;
- The Pro Forma adjustments set out in Sections 4.5, 4.8, and 4.10;
- The risk factors set out in Section 5; and
- Other information contained within this Prospectus.

Investors should note that past results are not a guarantee of future performance.
4.2.2 Explanation of certain non AAS or IFRS financial measures

The AltoStratos Group uses certain measures to report on its business that are not recognised under AAS or IFRS. These measures are collectively referred in Section 9, and under Regulatory Guide 230 ‘Disclosing non-IFRS financial information’ published by ASIC, as “non-IFRS financial measures”. The principal non-IFRS financial measures that are referred to in this Prospectus are as follows:

- EBIT is earnings before interest and tax.
- Management use EBIT to evaluate the operating performance of the business before interest and tax charges, which are affected by the capital structure and historical tax position of the AltoStratos Group.
- The AltoStratos Group also calculates EBIT margin which is EBIT divided by revenue, expressed as a percentage. EBIT margin is a measure that management uses to evaluate the profitability of the overall business.
- EBIT should not be considered as an alternative to net free cash flow from operations and investors should not consider EBIT in isolation from, or as a substitute for, an analysis of the results of the AltoStratos Group’s operations.
- Capital expenditure relates to the purchase of property, plant and equipment.
- Working capital means current assets less current liabilities.
- Trading of goods represents sales of products and services, on a cash basis, before deducting cancellations and refunds. Trading of goods is a key measure which management uses to track financial performance and to make management decisions at a product group level.
- Other income includes the non-trading revenue from government grants, bank interest earned, marketing support and prompt payment discounts.

Certain financial data included in Section 7 is also non-IFRS financial information.

Although the AltoStratos Group believes that these measures provide useful information about the financial performance of the AltoStratos Group, they should be considered as supplements to the statement of profit and loss measures that have been presented in accordance with the AAS and IFRS and not as a replacement for them. Because these non-IFRS financial measures are not based on AAS or IFRS, they do not have standard definitions, and the way the AltoStratos Group calculated these measures may differ from similarly-titled measures used by other companies. Investors should therefore not place undue reliance on these non-IFRS financial measures.
### 4.3 PRO FORMA HISTORICAL CONSOLIDATED INCOME STATEMENTS

#### Table 4.3.1 SUMMARY OF PRO FORMA HISTORICAL INCOME STATEMENTS

<table>
<thead>
<tr>
<th>$'000</th>
<th>Notes</th>
<th>FY2016</th>
<th>FY2017</th>
<th>FY2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenue</td>
<td></td>
<td>27,840</td>
<td>17,358</td>
<td>12,204</td>
</tr>
<tr>
<td>Cost of sales</td>
<td></td>
<td>(26,563)</td>
<td>(16,193)</td>
<td>(11,281)</td>
</tr>
<tr>
<td><strong>Gross profit</strong></td>
<td></td>
<td>1,277</td>
<td>1,166</td>
<td>923</td>
</tr>
<tr>
<td>Other income</td>
<td>1</td>
<td>201</td>
<td>98</td>
<td>275</td>
</tr>
<tr>
<td><strong>Profit after other income</strong></td>
<td></td>
<td>1,478</td>
<td>1,264</td>
<td>1,198</td>
</tr>
<tr>
<td>Personnel costs</td>
<td>2</td>
<td>(1,032)</td>
<td>(986)</td>
<td>(737)</td>
</tr>
<tr>
<td>Selling and distribution expenses</td>
<td></td>
<td>(289)</td>
<td>(262)</td>
<td>(311)</td>
</tr>
<tr>
<td>Administrative and other expenses</td>
<td>3</td>
<td>(1,104)</td>
<td>(1,674)</td>
<td>(2,190)</td>
</tr>
<tr>
<td>Fair value changes in available-for sale- financial assets</td>
<td></td>
<td>(448)</td>
<td>(1,165)</td>
<td>(1,175)</td>
</tr>
<tr>
<td><strong>Operating expenses</strong></td>
<td></td>
<td>(2,874)</td>
<td>(4,086)</td>
<td>(4,414)</td>
</tr>
<tr>
<td><strong>Earnings Before Interest and Tax (“EBIT”)</strong></td>
<td></td>
<td>(1,396)</td>
<td>(2,822)</td>
<td>(3,216)</td>
</tr>
<tr>
<td>Net finance expenses</td>
<td>4</td>
<td>(176)</td>
<td>(137)</td>
<td>(13)</td>
</tr>
<tr>
<td>Income tax benefit/(expense)</td>
<td></td>
<td>(75)</td>
<td>165</td>
<td>(109)</td>
</tr>
<tr>
<td><strong>Net Profit After Tax (“NPAT”)</strong></td>
<td></td>
<td>(1,647)</td>
<td>(2,794)</td>
<td>(3,338)</td>
</tr>
<tr>
<td><strong>Other comprehensive income</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Gain on defined benefit plans, net of tax</td>
<td></td>
<td>-</td>
<td>-</td>
<td>38</td>
</tr>
<tr>
<td>Foreign exchange gain/(loss)</td>
<td></td>
<td>(96)</td>
<td>(39)</td>
<td>169</td>
</tr>
<tr>
<td><strong>Net other comprehensive income</strong></td>
<td></td>
<td>(96)</td>
<td>(39)</td>
<td>207</td>
</tr>
<tr>
<td><strong>Total comprehensive income</strong></td>
<td></td>
<td>(1,743)</td>
<td>(2,833)</td>
<td>(3,131)</td>
</tr>
</tbody>
</table>

**Notes:**
1. Other income includes the bank interest earned, foreign exchange gains and other.
2. Personnel costs include salaries, bonuses and other related benefits excluding director’s fees and contributions to defined contribution plans.
3. Administrative and other expenses include audit professional fees and management fees.
4. Finance costs include interest incurred on the deferred cash consideration payable to Mercurial Capital Limited.
### 4.4 Key Financial and Operating Metrics

Table 4.4.1 summarises the key financial and operating metrics based on the Pro Forma Historical Income Statements.

<table>
<thead>
<tr>
<th>Key operating metrics</th>
<th>Pro forma historical</th>
<th>Notes</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>FY2016</td>
<td>FY2017</td>
</tr>
<tr>
<td>Revenue growth</td>
<td>N/A</td>
<td>(38%)</td>
</tr>
<tr>
<td>Gross Margin</td>
<td>5%</td>
<td>7%</td>
</tr>
<tr>
<td>Earnings Before Interest and Tax (“EBIT”) margin</td>
<td>(5%)</td>
<td>(16%)</td>
</tr>
</tbody>
</table>

### 4.5 Pro Forma Adjustments to the Historical Results Consolidated Income Statements

Table 4.5.1 below sets out the pro forma adjustments that have been made to the AltoStratos Group Statutory Historical Income Statements to reflect the operating and capital structure that will be in place following Completion of the Offer as if it were in place as at 1 July 2015. The adjustments are summarised below.

<table>
<thead>
<tr>
<th>$’000</th>
<th>Notes</th>
<th>FY2016</th>
<th>FY2017</th>
<th>FY2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Statutory NPAT</td>
<td>(875)</td>
<td>(2,564)</td>
<td>(3,296)</td>
<td></td>
</tr>
<tr>
<td>Annual listed company costs</td>
<td>1</td>
<td>(679)</td>
<td>(679)</td>
<td>(679)</td>
</tr>
<tr>
<td>Conversion of the convertible notes</td>
<td>2</td>
<td>314</td>
<td>348</td>
<td>376</td>
</tr>
<tr>
<td>Debt forgiveness</td>
<td>3</td>
<td>(6,457)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Acquisition of Digiland and Infonet</td>
<td>4</td>
<td>4,499</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Discontinued products</td>
<td>5</td>
<td>131</td>
<td>(33)</td>
<td>46</td>
</tr>
<tr>
<td>One-off transactions</td>
<td>6</td>
<td>1,496</td>
<td>35</td>
<td>177</td>
</tr>
<tr>
<td>Tax impact of the pro forma adjustments</td>
<td>7</td>
<td>(75)</td>
<td>99</td>
<td>38</td>
</tr>
<tr>
<td><strong>Pro forma NPAT</strong></td>
<td>(1,647)</td>
<td>(2,794)</td>
<td>(3,338)</td>
<td></td>
</tr>
</tbody>
</table>

| Other comprehensive income | (96) | (39)   | 207    |

| **Pro forma OCI**         | (1,743)| (2,833)| (3,131)|

Notes:
1. Annual listed company costs represent the estimated incremental costs of operating as a public listed company. The listed company costs are inclusive of director’s fees ($404), production of annual reports and an annual general meeting ($126), company secretarial and legal and advisor costs ($46), annual listing and registry fees ($38) and other costs ($65).
2. In February 2018 the convertible notes with a $2,300 face value were converted into ordinary shares. The adjustment removes the accrued interest and the associated change in fair value of the convertible notes as recorded during the relevant historical period, to reflect the change in the capital structure.
3. Adjustment removes the impact of the write-off of term debt from the previous parent and its related entities.
4. Adjustment to reflect the impact of the acquisition of Digiland (Thailand) Ltd and Infonet Systems and Services Pte Ltd as if they had been acquired on 1 July 2015. These adjustments are based on the actual historical financial information of the subsidiaries. Foreign currency amounts have been converted to Australian dollars using an average rate applicable to the relevant period.
5. Altostratos discontinued certain low margin product lines. The adjustment removes the impact of these discontinued products to reflect...
consistency in operations over the historical period.
6. Adjustment removes the impact of once-off and/or non-operating transactions. These relate mainly to acquisition costs, bad debts, tax penalties and a loss on investment which occurred within Digiland (Thailand) Ltd during FY2016. The adjustment also removes the once-off IPO costs incurred historically.
7. Reflects the net tax impact of the pro forma adjustments calculated at the relevant tax rates on the deductible amounts.

4.6 STATUTORY HISTORICAL INCOME STATEMENTS

Table 4.6.1 summarises the Statutory Historical Income Statements

<table>
<thead>
<tr>
<th>$’000</th>
<th>Notes</th>
<th>FY2016</th>
<th>FY2017</th>
<th>FY2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenue</td>
<td>-</td>
<td>18,361</td>
<td>12,204</td>
<td></td>
</tr>
<tr>
<td>Cost of sales</td>
<td>-</td>
<td>(17,162)</td>
<td>(11,348)</td>
<td></td>
</tr>
<tr>
<td>Gross profit</td>
<td>-</td>
<td>1,199</td>
<td>857</td>
<td></td>
</tr>
<tr>
<td>Other income</td>
<td>1</td>
<td>11</td>
<td>98</td>
<td>275</td>
</tr>
<tr>
<td>Profit after other income</td>
<td>11</td>
<td>1,297</td>
<td>1,131</td>
<td></td>
</tr>
<tr>
<td>Personnel costs</td>
<td>2</td>
<td>(986)</td>
<td>(737)</td>
<td></td>
</tr>
<tr>
<td>Selling and distribution expenses</td>
<td></td>
<td>(262)</td>
<td>(311)</td>
<td></td>
</tr>
<tr>
<td>Administrative and other expenses</td>
<td>3</td>
<td>(119)</td>
<td>(1,030)</td>
<td>(1,688)</td>
</tr>
<tr>
<td>Fair value changes in available-for sale-financial assets</td>
<td>4</td>
<td>(651)</td>
<td>(1,330)</td>
<td>(1,293)</td>
</tr>
<tr>
<td>Operating expenses</td>
<td></td>
<td>(770)</td>
<td>(3,607)</td>
<td>(4,029)</td>
</tr>
<tr>
<td>Earnings Before Interest and Tax (“EBIT”)</td>
<td></td>
<td>(759)</td>
<td>(2,310)</td>
<td>(2,898)</td>
</tr>
<tr>
<td>Net finance expenses</td>
<td>5</td>
<td>(116)</td>
<td>(320)</td>
<td>(271)</td>
</tr>
<tr>
<td>Income tax benefit/(expense)</td>
<td></td>
<td>66</td>
<td></td>
<td>(127)</td>
</tr>
<tr>
<td>Net Profit After Tax (“NPAT”)</td>
<td></td>
<td>(875)</td>
<td>(2,564)</td>
<td>(3,296)</td>
</tr>
<tr>
<td>Other comprehensive income</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Gain on defined benefit plans, net of tax</td>
<td></td>
<td>-</td>
<td>-</td>
<td>38</td>
</tr>
<tr>
<td>Foreign exchange gain/(loss)</td>
<td></td>
<td>(20)</td>
<td>(39)</td>
<td>169</td>
</tr>
<tr>
<td>Net other comprehensive income</td>
<td></td>
<td>(20)</td>
<td>(39)</td>
<td>207</td>
</tr>
<tr>
<td>Total comprehensive income</td>
<td></td>
<td>(894)</td>
<td>(2,603)</td>
<td>(3,089)</td>
</tr>
</tbody>
</table>

Notes:
1. The Company was incorporated on 23 June 2015 and remained non-operating until the acquisition of Digiland (Thailand) Limited and Infonet Systems and Services Pte Ltd.
2. Personnel costs include salaries, bonuses and other related benefits excluding director’s fees and contributions to defined contribution plans.
3. Administrative and other expenses include audit professional fees and management fees.
4. The fair value change relates to the fair value movement of the deferred share consideration liability $1,155 (FY2017) and $1,175 (FY2018) and loss on fair value adjustments in relation to the convertible notes of $203 (FY2016), $141 (FY2017) and $118 (FY2018).
5. Finance costs include interest expense on convertible notes of $111 (FY2016), $183 (FY2017), and $258 (FY2018).
### 4.7 CONSOLIDATED PRO FORMA HISTORICAL CASH FLOWS

Table 4.7.1 sets out the Pro Forma Historical Cash Flows.

<table>
<thead>
<tr>
<th>$'000</th>
<th>Notes</th>
<th>Pro forma historical</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>FY2016</td>
<td>FY2017</td>
</tr>
<tr>
<td><strong>Cash flows from operating activities</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Receipts from customers</td>
<td>1</td>
<td>35,095</td>
</tr>
<tr>
<td>Payments to suppliers and employees</td>
<td>1</td>
<td>(27,805)</td>
</tr>
<tr>
<td>Interest received</td>
<td>11</td>
<td>-</td>
</tr>
<tr>
<td>Interest and other finance costs paid</td>
<td>(257)</td>
<td>-</td>
</tr>
<tr>
<td><strong>Net cash flows from operating activities</strong></td>
<td>7,044</td>
<td>(1,433)</td>
</tr>
<tr>
<td><strong>Cash flows from investing activities</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net cash acquired on acquisition of controlled entities, net of consideration paid</td>
<td>2</td>
<td>4,713</td>
</tr>
<tr>
<td>Payment of deferred consideration</td>
<td>(86)</td>
<td>-</td>
</tr>
<tr>
<td>Purchase of plant and equipment</td>
<td>(43)</td>
<td>(41)</td>
</tr>
<tr>
<td><strong>Net cash flows from investing activities</strong></td>
<td>4,583</td>
<td>(41)</td>
</tr>
<tr>
<td><strong>Cash flows from financing activities</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Proceeds from issue of shares</td>
<td>100</td>
<td>-</td>
</tr>
<tr>
<td>Proceeds from issue of convertible notes</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Repayment of short-term borrowings</td>
<td>3</td>
<td>(6,423)</td>
</tr>
<tr>
<td>Repayment of finance lease liabilities</td>
<td>29</td>
<td>(9)</td>
</tr>
<tr>
<td><strong>Net cash provided by (used in) financing activities</strong></td>
<td>(6,294)</td>
<td>(2,795)</td>
</tr>
<tr>
<td><strong>Net increase (decrease) in cash and cash equivalents held</strong></td>
<td>5,334</td>
<td>(4,269)</td>
</tr>
<tr>
<td>Cash and cash equivalents at beginning of financial year</td>
<td>4,922</td>
<td>10,255</td>
</tr>
<tr>
<td><strong>Cash and cash equivalents at end of financial year</strong></td>
<td>10,255</td>
<td>5,986</td>
</tr>
</tbody>
</table>

**Notes:**
1. Receipts and payments have been adjusted to include the impact from the acquisition of Digiland (Thailand) Limited and Infonet Systems and Services Pte Ltd.
2. Net cash acquired represents the cash and cash equivalents acquired in relation to Digiland (Thailand) Limited and Infonet Systems and Services Pte Ltd.
3. Repayments include the repayment of a promissory note by Digiland (Thailand) Limited. This was fully settled in FY2018.
### 4.8 PRO FORMA ADJUSTMENTS TO THE STATUTORY HISTORICAL CASH FLOWS

Table 4.8.1 sets out the pro forma adjustments that have been made to the Company’s Statutory Historical Cash Flows to reflect the full year impact of the operating and financing structure that will be in place following completion of the Offer as if it was in place as at 1 July 2015. These adjustments are summarised below.

**Table 4.8.1 PRO FORMA ADJUSTMENTS TO THE STATUTORY HISTORICAL CASH FLOWS**

Table 4.8.1 sets out the pro forma adjustments that have been made to the Statutory Historical Cash Flows. The adjustments are summarised and explained below.

<table>
<thead>
<tr>
<th>$’000</th>
<th>Notes</th>
<th>FY2016</th>
<th>FY2017</th>
<th>FY2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Statutory increase/(decrease) in cash and cash equivalents held</td>
<td></td>
<td>6,099</td>
<td>(3,334)</td>
<td>(2,187)</td>
</tr>
<tr>
<td>Annual listed company costs</td>
<td>1</td>
<td>(475)</td>
<td>(475)</td>
<td>(475)</td>
</tr>
<tr>
<td>Conversion of the convertible notes $2,600</td>
<td>2</td>
<td>(1,894)</td>
<td>(461)</td>
<td>(113)</td>
</tr>
<tr>
<td>Debt forgiveness</td>
<td>3</td>
<td>1,308</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Pro forma acquired companies</td>
<td>4</td>
<td>36</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Discontinued products</td>
<td>5</td>
<td>91</td>
<td>(23)</td>
<td>-</td>
</tr>
<tr>
<td>One-off transactions</td>
<td>6</td>
<td>168</td>
<td>24</td>
<td>124</td>
</tr>
<tr>
<td><strong>Pro forma increase/(decrease) in cash and cash equivalents held</strong></td>
<td></td>
<td>5,333</td>
<td>(4,269)</td>
<td>(2,651)</td>
</tr>
</tbody>
</table>

Notes:
1. Annual listed company costs represent the cash impact associated with the estimated incremental costs of operating as a public listed company.
2. The adjustment removes the cash proceeds and payment of interest associated with the convertible notes, to reflect the change in the capital structure.
3. The adjustment removes the cash tax impact of the debt forgiveness.
4. The adjustment reflects the impact on the cash inflows and outflows of Digiland (Thailand) Limited and Infonet Systems and Services Pte Ltd.
5. The adjustment removes the cash impact of the discontinued product lines.
6. The adjustment reverses the cash impact of once-off and/or non-operating transactions.
### 4.9 STATUTORY HISTORICAL CONSOLIDATED CASH FLOWS

Table 4.9.1 sets out the Statutory Historical Cash Flows.

#### Table 4.9.1 HISTORICAL CONSOLIDATED CASH FLOWS

<table>
<thead>
<tr>
<th>$’000</th>
<th>Notes</th>
<th>FY2016</th>
<th>FY2017</th>
<th>FY2018</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Cash flows from operating activities</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Receipts from customers</td>
<td>1</td>
<td>-</td>
<td>19,441</td>
<td>14,232</td>
</tr>
<tr>
<td>Payments to suppliers and employees</td>
<td>1</td>
<td>-</td>
<td>(20,296)</td>
<td>(14,243)</td>
</tr>
<tr>
<td>Interest received</td>
<td>11</td>
<td>-</td>
<td>(535)</td>
<td></td>
</tr>
<tr>
<td>Interest and other finance costs paid</td>
<td>2</td>
<td>(5)</td>
<td>(144)</td>
<td>(193)</td>
</tr>
<tr>
<td><strong>Net cash flows from operating activities</strong></td>
<td></td>
<td>6</td>
<td>(999)</td>
<td>(739)</td>
</tr>
<tr>
<td><strong>Cash flows from investing activities</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net cash acquired on acquisition of controlled entities, net of consideration paid</td>
<td></td>
<td>4,713</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Payment of deferred consideration</td>
<td></td>
<td>(519)</td>
<td>-</td>
<td>(519)</td>
</tr>
<tr>
<td>Purchase of plant and equipment</td>
<td></td>
<td>-</td>
<td>(41)</td>
<td>(14)</td>
</tr>
<tr>
<td><strong>Net cash flows from investing activities</strong></td>
<td></td>
<td>3</td>
<td>4,194</td>
<td>(41)</td>
</tr>
<tr>
<td><strong>Cash flows from financing activities</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Proceeds from issue of shares</td>
<td></td>
<td>100</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Proceeds from issue of convertible notes</td>
<td>4</td>
<td>1,800</td>
<td>500</td>
<td>-</td>
</tr>
<tr>
<td>Repayment of short-term borrowings</td>
<td>5</td>
<td>-</td>
<td>(2,786)</td>
<td>(902)</td>
</tr>
<tr>
<td>Repayment of finance lease liabilities</td>
<td></td>
<td>-</td>
<td>(9)</td>
<td>(13)</td>
</tr>
<tr>
<td><strong>Net cash provided by (used in) financing activities</strong></td>
<td></td>
<td>1,900</td>
<td>(2,295)</td>
<td>(915)</td>
</tr>
<tr>
<td><strong>Net increase (decrease) in cash and cash equivalents held</strong></td>
<td></td>
<td>6,099</td>
<td>(3,334)</td>
<td>(2,187)</td>
</tr>
<tr>
<td>Cash and cash equivalents at beginning of financial year</td>
<td></td>
<td>-</td>
<td>6,099</td>
<td>2,765</td>
</tr>
<tr>
<td><strong>Cash and cash equivalents at end of financial year</strong></td>
<td></td>
<td>6,099</td>
<td>2,765</td>
<td>578</td>
</tr>
</tbody>
</table>

**Notes:**
1. The Company was incorporated on 23 June 2015 and remained non-operating until the acquisition of Digiland (Thailand) Limited and Infonet Systems and Services Pte Ltd.
2. Interest paid includes convertible note interest paid.
3. Investments made are net of the capital returns and reflect the investing activities of the Group for the purpose of generating profit.
4. Proceeds relate to the issuance of convertible notes.
5. Repayments include the repayment of a promissory note by Digiland (Thailand) limited. This was fully settled in FY2018.
4.10 PRO FORMA HISTORICAL CONSOLIDATED BALANCE SHEET

Table 4.10.1 sets out a summary of the Statutory Historical Balance Sheet as at 30 June 2018, adjusted for certain pro forma adjustments to take into account the effect of the Offer proceeds, transaction costs and changes in capital structure. These adjustments reflect the impact of the changes in capital structure that will take place as part of the Offer, as if they had occurred or were in place as at 30 June 2018.

### Table 4.10.1 PRO FORMA HISTORICAL CONSOLIDATED BALANCE SHEET AS AT 30 JUNE 2018

<table>
<thead>
<tr>
<th></th>
<th>$’000</th>
<th>Notes</th>
<th>Audited 30-Jun-18</th>
<th>Minimum subscription Pro forma adjustments</th>
<th>Minimum subscription Pro forma 30-Jun-18</th>
<th>Maximum subscription Pro forma adjustments</th>
<th>Maximum subscription Pro forma 30-Jun-18</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash and cash equivalents</td>
<td>1,578</td>
<td>1</td>
<td>14,931</td>
<td>15,510</td>
<td>23,922</td>
<td>24,500</td>
<td></td>
</tr>
<tr>
<td>Trade and other receivables</td>
<td>1,460</td>
<td>-</td>
<td>-</td>
<td>1,460</td>
<td>-</td>
<td>1,460</td>
<td></td>
</tr>
<tr>
<td>Inventories</td>
<td>956</td>
<td>-</td>
<td>956</td>
<td>956</td>
<td>-</td>
<td>956</td>
<td></td>
</tr>
<tr>
<td>Other current assets</td>
<td>189</td>
<td>-</td>
<td>189</td>
<td>-</td>
<td>189</td>
<td>-</td>
<td></td>
</tr>
<tr>
<td>Short-term loan to unrelated party</td>
<td>7</td>
<td>-</td>
<td>7</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td></td>
</tr>
<tr>
<td><strong>Total current assets</strong></td>
<td>3,192</td>
<td></td>
<td>14,931</td>
<td>18,123</td>
<td>23,922</td>
<td>27,113</td>
<td></td>
</tr>
<tr>
<td>Goodwill</td>
<td>20</td>
<td>-</td>
<td>20</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td></td>
</tr>
<tr>
<td>Properties, plant and equipment</td>
<td>108</td>
<td>-</td>
<td>108</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td></td>
</tr>
<tr>
<td>Other non-current asset</td>
<td>24</td>
<td>-</td>
<td>24</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td></td>
</tr>
<tr>
<td>Intangible assets</td>
<td>85</td>
<td>-</td>
<td>85</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td></td>
</tr>
<tr>
<td>Deposits</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td></td>
</tr>
<tr>
<td>Deferred tax assets</td>
<td>2,888</td>
<td>104</td>
<td>104</td>
<td>992</td>
<td>124</td>
<td>1,012</td>
<td></td>
</tr>
<tr>
<td><strong>Total non-current assets</strong></td>
<td>1,125</td>
<td>104</td>
<td>1,229</td>
<td>124</td>
<td>1,249</td>
<td>-</td>
<td></td>
</tr>
<tr>
<td><strong>Total assets</strong></td>
<td>4,317</td>
<td></td>
<td>15,035</td>
<td>19,352</td>
<td>24,046</td>
<td>28,362</td>
<td></td>
</tr>
<tr>
<td>Trade and other payables</td>
<td>1,815</td>
<td>-</td>
<td>1,815</td>
<td>-</td>
<td>1,815</td>
<td>-</td>
<td></td>
</tr>
<tr>
<td>Short term borrowings</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td></td>
</tr>
<tr>
<td>Financial lease liabilities</td>
<td>10</td>
<td>-</td>
<td>10</td>
<td>-</td>
<td>10</td>
<td>-</td>
<td></td>
</tr>
<tr>
<td>Deferred cash consideration</td>
<td>563</td>
<td>-</td>
<td>563</td>
<td>-</td>
<td>563</td>
<td>-</td>
<td></td>
</tr>
<tr>
<td>Convertible notes</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td></td>
</tr>
<tr>
<td>Derivative liability</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td></td>
</tr>
<tr>
<td>Income tax payable</td>
<td>549</td>
<td></td>
<td>549</td>
<td>549</td>
<td>549</td>
<td>549</td>
<td></td>
</tr>
<tr>
<td><strong>Total current liabilities</strong></td>
<td>2,937</td>
<td>-</td>
<td>2,937</td>
<td>-</td>
<td>2,937</td>
<td>-</td>
<td></td>
</tr>
<tr>
<td>Finance lease liabilities</td>
<td>6</td>
<td>-</td>
<td>6</td>
<td>-</td>
<td>6</td>
<td>-</td>
<td></td>
</tr>
<tr>
<td>Employee benefits obligation</td>
<td>110</td>
<td>-</td>
<td>110</td>
<td>-</td>
<td>110</td>
<td>-</td>
<td></td>
</tr>
<tr>
<td>Deferred share consideration</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td></td>
</tr>
<tr>
<td>Deferred tax liabilities</td>
<td>15</td>
<td>-</td>
<td>15</td>
<td>-</td>
<td>15</td>
<td>-</td>
<td></td>
</tr>
<tr>
<td><strong>Total non-current liabilities</strong></td>
<td>131</td>
<td>-</td>
<td>131</td>
<td>-</td>
<td>131</td>
<td>-</td>
<td></td>
</tr>
<tr>
<td><strong>Total liabilities</strong></td>
<td>3,068</td>
<td>-</td>
<td>3,068</td>
<td>-</td>
<td>3,068</td>
<td>-</td>
<td></td>
</tr>
<tr>
<td>Net assets</td>
<td>1,248</td>
<td>15,035</td>
<td>16,283</td>
<td>24,046</td>
<td>25,294</td>
<td>15,035</td>
<td></td>
</tr>
</tbody>
</table>
Equity

<table>
<thead>
<tr>
<th></th>
<th>Minimum subscription</th>
<th>Maximum subscription</th>
</tr>
</thead>
<tbody>
<tr>
<td>Issued equity</td>
<td>3</td>
<td>7,834</td>
</tr>
<tr>
<td></td>
<td>15,685</td>
<td>23,519</td>
</tr>
<tr>
<td></td>
<td>24,631</td>
<td>32,465</td>
</tr>
<tr>
<td>Retained earnings</td>
<td>4</td>
<td>(6,734)</td>
</tr>
<tr>
<td></td>
<td>(649)</td>
<td>(7,384)</td>
</tr>
<tr>
<td></td>
<td>(585)</td>
<td>(7,319)</td>
</tr>
<tr>
<td>Reserves</td>
<td>148</td>
<td>-</td>
</tr>
<tr>
<td></td>
<td>148</td>
<td>148</td>
</tr>
<tr>
<td>Total equity</td>
<td>1,248</td>
<td>15,035</td>
</tr>
<tr>
<td></td>
<td>16,283</td>
<td>24,046</td>
</tr>
<tr>
<td></td>
<td>25,294</td>
<td></td>
</tr>
</tbody>
</table>

Notes:
1. Cash and cash equivalents are expected to increase by $14,931 under the minimum subscription and by $23,922 under the maximum subscription as a result of:
   a. the Offer proceeds of $16,000 (minimum subscription) and $25,000 (maximum subscription); and
   b. IPO costs of $1,069 (under the minimum subscription) comprise legal fees $423, audit tax and Investigating Accountant’s Report (IAR) fees $284, ASX listing fees $80 and other costs $282. IPO costs increase to $1,078 (under the maximum subscription) due to additional ASX listing fees.
2. The IPO costs are expected to give rise to a deferred tax asset. IPO costs of $104 (minimum subscription) and $124 (maximum subscription) are expected to be deductible over five years for income tax purposes.
3. Share capital is expected to increase by $15,685 (under the minimum subscription) as a result of $16,000 in Offer proceeds and $315 in capitalised IPO costs (directly attributable to the Offer). Share capital is expected to increase by $24,630 (under the maximum subscription) as a result of $25,000 in Offer proceeds and $369 in capitalised IPO costs (directly attributable to the Offer).
4. Retained earnings are expected to decrease by $649 (under the minimum subscription) due to $754 of expensed IPO costs and $104 in deferred tax. Retained earnings are expected to decrease by $585 (under the maximum subscription) due to $709 of expensed IPO costs and $124 in deferred tax.

4.11 LIQUIDITY AND CAPITAL SOURCES

The Company seeks to manage its liquidity risk to be able to meet its operating cash flow requirement and finance long-term capital expenditures. To cover its short-term funding requirements the Company intends to use cash flow from operations, proceeds from debt or equity capital, and cash held at bank.

To finance its long-term capital expenditures, the company will use the funds generated from the IPO.

The Group expects that it will have sufficient funds or be able to raise sufficient funds if required, in order to meet its business needs, fund working capital and to carry out its stated objectives.

4.12 INDEBTEDNESS

The table 4.12.1 below sets out the net cash position of the Company on a statutory and pro forma basis as at 30 June 2018.

<table>
<thead>
<tr>
<th>$’000</th>
<th>Notes</th>
<th>Statutory 30-Jun-18</th>
<th>Minimum subscription Pro forma 30-Jun-18</th>
<th>Maximum subscription Pro forma 30-Jun-18</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash and cash equivalents</td>
<td>1</td>
<td>578</td>
<td>15,510</td>
<td>24,500</td>
</tr>
<tr>
<td>Deferred cash consideration</td>
<td>(563)</td>
<td>(563)</td>
<td>(563)</td>
<td>(563)</td>
</tr>
<tr>
<td>Current borrowings</td>
<td>(563)</td>
<td>(563)</td>
<td>(563)</td>
<td>(563)</td>
</tr>
<tr>
<td>Finance lease liabilities</td>
<td>(6)</td>
<td>(6)</td>
<td>(6)</td>
<td>(6)</td>
</tr>
<tr>
<td>Non-current borrowings</td>
<td>(6)</td>
<td>(6)</td>
<td>(6)</td>
<td>(6)</td>
</tr>
<tr>
<td>Net cash/(debt)</td>
<td>9</td>
<td>14,940</td>
<td>23,931</td>
<td></td>
</tr>
</tbody>
</table>

Notes:
1. Cash and cash equivalents are expected to increase as a result of the Offer proceeds net of IPO costs (refer note 1 of the Pro Forma Historical Balance Sheet).
4.13 MANAGEMENT DISCUSSION AND ANALYSIS OF PRO FORMA HISTORICAL INFORMATION

Set out below is a discussion of the factors that have impacted the AltoStratos Group’s proforma historical performance for FY2016, FY2017 and FY2018.

The Directors have provided this information for potential investors to assist with understanding the factors that influenced the proforma historical performance of the AltoStratos Group, which may be relevant to considering the future performance of the Company.

This discussion is a summary only and does not detail all matters relevant to the proforma performance of AltoStratos Group.

Revenue

In FY2017, gross revenue decreased by 38% to $17,358 (from $27,840 in FY2016) and by 30% in FY2018 to $12,204 (from $17,358 from FY2017).

Management made a strategic decision to discontinue certain product lines and reduce reliance by Digiland on lower margin/higher volume product lines by focusing instead on higher margin/lower volume product lines.

As the percentage of lower margin/higher volume product lines accounted for more than 70% of the product offering of Digiland in FY2016, the execution of the strategic review was undertaken in phases so as not to adversely disrupt the manufacturer’s supply chain.

As a result of the strategic review, overall gross margins increased to 7% in FY2017 (from 5% in FY2016) with overall gross profit decreasing by only 9% to $1,166 in FY2017 (from $1,277 in FY2016), notwithstanding that overall revenue decreased by 38% during the same period.

The Company continued to achieve higher gross margins of 8% through FY2018 (from 5% in FY2016) by increasing its sales of existing higher margin product lines, as well as introducing new product lines with higher margins to replace the lower margin/higher volume product lines that were discontinued.

This strategic decision by the Company to reduce its reliance on lower margin/higher volume product lines resulted in a corresponding increase in cashflow detailed below.

The Company also embarked on its e-commerce initiatives in FY2017 to reach corporate and consumer end-users via its e-commerce platforms to position the Company for the growth in e-commerce transactions across Asia-Pacific.

Expenses

Arising from the management’s focus on its e-commerce initiatives across Asia-Pacific, there was an increase in overall expenses related to indirect sales, distribution and administrative expenses.

Earnings Before Interest and Tax (“EBIT”)

EBIT decreased by $(1,426) to $(2,822) in FY2017 (from $(1,396) in FY2016) and decreased by $394 to $(3,216) in FY2018 (from $(2,822) in FY2017).

The Group EBIT margin also correspondingly decreased to (16)% in FY2017 (from (5)% in FY2016) and to (26)% in FY2018 (from (16)% in FY2017).

Management’s decision to reallocate capital to higher margin product lines and its investment in e-commerce related initiatives, to grow the Company from a distribution-centric to a vertically-integrated omni-channel business model, was made with the aim of achieving a positive contribution to the Company’s EBIT and EBIT margin going forward.
Pro-Forma Cash flows

Arising from the focus on higher margin/lower volume product lines, receipts from customers decreased by 47% to $18,438 in FY2017 (from $35,095 in FY2016) and by 23% to $14,232 in FY2018 (from $18,438 in FY2017).

There was a corresponding decrease in payments to suppliers and employees by $7,934 to $19,871 in FY2017 (from $27,805 in FY2016) and by $5,164 to $14,707 in FY2018 (from $19,871 in FY2017) due to the Company’s focus on higher margin/lower volume product lines and e-commerce initiatives which resulted in an increase of personnel and distribution related operational costs.

The $4,713 positive net cash flow acquired on acquisition of controlled entities and $86 negative cash flow for payment of investments in FY2016 relates to capital returns from other investing activities of the AltoStratos Group for the purpose of generating profit.

The cash outflow for purchase of plant and equipment relates to the purchases of office equipment and computer software for administrative improvements.

Repayment of finance lease liabilities amounting to $6,423 and $2,786 in FY2016 and FY2017, respectively, relates to repayment of a promissory note by Digiland.

The Company’s move towards an on-demand just-in-time fulfilment model resulted in lower inventory levels in FY2018 relative to FY2017 and FY2016.

In addition, management’s emphasis on financial discipline resulted in improved on-time collection and payment of transactions further contributing to the improved cashflows.

4.14 DIVIDEND POLICY

It is the Directors’ intention to reinvest future cash flows to further grow the business. As such, there is no current intention to pay a dividend.
RISKS SECTION 5
5. RISKS

5.1 INTRODUCTION

An investment in the Shares offered under this Prospectus should be considered as highly speculative. An investment in the Company is not risk free and the Board strongly recommends that potential investors consider the risk factors described below together with the other information contained in this Prospectus, and consult their professional advisers before deciding whether to apply for Shares pursuant to this Prospectus.

This Section identifies the major risks associated with an investment in the Company, but should not be viewed as an exhaustive list of the only risk factors to which the Company and its Shareholders are exposed. There are specific risks that relate directly to the Company. In addition, there are other general risk factors, individually or in combination, which could have a material adverse impact on the Company’s assets and liabilities, financial position and performance, profits, losses and prospects, and the market price for the Shares.

5.2 SPECIFIC RISKS TO THE ALTOSTRATOS GROUP

5.2.1 Limited operating history and historical losses

Although the main operating entities of the AltoStratos Group, Digiland and Infonet, have been in operation and have represented leading I.T. brands in Asia for over 25 years and 30 years respectively, the Company was only incorporated in June 2015 and has limited operating and performance history. In addition, the AltoStratos Group to date has generated historical losses.

Accordingly, the Company’s limited financial and operating track record, and the Group’s financial track record, are not sufficient to provide any certainty or assurance that the AltoStratos Group can or will achieve the objectives set out in this Prospectus.

The information in this Prospectus about the business strategies and objectives of the AltoStratos Group are not forecasts, projections or the result of any simulation of future performance. There is a real material risk that the AltoStratos Group’s strategic business objectives and growth will not be achieved. Investment in the Company is therefore highly speculative.

5.2.2 Concentrated shareholding

Upon Completion of the Offer, Mr Lee Yuen Wai and Dr Long Ming Fai Edwin will have a combined 68.74% shareholding in the Company on the basis of the Minimum Subscription, and a combined 61.46% shareholding in the Company on the basis of the Maximum Subscription.

This significant combined shareholding (whether on the basis of Completion of the Offer at the Minimum Subscription or the Maximum Subscription) enables Mr Lee and Dr Long to pass ordinary Shareholder resolutions by virtue of their combined voting power. Investors issued Shares under this Prospectus will only hold 21.07% of the aggregate share capital of the Company on the basis of the Minimum Subscription and 29.43% of the aggregate share capital of the Company on the basis of the Maximum Subscription. As such, these investors will have limited ability to influence the management, operation and control of the Company. Mr Lee and Dr Long will be in a position to exert significant influence over the outcome of matters relating to the Company, including the election of Directors. The interests of Mr Lee and Dr Long may be different from those of investors who subscribe for Shares under the Offer.

5.2.3 Financial reporting risk

The Company lodged its annual report for the year ended 30 June 2018 with ASIC approximately 3 weeks after the due date for lodgement pursuant to Chapter 2M of the Corporations Act. This late lodgement means that the Company breached its financial reporting obligations under Chapter 2M of the Corporations Act. Investors should be aware that...
this breach may affect the Company’s operations moving forward.

5.2.4 Dependence on supplier relationships

The AltoStratos Group has a large number of suppliers. Most of the supplier arrangements can be terminated on short notice without cause. Any termination, or adverse changes in the terms of these agreements may have a negative impact on the AltoStratos Group’s financial and operational performance.

In addition, several of the AltoStratos Group’s supply agreements have been entered into on a non-exclusive basis, many do not contain minimum supply obligations and in some cases the supplier reserves the right to refuse orders or discontinue the supply of products without notice. This poses the risk that suppliers may reduce their supply to the AltoStratos Group under existing contractual arrangements. Any such reduction may have a material impact on the Company’s operations.

Also, for several of the AltoStratos Group’s suppliers, a distribution agreement has not been entered into, or such formal agreement has since expired and the business relationship of the parties is governed by the general terms and conditions of trade of the relevant supplier. In some cases the terms of trade of suppliers provide that each order is subject to rejection by the supplier and that the AltoStratos Group has no right to require the supplier to sell goods to the relevant AltoStratos Group entity. It is possible such suppliers may cease the supply of goods to the AltoStratos Group without cause and without notice. Such cessation by a supplier of goods to the AltoStratos Group may have a material impact on the AltoStratos Group’s operations.

5.2.5 Need to attract new customers and retain existing customers

The AltoStratos Group’s operations and revenues rely on its ability to attract customers to use its services. Various factors can affect the level of adoption of the AltoStratos Group’s services including:

- Value of services – a failure to deliver real or perceived value to customers may lead to a decline in the use of Altostratos Group services.
- Brand damage – if the Company or AltoStratos Group members suffer from reputational damage, adoption of AltoStratos Group services may be affected.
- Marketing – if the AltoStratos Group’s marketing and promotion efforts are not effective this may result in a lower adoption of the AltoStratos Group’s services.

The Altostratos Group may also fail to retain existing customers for a number of reasons including failure to meet customer expectations, poor customer service, technology disruptions, pricing or competition. The failure of the AltoStratos Group to retain existing customers and attract new business could have a materially adverse impact on the AltoStratos Group and the Company’s future operating and financial performance.

5.2.6 Competition

The market that the AltoStratos Group operates in involves changing technologies, evolving industry expectations, continual development and introduction of new products and changes in customer requirements. Competitors may have substantially greater financial, marketing and technological resources than the AltoStratos Group. As the Altostratos Group looks to expand into new geographic regions, it expects to face competitors that may have a more established presence in those regions.

5.2.7 Loss of key suppliers

The AltoStratos Group business model and operations are dependent on ongoing distribution relationships with suppliers in competitive and evolving industries. There is a risk that the operations of one or more of these suppliers could change in a material and adverse way or that one or more of these entities could reduce their engagement of the AltoStratos Group. Similarly, there can be no guarantee that these relationships will continue, or will continue to be successful and commercially viable for the AltoStratos Group. Although there are a large number of entities in the
market that the AltoStratos Group supplies services to, a change in market conditions, performance or loss of key suppliers could adversely affect the AltoStratos Group's financial performance.

5.2.8 Loss of key management personnel

The AltoStratos Group is heavily reliant on the capabilities of its key management personnel who have extensive experience in, and knowledge of, the AltoStratos Group's business, customers and the market in which the group operates. In particular, the loss of one or more of each of Mr Lee Yuen Wai, Mr Punya Tephassadin Na Ayudhaya or other key executives and any delay in their replacement may adversely impact the ability of the AltoStratos Group to implement growth, corporate development and overall business development and strategies. There can be no assurance that the AltoStratos Group will be able to retain its key management personnel or, in the event that their employment is terminated, be able to replace them in a timely manner with qualified individuals who have the necessary skills and expertise. This could have a material adverse impact on the AltoStratos Group's business and operating or financial performance.

5.2.9 Need to attract and retain skilled staff

In addition to the risk specified in Section 5.2.8 regarding loss of key management personnel, the AltoStratos Group’s success and future growth is also dependent on the skills, working relationship and continued services of its key staff. If one or more of the AltoStratos Group’s key staff are unable or unwilling to continue in their present positions, the AltoStratos Group might not be able to replace them easily or at all. The AltoStratos Group’s business may be severely disrupted, its financial condition and results of operations may be materially adversely affected, and it may incur additional expenses to recruit, train and retain personnel.

5.2.10 No long term material arrangements

The AltoStratos Group members are parties to many contracts with various suppliers and customers and certain service providers. No individual contract itself is material to the financial performance and operations of the group, and no contract contains long term arrangements. Instead, all supplier contracts are short term and can be terminated without cause. In particular, please refer to Sections 9.7.1 and 9.7.2 of the Prospectus for a summary of the group’s arrangements with its suppliers.

Due to a lack of long term or material contracts with its suppliers and customers and certain service providers, the AltoStratos Group’s performance is subject to uncertainty and there is a risk that any or all of the group’s suppliers and customers, and certain service providers may choose to stop utilising the services of (or, as applicable, providing services to) the AltoStratos Group. Should any, or many of, the AltoStratos Group’s suppliers or customers stop utilising the group’s services (or in respect of the suppliers, providing certain services to the group), then this could have a material adverse impact on the AltoStratos Group’s business, operating or financial performance.

5.2.11 Disruption or failure of technology systems

As a provider of online e-commerce solutions, the AltoStratos Group is dependent on the performance, reliability and availability of its technology platforms, communications systems, servers and the internet to provide its services.

As the AltoStratos Group relies on third parties for the delivery of certain of its services, many potential operational issues are outside the AltoStratos Group’s control. There is a risk that these systems may be adversely affected by disruption, failure, service outages or corruption of the AltoStratos Group I.T. network and information systems that may occur as a result of bugs, viruses and other destructive or disruptive software as well as natural disasters, power outages, terrorist attacks and similar events.

Any disruption or failure of the AltoStratos Group’s technology systems, including those provided by third party providers, may adversely affect the AltoStratos Group’s business and financial position.
5.2.12 Performance and reliability of websites, databases and operating systems

In addition to the risk specified in Section 5.2.11, the satisfactory performance, reliability and availability of the AltoStratos Group's websites, IT and management systems are integral to the operation of the Altostratos Group business.

There is a risk that if the AltoStratos Group I.T. and management systems do not function properly, there could be system disruptions, corruption in databases or other electronic information, delays in sales events, delays in transaction processing, website slowdown or unavailability, loss of data or the inability to accept and fulfil customer orders which, if sustained or occur on a regular basis, could materially adversely affect the AltoStratos Group's financial and operational performance. The AltoStratos Group's financial and operational performance could be adversely affected by a system failure that causes prolonged disruption to its websites or applications, or to third party suppliers of its products or services.

This could directly damage the reputation and brand of the relevant platform and could reduce visitors to the affected websites, directly influencing sales to customers. The Altostratos Group's websites, applications, databases and management systems are all hosted on servers owned by third party providers. The AltoStratos Group is subject to the disaster planning contingencies of those third-party providers to deal with events that are beyond the control of those parties such as earthquakes, floods, fires, power grid issues, telecommunication and network failures, terrorist attacks, computer viruses and other similar events. Any such failure in the systems of a third-party provider is likely to have a materially adverse impact on the systems, operations and financial performance of the AltoStratos Group.

5.2.13 No assurance that future plans will be commercially successful

The AltoStratos Group’s success will materially depend on its ability to successfully execute its business strategy. As further detailed in Section 2.2 of this Prospectus, the AltoStratos Group intends to expand its business by, amongst other things, expanding the product representation, market presence and marketing channels in existing markets, as well as new markets around Asia.

These expansion plans involve a number of risks, including, but not limited to, capital expenditures incurred in respect of the costs of setting up new facilities and transaction costs for acquisitions of existing businesses, increased marketing and promotional expenses as well as other working capital requirements. Whilst the AltoStratos Group may utilise significant resources in the group’s business expansion plans, there is no assurance that the group will be successful in increasing its market share or revenue through such business expansion. Any failure to do so may materially and adversely affect the business operations and financial performance of the AltoStratos Group.

5.2.14 Payment and credit card fraud

The AltoStratos Group operates B2C ecommerce platforms that accept payments from consumers by way of credit card. There is the risk that fraudulent use of credit cards on the AltoStratos Group platform may result in financial losses for the AltoStratos Group as a consequence of having to remedy and compensate for fraudulent purchases made on the platform. In addition to any direct losses from any such fraudulent activity, failure to adequately control fraudulent transactions could damage the AltoStratos Group’s reputation and brand. Continuing occurrences of fraud may also result in litigation causing the AltoStratos Group to incur additional legal expenses and fees, increase the cost of compliance and materially adversely affect the AltoStratos Group’s financial and operational performance.

5.2.15 Unauthorised use of intellectual property or independent development of technology

Substantial parts of the AltoStratos Group’s online platforms, distribution software, applications, data analytics and customer databases are confidential information. Unauthorised parties may obtain or copy, or seek to imitate, all or portions of this technology. In this instance, the AltoStratos Group may seek legal actions to remedy any such breach by unauthorised parties. This may incur legal or other fees and if unsuccessful may have a material adverse effect on the AltoStratos Group’s financial and operational performance in the future.

Actions taken by the AltoStratos Group to protect its technology may not be adequate, complete or enforceable and
may not prevent the misappropriation of its technology and confidential information or deter independent development of similar technologies by others.

5.2.16 Customer credit risk

The AltoStratos Group’s business dealings are necessarily exposed to the potential of third party insolvency (being any of its suppliers or customers). If a third party with whom the AltoStratos Group has dealings with becomes insolvent, this may have a materially adverse effect on the AltoStratos Group’s business and profitability.

5.2.17 Reliance on third party payment and logistics providers

The AltoStratos Group relies on third party merchant facility and logistics providers as part of its service offering to its clients. The AltoStratos Group has limited influence over these third parties. Any system or service failure that causes an interruption to the AltoStratos Group’s ability to effect payment transactions, receive payments or deliver purchased goods to its customers, could materially adversely affect the AltoStratos Group’s financial and operational performance. Prolonged system or service failures could reduce the attractiveness of the AltoStratos Group’s e-commerce platform to customers and suppliers and could limit its ability to make sales. This would result in damage to the reputation and brand name of the AltoStratos Group and would materially adversely affect the AltoStratos Group’s financial and operational performance.

5.2.18 Expansion into new markets

As the AltoStratos Group looks to expand its presence in China, South Korea, Indonesia, the Philippines, Vietnam and Myanmar (as part of executing on its growth strategy), it will become exposed to a range of different legal and regulatory regimes. As a result, it will become subject to the risks associated with doing business in regions which may have political, legal and economic instability and unfamiliar legal and regulatory systems and frameworks, including:

• unexpected changes in, or inconsistent application of, applicable foreign laws and regulatory environments;
• different technology standards;
• difficulties engaging local resources; and
• potential for political upheaval and civil unrest.

Accordingly, there is a risk that the AltoStratos Group may fail to understand the laws, regulations and business outcomes of these regions. This gives rise to risks relating to labour practices, foreign ownership restrictions, tax regulation, difficulties in enforcing contracts, changes to or uncertainty in the relevant legal and regulatory regimes and other issues in foreign jurisdictions in which the AltoStratos Group may expand its operations. This could interrupt or adversely affect parts of the AltoStratos Group’s business operations and financial performance.

5.2.19 Additional capital requirements

Whilst the Board believes that the AltoStratos Group will have sufficient funds after Completion to meet all of its growth and capital requirements for the near term, the AltoStratos Group may seek to exploit opportunities of a kind that will require it to raise additional capital from equity or debt sources. There can be no assurance that the AltoStratos Group will be able to raise such capital on favourable terms, if at all.

If the AltoStratos Group is unable to obtain such additional capital, it may be required to reduce the scope of its current or anticipated business activities or forgo business opportunities, which could adversely affect its business, financial condition and results of operation.

5.3 GENERAL RISKS

5.3.1 Macroeconomic risks

The AltoStratos Group’s customer base is spread across the Asia-Pacific region and is concentrated in the I.T. and
consumer electronics industry sector. The I.T. and consumer electronics industry is subject to structural dynamics which could affect the level of corporate and consumer transaction activity. Any adverse downturn in corporate and consumer purchasing demand could in turn impact the financial performance of the AltoStratos Group.

The future viability of the AltoStratos Group is also dependent on a number of other factors affecting performance of all industries and not just the I.T. and consumer electronics industry, including, but not limited to:

- general economic conditions in jurisdictions in which the AltoStratos Group operates;
- changes in government policies, taxation and other laws in jurisdictions in which the AltoStratos Group operates;
- the strength of the equity and share markets in Australia and throughout the world;
- movement in, or outlook on, interest rates and inflation rates in jurisdictions in which the AltoStratos Group operates; and
- natural disasters, social upheaval or war in jurisdictions in which the AltoStratos Group operates.

5.3.2 Price of Shares

The price at which Shares are quoted on the ASX, may increase or decrease due to several factors. These factors may cause the Shares to trade at prices below the Offer Price. There is no assurance that the price of the Shares will increase following the commencement of quotation on the ASX, even if the Company’s earnings increase.

Some of the factors which may affect the price of the Shares include:

- general economic conditions, including interest rates, exchange rates, inflation rates, oil and commodity prices;
- fluctuations in the domestic and global market for listed stocks;
- changes to government fiscal, monetary or regulatory policies, legislation or regulation;
- inclusion in or removal from market indices;
- the nature of the markets in which the AltoStratos Group operates; and
- general and operational business risks.

5.3.3 Liquidity risk

In accordance with the escrow requirements under Chapter 9 of the ASX Listing Rules, approximately 75.29% of the Shares on issue in the Company on Completion of the Offer on the basis of the Minimum Subscription, and approximately 67.31% of the Shares on issue in the Company on Completion of the Offer on the basis of the Maximum Subscription, will be subject to escrow restrictions for a period of up to 24 months commencing from the date of quotation of the Shares. Following release from escrow, Shares held by the Escrowed Shareholders may be freely tradeable on the ASX. A significant sale by an Escrowed Shareholder of its Shares following their release from escrow (or a perception that such sale has occurred or might occur), could also adversely affect the price of Shares. Please refer to ‘Escrow Arrangements’ in Section 9.4 for further information.

5.3.4 Laws and regulations may change

The AltoStratos Group is subject to laws and regulations in the jurisdictions in which it operates. These laws and regulations may include, but are not limited to, those that relate to fair trading and consumer protection, product safety, employment, property, taxation (including goods and services taxes and stamp duty), customs and tariffs.

Changes to laws and regulations may adversely affect the performance and financial position of the AltoStratos Group, including by increasing its direct and indirect costs through higher regulatory compliance burdens. Any adverse change in laws or regulations may materially impact the Altostratos Group’s future operations and financial performance.

In addition, there is a risk that laws or regulations may be introduced that restrict the AltoStratos Group’s use of its customer database and information obtained from customers, or otherwise restricts its interactions with consumers, sales tactics and marketing campaigns. Any materially adverse changes in this regard could impact the normal
operations of the AltoStratos Group and reduce its ability to generate revenue, which may have an adverse effect on the AltoStratos Group’s financial and operational performance in the future.

5.3.5 Taxation

5.3.5.1 Taxation consequences in relation to acquisition and disposal of Shares

The acquisition and disposal of Shares will have tax consequences, which will differ depending on the individual financial affairs of each investor. All potential investors in the Company are urged to obtain independent financial advice about the consequences of acquiring Shares from a taxation point of view and generally. Changes in taxation laws, or changes in the way taxation laws are interpreted may impact the tax liabilities of the Company or the tax treatment of an investor’s investment. In particular, both the level and basis of taxation may change. To the maximum extent permitted by law, the Company, its officers and each of their respective advisers accept no liability and responsibility with respect to the taxation consequences of applying for Shares under this Prospectus.

5.3.5.2 Changes to taxation laws

In addition to the risk specified in Section 5.3.5.1, changes in local indirect taxes, such as GST, and the duty treatment in any of the jurisdictions in which the AltoStratos Group operates, could have an impact on the sales of imported brands. Given that many of the products sold by the AltoStratos Group are discretionary goods, and that the customers for such products tend to be price sensitive, the imposition of increased amounts of GST or equivalent taxes on the sale of imported goods in any of the jurisdictions in which the AltoStratos Group operates could reduce the attractiveness of the AltoStratos Group’s services and have a material adverse effect on the AltoStratos Group’s financial and operational performance.

5.3.6 Shareholder dilution

The Company may elect to issue Shares in the future in connection with fundraisings or acquisitions. While the Company will be subject to the constraints of the ASX Listing Rules in relation to the issue of additional Shares, shareholdings of Shareholders may be diluted as a result of any additional issue of Shares.

5.3.7 Litigation risk

The AltoStratos Group may, from time to time, be involved in legal proceedings or disputes with a variety of parties, including but not limited to, employees, former employees, members of the communities around its facilities, Government agencies or regulators, customers or suppliers arising in the ordinary course of business or otherwise. Defence and settlement costs can be substantial, even with respect to claims that have no merit. Due to the inherent uncertainty of the litigation process, there can be no assurance that the resolution of any particular legal proceeding will not have a material adverse effect on the AltoStratos Group’s business, reputation, financial condition and operations.

5.3.8 Accounting standards

Any change in accounting standards or how they are applied and interpreted may have an adverse impact on the Company’s financial performance and position.

5.3.9 Speculative nature of investment

The above list of risk factors set out in this Prospectus should not be taken as an exhaustive list of the risk factors faced by the Company or by investors in the Company. The above factors, and others not specifically referred to above, may in the future materially affect the financial performance of the Company and the value of the Shares offered under this Prospectus. Accordingly, the Shares to be issued pursuant to this Prospectus carry no guarantee with respect to returns of capital or the market value of those Shares.

Potential investors should consider an investment in the Company as highly speculative and should consult their professional advisers before deciding whether to apply for Shares under this Prospectus.
KEY PEOPLE, INTERESTS AND BENEFITS
SECTION 6
6. KEY PEOPLE, INTERESTS AND BENEFITS

6.1 KEY PEOPLE

6.1.1 Board of Directors

The Directors bring to the Board relevant experience and skills, including industry and business knowledge, financial management and corporate governance experience.

Mr Gasteen is a Director and co-founder of Ikon Corporate (Singapore), established in 2007 to provide corporate advisory, capital raising and management consulting services. He has over 20 years' experience in the mining, oil and gas, manufacturing, I.T. and distribution industries in Australia and Asia.

Mr Gasteen has been chief executive officer and director of both listed and private companies in Australia, Asia, and the United States, and is a senior advisor to Australian companies.

As chief executive officer and director of Hong Leong Asia Limited, a company listed on the Singapore Stock Exchange, he transformed the company through acquisitions and organic growth from a loss maker to a highly profitable conglomerate with $2.2 billion in sales, 80% of which were in China and the remainder in South East Asia. During his term as chief executive officer, he was presented with two successive annual awards by the Securities Investors Association of Singapore (SIAS), recognizing Hong Leong Asia for its effort in demonstrating corporate transparency. The Business Review Weekly ranked Mr Gasteen No.3 in their Top 20 Australians Managing in Asia.

He was also director of Tasek Corporation (cement) listed on the Kuala Lumpur Stock Exchange and chairman and president of China Yuchai International listed on the New York Stock Exchange.

He is currently a non-executive director, chairman of the risk committee and member of the audit committee of ASX listed, Central Petroleum Limited, having been appointed on 22 June 2012. He was the chairman of the audit committee for 6 years until 30 June 2018.

He was appointed as non-executive director and chairman of the audit committee of the ASX listed, Sino Australia Oil & Gas Limited (SAO) in March 2014, following the commencement of ASIC’s investigation into SAO’s prospectus with respect to its initial public offer and listing on the ASX. SAO lodged its replacement prospectus with ASIC on 26 April 2013. SAO was the holding company of a Chinese operating company providing specialised drilling services to the oil and gas industry. At the conclusion of ASIC’s investigations, a number of irregularities in SAO’s prospectus were identified. Accordingly, Mr Gasteen recommended the appointment of a receiver to SAO, with such receiver appointed on 21 May 2015. Mr Gasteen resigned from SAO in November 2015. Please refer to Section 6.2.2 of the Prospectus for further information.
Lee Yuen Wai is the Co-Founder, Chief Executive Officer and Managing Director of the Company and leads the formulation, implementation and execution of the AltoStratos Group’s strategy across the Asia-Pacific region. He also oversees the group’s investments and acquisitions.

Since the 1990s, Yuen Wai has held senior executive roles in numerous listed and unlisted technology companies across Asia. In particular, he served as executive deputy chairman of a Singapore SGX-listed company between 2005 and 2010 and in 2007 to 2009 was also the executive director of a Malaysian I.T. manufacturing company listed on the Kuala Lumpur stock exchange. As a director of another Singapore SGX-listed company, Yuen Wai managed the fund-raising and management buy-out of the company’s software business. Yuen Wai is also the founding investor of several software, fintech and technology-related services companies.

Yuen Wai is also the managing director of Fortune Capital Management Pte Ltd. Fortune Capital Management Pte Ltd was incorporated as a venture capital firm in 1999 and since its inception, its funds have been invested in more than 50 technology companies in Singapore, China, Hong Kong, Taiwan and Silicon Valley in the United States. Some of its notable investments include Focus Media Holdings Limited, Taiwan Semiconductor Manufacturing Co, United Microelectronics Corp, OmniVision Technologies Inc, Gigastorage Corporation and United Test and Assembly Centre, amongst others.

Prior to Fortune Capital Management Pte Ltd, Yuen Wai was a director at UBS AG, a Swiss global financial services company headquartered in Basel and Zürich, overseeing the investments of high net-worth individuals in the traditional asset classes as well as in private equity and hedge funds.

Yuen Wai started practice as a lawyer after completing his Bar examinations in the United Kingdom, specialising in corporate finance and middle-market mergers and acquisitions with an emphasis on private equity and venture capital investments, pre-IPO and IPO investments, fundraising, take-overs and leveraged buy-outs.

Mr. Punya Tephassadin Na Ayudhaya is an Executive Director of the Company.

Mr. Tephassadin Na Ayudhaya has more than 27 years of management experience and is a well-respected veteran in the I.T. and consumer electronics industry in Thailand.

He graduated with a degree in marketing from Bangkok University and started his career as a sales supervisor with Four Systems Limited in Bangkok.

Mr. Tephassadin Na Ayudhaya joined Digiland, a subsidiary of the Company, in 1993 as a product manager in its networking and I.T. solutions business division. During his 25 years of service with Digiland, Mr. Tephassadin Na Ayudhaya has held various senior appointments within the company including as business units manager, sales and marketing manager and sales and marketing director.

Mr. Tephassadin Na Ayudhaya was appointed Executive Director of Digiland in 2014 and currently oversees the operations for the AltoStratos Group in its Indochina hub.

As a testament to his strong leadership, Digiland has garnered numerous vendor awards throughout the years and Mr. Tephassadin Na Ayudhaya continues to drive the AltoStratos Group’s omni-channel initiatives in its Indochina office.
David brings to the Board tremendous experience in corporate governance and compliance in listed companies as a leading international corporate lawyer in Australia as well as in Asia.

Prior to his appointment to the Board of the Company, David was the corporate law partner at Piper Alderman, a leading law practice in Sydney, Australia, where he focused on corporate and commercial transactions and IPOs in Australia and South East Asia.

David was also a partner at several international law firms such as White & Case, Baker McKenzie and Herbert Smith Freehills.

David has regularly advised companies planning to list on the ASX on the listing process and its directors on continuing compliance and their director’s duties.

David has held directorships in numerous private and listed companies in Australia and abroad including serving as non-executive director of Sino Australia Oil & Gas Limited (SAO). David joined the board of SAO in March 2014 following the commencement of ASIC’s investigation into SAO’s prospectus with respect to its initial public offer and listing on the ASX. SAO lodged its replacement prospectus with ASIC on 26 April 2013. SAO was the holding company of a Chinese operating company providing specialised drilling services to the oil and gas industry. At the conclusion of ASIC’s investigations, a number of irregularities in SAO’s prospectus were identified. David resigned from SAO in October 2014. A receiver was appointed to SAO on 21 May 2015. Please refer to Section 6.2.2 of the Prospectus for further information.

David graduated with an LLB (Hons) from the University of Canterbury and holds a Masters of Jurisprudence from the University of Auckland.
Michael is currently the president (operations and chief development officer) of Central Petroleum Limited, a company listed on ASX.

Michael has over 35 years of diversified petroleum industry experience. He has set up operations in Spain, France, Australia and China. These efforts have been consistently results-oriented and have been completed on time and under budget invoking state of the art technology and developing new concepts where necessary incorporating such diverse technologies as satellite imaging and drilling rig modifications. In addition to the countries listed above, Michael has strong multi-culture experience in most western European countries, the former CIS and Asia.

He has served as both non-executive director and executive director of Central Petroleum Limited. Previously, Michael was the president for QCG, managing director for Jabiru Energy, managing director for Enron Exploration Australia Pty Ltd based in Queensland, Australia and Enron Oil & Gas China Ltd based in Beijing, China.

Michael graduated with a BS degree in Civil Engineering from the University of Utah and is a Registered Professional Engineer in Australia, Texas and New Mexico.
The composition of the Board committees and a summary of its key corporate governance policies are set out in Section 6.3.

Each Director has confirmed to the Company that he anticipates being available to perform his duties as a Non-Executive or Executive Director, as the case may be, without constraint from other commitments.

6.1.2 Senior Management

Lee Yuen Wai  
Chief Executive Officer and Managing Director  
See Section 6.1.1

Punya Tephassadin Na Ayudhaya  
Executive Director  
See Section 6.1.1

6.2 INTERESTS AND BENEFITS

This Section 6.2 of the Prospectus sets out the nature and extent of the interests and fees of certain persons involved in the Offer.

Other than as set out below or elsewhere in this Prospectus, no:

- Director of the Company;
- person named in this Prospectus and who has performed a function in a professional, advisory or other capacity in connection with the preparation or distribution of this Prospectus;
- promoter of the Company; or
- financial services licensee named in this Prospectus as a financial services licensee involved in the Offer, holds as at the time of lodgement of this Prospectus with ASIC, or has held in the two years before lodgement of this Prospectus with ASIC, an interest in:
  - the formation or promotion of the Company;
  - property acquired or proposed to be acquired by the Company in connection with its formation or promotion or the Offer; or
  - the Offer,

and no amount (whether in cash, Shares or otherwise) has been paid or agreed to be paid, nor has any benefit been given or agreed to be given to any such person for services in connection with the formation or promotion of the Company or the Offer or to any Director to induce them to become, or qualify as, a Director.

6.2.1 Interest of advisors

The Company has engaged the following professional advisors in relation to the Offer:

- KPMG Law has acted as Australian legal advisor (other than in respect of taxation matters) to the Company in relation to the Offer. The Company has paid, or agreed to pay, approximately $350,000 (excluding disbursements and GST) for these services up until the Prospectus Date. Further amounts may be paid to KPMG Law for other work in accordance with its normal time-based charges.
- BDO East Coast Partnership has acted as the Investigating Accountant on the Financial Information and has prepared an Investigating Accountant’s Report included in Section 8 of this Prospectus. The Company has paid, or agreed to pay, approximately $119,000 (excluding disbursements and GST) for these services up until the Prospectus Date. Further amounts may be paid to BDO East Coast Partnership for other work in accordance with its normal time-based charges.
- BDO East Coast Partnership has acted as the tax adviser to the Company in relation to the Offer. The Company has paid, or agreed to pay, approximately $40,000 (excluding disbursements and GST) for these services up until the Prospectus Date. Further amounts may be paid to BDO East Coast Partnership for other work in accordance with its normal time-based charges.
In addition, the Company has paid or agreed to pay $42,000 to its Singapore and Thailand legal advisers for ongoing advice in relation to the Company and certain preparatory matters concerning the Offer.

These amounts, and other expenses of the Offer, will be paid by the Company out of funds raised under the Offer or available cash. Further information on the use of proceeds and payment of expenses of the Offer is set out in Section 7.2.

6.2.2 Directors' disclosures

No Director of the Company has been the subject of any disciplinary action, criminal conviction, personal bankruptcy or disqualification in Australia or elsewhere in the last 10 years which is relevant or material to the performance of their duties as a Director of the Company or which is relevant to an investor’s decision as to whether to subscribe for Shares.

Except as set out below, no Director has been an officer of a company that has entered into any form of external administration as a result of insolvency during the time that they were an officer or within a 12 month period after they ceased to be an officer.

- Mr Wrixon Gasteen was appointed as a director of Sino Australia Oil & Gas Limited ACN 159 714 397 (SAO) following the commencement of ASIC’s investigation into SAO’s prospectus with respect to its initial public offer and listing on the ASX. SAO lodged its replacement prospectus with ASIC on 26 April 2013. SAO was the holding company of a Chinese operating company providing specialised drilling services to the oil and gas industry. At the conclusion of ASIC’s investigations, a number of irregularities in SAO’s prospectus were identified. Accordingly, Mr Gasteen recommended the appointment of a receiver to SAO, with such receiver appointed on 21 May 2015.

- Mr David Cornwell was a director of SAO during the period March 2014 and October 2014. As noted above, on 21 May 2015 a receiver was appointed to SAO.

The other Directors do not believe that the above matter is material to, or indicative of, the future performance of each of Mr Gasteen and Mr Cornwell with respect to their duties as Directors of the Company or the future performance or prospects of the Company.

6.2.3 Directors Interest and Remuneration

6.2.3.1 Non-Executive Director remuneration

Under the Constitution, the Board decides the total amount paid to each Director as remuneration for their services as a Director of the Company. However, under the ASX Listing Rules, the total amount provided to all Non-Executive Directors for their services must not exceed in aggregate in any financial year the amount fixed by the Company at its general meeting.

This amount has been fixed by the Company at $380,000 per annum. As at the date of this Prospectus, the annual Non-Executive Directors’ fees agreed to be paid by the Company to each of the Non-Executive Directors is $60,000 except for Mr Gasteen, who is to be paid $100,000 in his capacity as chairman of the Board. There will be no additional fees payable to the Non-Executive Directors for their membership on the Audit and Risk Committee and the Remuneration and Nomination Committee. All Non-executive Directors’ fees are inclusive of superannuation contributions required by law to be made by the Company.

6.2.3.2 Deed of access, insurance and indemnity

The Company has entered into a deed of access, insurance and indemnity with each Director which contains a right of access to certain books and record of the Company and its related bodies corporate for a period of seven years after the Director ceases to hold office. This seven year period can be extended where certain proceedings or investigations commence before the seven year period expires.

Pursuant to the Constitution, the Company may indemnify Directors and officers, past and present, against liabilities that arise from their position as a Director or officer to the full extent permissible by law. Under the deeds of access indemnity and insurance, the Company indemnifies each Director against all liabilities to another person that may arise from their position as a Director of the Company (or any of its subsidiaries) to the full extent permissible by law. The
deed stipulates that the Company will meet the full amount of any such liabilities, including reasonable legal costs and expenses.

Pursuant to the Constitution, the Company may arrange and maintain Directors’ and officers’ insurance for its Directors to the full extent permitted by law. Under the deed of access, indemnity and insurance, the Company must obtain such insurance during each Director’s period of office and for a period of seven years after a Director ceases to hold office. This seven year period can be extended where certain proceedings or investigations commence before the seven year period expires.

6.2.3.3 Directors’ interests in Shares and other securities

The Directors are not required under the Constitution to hold any Shares in the Company. The Directors (and their associates) are entitled to apply for Shares in the Offer. The table below sets out the Directors’ (and their associated entities) direct and indirect interests in the Company’s Shares on Completion.

**TABLE 1: DIRECTOR’S INTEREST**

<table>
<thead>
<tr>
<th>DIRECTOR</th>
<th>SHARES AS AT PROSPECTUS DATE</th>
<th>% AS AT PROSPECTUS DATE</th>
<th>SHARES AS AT COMPLETION ON THE BASIS OF THE MINIMUM SUBSCRIPTION¹</th>
<th>% AS AT COMPLETION ON THE BASIS OF THE MINIMUM SUBSCRIPTION¹</th>
<th>SHARES AS AT COMPLETION ON THE BASIS OF THE MAXIMUM SUBSCRIPTION¹</th>
<th>% AS AT COMPLETION ON THE BASIS OF THE MAXIMUM SUBSCRIPTION¹</th>
</tr>
</thead>
<tbody>
<tr>
<td>Wrixon Gasteen</td>
<td>Nil</td>
<td>Nil</td>
<td>NIL</td>
<td>NIL</td>
<td>NIL</td>
<td>NIL</td>
</tr>
<tr>
<td>Lee Yuen Wai</td>
<td>84,825,000</td>
<td>56.61</td>
<td>84,825,000</td>
<td>44.68</td>
<td>84,825,000</td>
<td>39.95</td>
</tr>
<tr>
<td>Punya Tephassadin Na Ayudhaya</td>
<td>Nil</td>
<td>Nil</td>
<td>NIL</td>
<td>NIL</td>
<td>NIL</td>
<td>NIL</td>
</tr>
<tr>
<td>Long Ming Fai, Edwin</td>
<td>45,675,000</td>
<td>30.48</td>
<td>45,675,000</td>
<td>24.06</td>
<td>45,675,000</td>
<td>21.51</td>
</tr>
<tr>
<td>David Cornwell</td>
<td>Nil</td>
<td>Nil</td>
<td>NIL</td>
<td>NIL</td>
<td>NIL</td>
<td>NIL</td>
</tr>
<tr>
<td>Michael Ray Herrington</td>
<td>Nil</td>
<td>Nil</td>
<td>NIL</td>
<td>NIL</td>
<td>NIL</td>
<td>NIL</td>
</tr>
</tbody>
</table>

Notes:
1. The above table does not take into account any Shares the Directors may acquire under the Offer.

6.2.4 Employment arrangements

6.2.4.1 Chief Executive Officer and Managing Director

Lee Yuen Wai’s employment agreement is substantially on the same terms as all other senior executives appointed by the Company.

6.2.4.2 Executive Director

Punya Tephassadin Na Ayudhaya’s employment agreement is substantially on the same terms as all other senior executives appointed by the Company.

The table below summarises the key terms of the agreement of both Lee Yuen Wai and Punya Tephassadin Na Ayudhaya.
TABLE 2: KEY EMPLOYMENT TERMS OF LEE YUEN WAI AND PUNYA TEPHASSADIN NA AYUDHAYA

LEE YUEN WAI

<table>
<thead>
<tr>
<th>TERM</th>
<th>DESCRIPTION</th>
</tr>
</thead>
<tbody>
<tr>
<td>Employer</td>
<td>Upon listing, Lee Yuen Wai will perform the position of CEO and Managing Director of Altostratos Holdings Limited under an employment contract with Altostratos Holdings Pte Ltd.</td>
</tr>
<tr>
<td>Total Employment Costs</td>
<td>Lee Yuen Wai is entitled to receive a base salary of SGD 540,000 (approximately AUD 532,333) per annum and is entitled to receive other benefits valued at approximately SGD 50,000 (approximately AUD 49,290) per annum.</td>
</tr>
<tr>
<td>Annual Bonus Scheme</td>
<td>Lee Wai Yuen is entitled to participate in the annual Bonus Scheme to be implemented by Altostratos Holdings Limited, as further detailed in Section 6.2.6.</td>
</tr>
<tr>
<td>Termination</td>
<td>Either Altostratos Holdings Limited or Lee Yuen Wai may terminate the employment on three month’s written notice.</td>
</tr>
</tbody>
</table>

PUNYA TEPHASSADIN NA AYUDHAYA

<table>
<thead>
<tr>
<th>TERM</th>
<th>DESCRIPTION</th>
</tr>
</thead>
<tbody>
<tr>
<td>Employer</td>
<td>Upon listing, Punya Tephassadin Na Ayudhaya will perform the position of Executive Director of Altostratos Holdings Limited under an employment contract with Digiland (Thailand) Co. Limited.</td>
</tr>
<tr>
<td>Total Employment Costs</td>
<td>Punya Tephassadin Na Ayudhaya is entitled to receive a base salary inclusive of superannuation of approximately THB 1,560,000 (approximately AUD 66,265) per annum and is entitled to receive other benefits valued at approximately THB 195,398 (approximately AUD 8,300) per annum.</td>
</tr>
<tr>
<td>Annual Bonus Scheme</td>
<td>Punya Tephassadin Na Ayudhaya is entitled to participate in the annual Bonus Scheme to be implemented by Altostratos Holdings Limited, as further detailed in Section 6.2.6.</td>
</tr>
<tr>
<td>Termination</td>
<td>Either Altostratos Holdings Limited or Punya Tephassadin Na Ayudhaya may terminate the employment on three month’s written notice.</td>
</tr>
</tbody>
</table>

6.2.5 Other key Company employees

The Company has entered into standard employment contracts with all other key employees which establish:

- compensation, including base salary and participation in the Bonus Scheme;
- notice and termination provisions of between one and three months; and
- confidentiality provisions.
6.2.6 Bonus Scheme

All employees, including the Chief Executive Officer and Managing Director and the other Executive Director, are able to participate in the annual Bonus Scheme. Under the Bonus Scheme, employees may receive an annual cash bonus in recognition of their individual performance during the calendar year, taking into account the performance of the Company, the AltoStratos Group member which they are employed by and the division or area in which they work. The employee must be employed by the relevant AltoStratos Group member at the time bonuses are paid in order to be eligible to receive a bonus. Bonuses are paid by way of additional payment to the employee on top of their normal salary during the next pay run following the declaration of bonuses. Employees may be required to repay a bonus that they receive in a particular year, in full or in part, should their employment cease within a calendar year of payment of a bonus under the Bonus Plan.

The payment of cash bonuses under the annual Bonus Scheme to individual employees is determined by the Board following recommendations by executive management of the respective AltoStratos Group entities. In determining the aggregate bonus amounts and the amounts to be paid to individual employees, including the Chief Executive Officer and Managing Director and other Executive Director, the Board takes into account a range of factors including the performance of the Company, the performance of the relevant AltoStratos Group member, market remuneration levels, key metrics such as total compensation as a percentage of revenue as well as the performance of each individual staff member. Although there is no cap on the cash bonuses that may be paid to employees, including the Executive Directors, under the annual Bonus Scheme, no cash bonuses were paid to employees under the annual Bonus Scheme in relation to the financial years ending 30 June 2017 and 30 June 2018. Any future cash bonuses that may be paid to employees, including the Executive Directors, under the annual Bonus Scheme will be determined by the Board having regard to the matters noted above.

6.3 CORPORATE GOVERNANCE

This Section 6.3 explains how the Board oversees the management of the Company’s business. The Board is responsible for the overall corporate governance of the Company. The Board monitors the operational and financial position and performance of the Company and oversees the development of the Company’s corporate strategy. The Board is committed to maximising performance, generating appropriate levels of Shareholder value and financial return and sustaining the growth and success of the Company. In conducting the Company’s business with these objectives, the Board seeks to ensure that the Company is properly managed to protect and enhance Shareholder interests and that the Company, its directors, officers and personnel operate in an appropriate environment of corporate governance. Accordingly, the Board has created a framework for managing the Company, including adopting relevant internal controls, risk management processes and corporate governance policies and practices, which it believes are appropriate for the Company’s business and which are designed to promote the responsible management and conduct of the Company.

The Company is seeking a listing on the ASX. The ASX Corporate Governance Council’s Corporate Governance Principles and Recommendations, third edition, is designed to promote investor confidence and to assist companies in meeting stakeholder expectations. The principles and recommendations are not prescriptions, but guidelines. However, under the ASX Listing Rules, the Company will be required to provide a corporate governance statement in its annual report that discloses the extent to which the Company has followed the recommendations during the reporting period. Where the Company does not follow a recommendation, it must identify that recommendation and give reasons for not following it.

The main policies and practices adopted by the Company, and the charters for the Board and each of its committees are summarised below. Copies of these documents are available at www.altostratos.com.

6.3.1 The Board

6.3.1.1 Board of Directors

The Board is currently made up of six Directors comprising:

- three Independent Non-Executive Directors, one of which is the Chairperson;
one additional Non-Executive Director;  
- the Chief Executive Officer and Managing Director; and  
- one other Executive Director.

Detailed biographies of the Board members are provided in Section 6.1.

6.3.1.2 Independence of Directors

The Board considers an Independent Director to be a Non-Executive Director who is not a member of the Company’s management and who is free of any business or other relationship that could materially interfere with, or could reasonably be perceived to interfere with, the independent exercise of their judgement. The Board will consider the materiality of any given relationship on a case-by-case basis, having regard to both quantitative and qualitative principles, and has adopted guidelines to assist in this regard. The Board reviews the independence of each Director in light of interests disclosed to the Board from time to time.

The Company’s board charter sets out guidelines and thresholds of materiality for the purpose of determining the independence of Directors in accordance with the ASX principles and recommendations, and has adopted a definition of independence that is based on that set out in the ASX principles and recommendations.

The Board considers each of Mr Wrixon Gasteen, Mr David Cornwell and Mr Michael Herrington to be “independent” for this purpose, on the basis that they are free from any business or any other relationship that could materially interfere with, or reasonably be perceived to interfere with, the independent exercise of their judgement and are able to fulfil the role of an independent Director for the purposes of the ASX principles and recommendations.

6.3.2 Roles and responsibilities

The Board has responsibility for providing the overall strategic guidance for the Company and effective oversight of management. The Board ensures that the activities of the Company comply with its Constitution, from which the Board derives its authority to act, and with the relevant legal and regulatory requirements.

The Board has delegated day-to-day management of the business and affairs of the Company to executive management and will set the levels of authority for the Chief Executive Officer and other members of executive management. These levels will be periodically reviewed by the Board and documented.

The Board has delegated some of its functions to committees, although ultimate responsibility for those functions remains with the Board.

6.3.3 Board Charter

The Board has adopted a written charter to provide a framework for the effective operation of the Board, which sets out:

- the roles and responsibilities of the Board, including to provide overall strategic guidance for the Company and effective oversight of management, oversight of the Company’s financial and capital management, the promotion and facilitation of effective disclosure of material information, along with compliance and risk management;
- the role and responsibilities of the Chairman and company secretary;
- the delegations of authority of the Board to both committees of the Board and the Chief Executive Officer and other management of the Company;
- the membership of the Board, including in relation to the Board’s composition and size and the process of selection and re-election of Directors, independence of Directors and conduct of individual Directors; and
- the Board process, including how the Board meets.

6.3.4 Board Committees

To assist in carrying out its responsibilities, the Board has established an Audit and Risk Committee and a Nomination
and Remuneration Committee. The membership of both the Audit and Risk Committee and the Nomination and Remuneration Committee will comprise the full Board. Each of the Audit and Risk Committee and Nomination and Remuneration Committee (and any other committee established by the Board from time to time) has a formal charter setting out the matters relevant to the composition, responsibilities and administration of that committee.

6.3.5 Audit and Risk Committee

The Audit and Risk Committee is responsible for monitoring, reviewing and reporting to the Board on the propriety of related party transactions, financial reporting matters, risk management and internal controls and the Company’s external audit function, including oversight of:

- the integrity of the Company’s external financial reporting and financial statements;
- the appointment, remuneration, independence and competence of the Company’s external auditors;
- the performance of the external audit function and review of their audits;
- the effectiveness of the Company’s system of risk management and internal controls; and
- the Company’s systems and procedures for compliance with applicable legal regulatory requirements.

It is proposed that Dr Long Ming Fai Edwin will be the chairperson of the Audit and Risk Committee.

6.3.6 Nomination and Remuneration Committee

The Nomination and Remuneration Committee is responsible for establishing, overseeing and advising the Board in relation to:

- nomination matters, being, Board succession planning, induction and continuing professional development of Directors and Board and committee performance evaluation; and
- remuneration matters, being, remuneration arrangements and incentive plans, preparation of the annual remuneration report, assessment of management performance and other human resources related matters.

It is proposed that Mr David Cornwell will be the chairperson of the Nomination and Remuneration Committee.

6.3.7 Corporate Governance Policies

The Board has adopted the following corporate governance policies, each of which has been prepared having regard to the ASX principles and recommendations. The Company’s policies and corporate governance practices will continue to be reviewed regularly and will continue to be developed and refined to meet the needs of the Company and best practice.

6.3.7.1 Code of Conduct

The Company is committed to providing an ethical and legal framework within which its employees conduct the Company’s business. Accordingly, the Company has adopted a Code of Conduct which sets out the values, commitments, ethical standards and policies of the Company and outlines the standards of conduct expected of the business and the Company’s employees, taking into account the Company’s legal and other obligations to its stakeholders.

6.3.7.2 Disclosure and Communications Policy

The Company is committed to the objective of promoting investor confidence and the rights of Shareholders. The Company’s Disclosure and Communications Policy details the Company’s commitment through:

- complying with the continuous disclosure obligations imposed by law;
- ensuring that Company announcements are presented in a factual, clear and balanced way;
- ensuring that all Shareholders have equal and timely access to material information concerning the Company; and
- communicating effectively with Shareholders and making it easy for them to participate in general meetings.
6.3.7.3 Securities Trading Policy

The Company has adopted a securities trading policy to take effect from Listing for dealings in securities, which is intended to explain the prohibited type of conduct in relation to dealings in securities under the Corporations Act and to establish a best practice procedure in relation to Directors, officers, employees, contractors and their families and associates dealings in Shares.

The securities trading policy sets out the restrictions that apply to dealing with Shares, including “prohibited periods” during which certain persons are generally not permitted to deal with Shares, along with a procedure under which certain persons are required to submit prior notification and obtain written confirmation prior to dealing in Shares outside of “prohibited periods”.

6.3.7.4 Diversity Policy

The Company has adopted a diversity policy which sets out the Company’s commitment to supporting workplace diversity across all levels of the Company. Under this policy, the Company will aim to achieve greater diversity by setting objectives at all management and leadership levels, broadening the field of potential candidates for positions and promoting the benefits of workplace diversity to all employees.

6.3.7.5 Privacy Policy

The Company is committed to protecting the safety and security of the registered users of its sites and is sensitive to their concerns about the safety of their personal information provided to the Company. The Privacy Policy details how any personal information collected by the Company is used.
DETAILS OF THE OFFER
SECTION 7
7. DETAILS OF THE OFFER

7.1 DESCRIPTION OF THE OFFER

This Prospectus relates to the initial public offering by the Company to issue 40,000,000 Shares at $0.40 per Share to raise the Minimum Subscription (being, $16,000,000) with the right to accept oversubscriptions of up to a further 22,500,000 Shares at an issue price of $0.40 per Share to raise the Maximum Subscription (being $25,000,000). At Completion the total number of Shares on issue will be:

- 189,835,366 at the Minimum Subscription; and
- 212,335,366 at the Maximum Subscription.

The Offer is comprised of:

- the Institutional Offer (see Section 7.5.1);
- the Chairman’s List Offer (see Section 7.5.2); and
- the Retail Offer (see Section 7.5.3).

No lead manager or underwriter has been appointed by the Company with respect to the Offer.

The Company will determine the allocation of Shares between the Institutional Offer, the Chairman’s List Offer and the Retail Offer. Consideration will be given to the allocation policies for the various components of the Offer as outlined in Section 7.5.

7.2 PURPOSE OF THE OFFER AND USE OF PROCEEDS

The Offer is being conducted by the Company to:

- provide the Company with the opportunity to raise the funds under the Offer and also provide access to capital markets so as to provide the AltoStratos Group with the financial flexibility to pursue its growth strategy (as further detailed in Section 2.4);
- provide a liquid market for the Company’s Shares; and
- provide the Company, and by extension the AltoStratos Group, with the benefits of an increased profile arising from being listed on the ASX.

As at the Prospectus Date, the Company is actively assessing, with respect to the AltoStratos Group’s intended expansion into:

- Australia, the most appropriate fulfilment model to be adopted with respect to the Australian fulfilment centres that are intended to be established; and
- China, South Korea, Indonesia, the Philippines, Vietnam and Myanmar, a number of strategic asset and business acquisitions in these jurisdictions.

None of the above matters being assessed are complete or definite enough to require disclosure in this Prospectus. However, should the Company make a final determination on any of these matters, then this could result in the Company applying a substantial part of the Offer proceeds to, respectively, fund the Australian expansion or any such potential acquisition in any of China, South Korea, Indonesia, the Philippines, Vietnam or Myanmar. A further update to the market will be provided upon entry into any material transaction.
The proposed use of funds associated with the Offer are as follows:

### TABLE 3: PROPOSED USE OF FUNDS

<table>
<thead>
<tr>
<th>USE OF FUNDS</th>
<th>OFFER PROCEEDS (A$)</th>
<th>On the basis of the Minimum Subscription</th>
<th>On the basis of the Maximum Subscription</th>
</tr>
</thead>
<tbody>
<tr>
<td>Research &amp; Development¹</td>
<td>2,600,000</td>
<td></td>
<td>3,000,000</td>
</tr>
<tr>
<td>Development of an Australian Fulfiment Centre²</td>
<td>6,400,000</td>
<td></td>
<td>8,000,000</td>
</tr>
<tr>
<td>Offer Costs</td>
<td>1,300,000</td>
<td></td>
<td>1,500,000</td>
</tr>
<tr>
<td>Group Premises &amp; Equipment³</td>
<td>1,600,000</td>
<td></td>
<td>5,000,000</td>
</tr>
<tr>
<td>Group Capex/Working Capital³</td>
<td>4,100,000</td>
<td></td>
<td>7,500,000</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>16,000,000</strong></td>
<td><strong>25,000,000</strong></td>
<td><strong>25,000,000</strong></td>
</tr>
</tbody>
</table>

Notes:
1. The AltoStratos Group intends to enhance and expand its existing B2B and B2C ecommerce platforms to further improve the user experience and functionality. At the same time, the group plans to make further investments into customary technology that will enable the group to achieve greater integration with its global customers and network of resellers to enhance its visibility across the supply-chain.

2. The AltoStratos Group intends to expand its Pan-Asian offering into the Australian market. As part of its Australian expansion strategy, the AltoStratos Group intends to build and operate fulfilment centres in Australia. In particular, the AltoStratos Group plans to establish automated fulfilment centres in certain Australian cities, which at the Prospectus Date is anticipated to be Sydney and Melbourne and potentially Brisbane and Perth, within the next 18 to 24 months. In respect of each fulfilment centre to be established in Australia, this would include the building of automated storage and retrieval systems, software integration with global brands, and last-mile fulfilment capabilities. The number and size of the fulfilment centres to be established in Australia will ultimately be dependent on the fulfilment model that will be adopted with respect to the AltoStratos Group’s intended Australian expansion. Accordingly, the Use of Funds allocated to the “Development of an Australian Fulfiment Centre” at the Minimum Subscription Amount (as set out above) may be applied by the group to the costs associated with the establishment of only one (or potentially more) fulfilment centres in Australia, as the costs will vary depending on the ultimate fulfilment model to be adopted in this regard.

3. The AltoStratos Group plans to expand into fast growing markets such as China, South Korea, Indonesia, the Philippines, Vietnam and Myanmar. This expansion will incur new capital and operating costs associated with the AltoStratos Group’s expansion plans as well as transaction costs relating to the establishment of new businesses and acquisition of existing businesses in these jurisdictions. In particular, the Use of Funds allocated to “Group Premises and Equipment” at the Minimum Subscription Amount (as set out above) is the anticipated average cost associated with the potential establishment of one (or potentially two) new business entities in any of these jurisdictions, inclusive of costs associated with office and warehouse equipment and fit-out.

The Board believe that on Completion the Company will have sufficient funds available from the cash proceeds to fulfil the purposes of the Offer and meet the Company’s current stated business objectives.

Additional funds raised beyond the Minimum Subscription will be combined with existing cash reserves to further increase the strength of the Company’s balance sheet to fund ongoing operational costs of the Company and, to the extent possible, to execute on the AltoStratos Group’s growth strategy (as detailed in Section 2.4).

The above table is a statement of current intentions as at the Prospectus Date based on the Company’s present plans and business conditions. Investors should note that, as with any budget, the allocation of funds set out in the table above may change depending on a number of factors, including the outcome of sales success, operational and development activities, regulatory developments and market and general economic conditions, and also having regard to the risks specified in Section 5 of the Prospectus. In light of this, the Board reserves the right to alter the way the funds are applied with respect to the Company’s current stated business objectives and/or alter the Company’s business objectives (as applicable). More generally, the Board may consider the use of further equity or debt funding if appropriate to further accelerate growth or fund the Company’s current stated business objectives, or otherwise a specific project, transaction or acquisition opportunity (including if the Company’s stated business objectives change).
7.3 CAPITAL STRUCTURE

The details of the Company’s capital structure on Completion is set out below.

TABLE 4: CAPITAL STRUCTURE

<table>
<thead>
<tr>
<th></th>
<th>AS AT THE PROSPECTUS DATE</th>
<th>AFTER COMPLETION OF THE OFFER ON THE BASIS OF THE MINIMUM SUBSCRIPTION 1</th>
<th>AFTER COMPLETION OF THE OFFER ON THE BASIS OF THE MAXIMUM SUBSCRIPTION 1</th>
</tr>
</thead>
<tbody>
<tr>
<td>Investors</td>
<td>Shares Held</td>
<td>Shares Held As a % of total Shares on issue</td>
<td>Shares Held As a % of total Shares on issue</td>
</tr>
<tr>
<td>Directors</td>
<td>130,500,000</td>
<td>130,500,000 As a % of total Shares on issue</td>
<td>130,500,000 As a % of total Shares on issue</td>
</tr>
<tr>
<td>Other Existing Shareholders</td>
<td>19,335,366</td>
<td>19,335,366 12.90 As a % of total Shares on issue</td>
<td>19,335,366 9.11 As a % of total Shares on issue</td>
</tr>
<tr>
<td>Investors in the Offer</td>
<td>-</td>
<td>40,000,000 21.07 As a % of total Shares on issue</td>
<td>62,500,000 29.43 As a % of total Shares on issue</td>
</tr>
<tr>
<td>Total Shares</td>
<td>149,835,366</td>
<td>189,835,366 100 As a % of total Shares on issue</td>
<td>212,335,366 100 As a % of total Shares on issue</td>
</tr>
</tbody>
</table>

Notes:
1. The above table does not take into account any Shares the Directors or management of the Company may acquire under the Offer.

7.4 CONTROL OF THE COMPANY

The Board notes that two of the Directors of the Company, Mr Lee and Dr Long, will hold approximately 68.74% of the Shares on issue in the Company on Completion on the basis of the Minimum Subscription and approximately 61.46% of the Shares on issue in the Company on Completion on the basis of the Maximum Subscription. Although Mr Lee and Dr Long will not individually be in a position to control (as defined in section 50AA of the Corporations Act) the Company, they will be in a position to exert significant influence on the operations of the Company by virtue of their positions as Directors and substantial shareholdings.

7.5 TERMS AND CONDITIONS OF THE OFFER

TABLE 5: TERMS AND CONDITIONS OF THE OFFER

<table>
<thead>
<tr>
<th>TOPIC</th>
<th>SUMMARY</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>What type of security is being offered?</strong></td>
<td>Shares (being fully paid ordinary shares in the issued capital of the Company).</td>
</tr>
<tr>
<td><strong>What are the rights and liabilities attached to the securities?</strong></td>
<td>A description of the Shares, including the rights and liabilities attaching to them, is set out in Section 9.5.</td>
</tr>
<tr>
<td><strong>What is the consideration payable for each security being offered?</strong></td>
<td>The Offer Price is $0.40 per Share.</td>
</tr>
<tr>
<td><strong>What are the cash proceeds to be raised under the Offer?</strong></td>
<td>The Minimum Subscription amount (being, $16,000,000) is proposed to be raised under the Offer (Institutional Offer, Chairman’s List Offer and the Retail Offer) with the ability to accept oversubscriptions of up to a further $9,000,000 under the Offer to raise the Maximum Subscription amount (being, $25,000,000).</td>
</tr>
<tr>
<td><strong>TOPIC</strong></td>
<td><strong>SUMMARY</strong></td>
</tr>
<tr>
<td>---</td>
<td>---</td>
</tr>
<tr>
<td>Has a lead manager or underwriter been appointed by the Company for the purposes of the Offer?</td>
<td>No lead manager or underwriter has been appointed by the Company for the purposes of the Offer.</td>
</tr>
<tr>
<td>Is the Offer underwritten?</td>
<td>No. The Offer is not underwritten.</td>
</tr>
</tbody>
</table>
| What is the minimum and maximum application size under the Retail Offer? | The minimum Application under the Retail Offer is 5,000 Shares (being worth $2,000), and in multiples of 1,250 Shares (being worth $500) thereafter. There is no maximum value of Shares that may be applied for under the Retail Offer. If you have received a personalised invitation to participate in the Chairman’s List Offer, you may apply for an amount up to and including the amount indicated on your invitation to apply. The Company reserves the right to:  
- treat any Applications under the Retail Offer that are from persons who they believe may be Institutional Investors, as bids under the Institutional Offer;  
- aggregate any Applications that they believe may be multiple Applications from the same person; and  
- reject any Application or allocate a lesser number of Shares than that applied for. |
| What is the allocation policy? | The allocation of Shares between the Institutional Offer, the Chairman’s List Offer and Retail Offer will be determined by the Company who has absolute discretion regarding the allocation of Shares under the Offer. For further information on the:  
- Institutional Offer, see Section 7.5.1;  
- Chairman’s List Offer, see Section 7.5.2; and  
- Retail Offer, see Section 7.5.3. |
| Will the Shares be quoted? | The Company will apply for quotation of the Shares on ASX under the code ATO. Completion of the Offer is conditional on ASX approving this application. If approval is not given within three months after such application is made (or any longer period permitted by law), the Offer will be withdrawn, and all Application Monies received will be refunded without interest as soon as practicable in accordance with the requirements of the Corporations Act. |
| When will I receive confirmation that my application has been successful? | It is expected that initial holdings statements will be dispatched by standard post on or about Thursday, 28 February 2019. |
| When are the Shares expected to commence trading? | Normal settlement trading of Shares is expected to commence on or about Wednesday, 27 February 2019. It is the responsibility of each Applicant to confirm their holding before trading in Shares. Applicants who sell Shares before they receive an initial statement of holding do so at their own risk. The Company and the Share Registry disclaim all liability, whether in negligence or otherwise, to persons who sell Shares before receiving their initial statement of holding, even if such person received confirmation of an allocation of Shares from the Offer Information Line or otherwise. |
Are they any escrow arrangements? | Yes. Details of escrow arrangements are provided in Section 9.4.

What are the tax implications of investing in the Shares? | Given that the taxation consequence of an investment will depend on the investor's particular circumstances it is the obligation of investors to make their own enquiries concerning the taxation consequences of an investment in the Company. An overview of the tax treatment for Australian resident investors is included in Section 9.11 of this Prospectus.

Has any ASIC relief or ASX waiver been sought, obtained or been relied on? | No. The Company has not applied for any ASX waivers or ASIC relief for the purposes of the Offer. However, customary confirmations have been sought from the ASX with respect to the Offer and the admission of the Company to the Official List of ASX.

Is there any brokerage, commission or stamp duty considerations? | No brokerage, commission or stamp duty is payable by Applicants on acquisition of Shares under the Offer.

Can the Offer be withdrawn? | Yes. The Offer can be withdrawn by the Company at any time prior to Completion.

The Company reserves the right not to proceed with the Offer at any time before the issue of Shares to successful Applicants.

If the Offer does not proceed or complete, Application Monies will be refunded to Applicants. No interest will be paid on any Application Monies refunded.

What happens if the Minimum Subscription is not raised? | If the Company does not receive Applications for the Minimum Subscription (being $16,000,000) before the expiration of four months after the Prospectus Date, the Company will not allot or issue any Shares and all Application Monies will be refunded in full (without interest) as soon as practicable in accordance with the requirements of the Corporations Act.

What should I do with any enquiries? | If you require more information about this Prospectus or the Offer, call the Offer Information Line on 1300 737 760 (within Australia) or +61 2 9290 9600 (outside Australia) between 8:30 am and 5:30 pm (Sydney Time), Monday to Friday (Business Days only).

If you are unclear in relation to any matter or are uncertain as to whether the Company is a suitable investment for you, you should seek professional guidance from your stockbroker, solicitor, financial advisor, accountant or other independent professional adviser before deciding whether to invest.

### 7.5.1 Institutional Offer

#### 7.5.1.1 Who can apply?

The Institutional Offer consists of an invitation to certain Institutional Investors in Australia and certain Institutional Investors in Hong Kong, Singapore, Malaysia and New Zealand, and any other jurisdictions as determined by the Company, to apply for Shares. The Company has separately advised Institutional Investors of the application procedures for the Institutional Offer. For the avoidance of any doubt, offers and acceptances in the Institutional Offer are made under this prospectus.

#### 7.5.1.2 What is the allocation process?

The allocation of Shares among the Applicants in the Institutional Offer will be determined by the Company. The Company has absolute discretion regarding the basis of allocation of Shares among Institutional Investors, and there
is no assurance that any Institutional Investor will be allocated any Shares, or the number of Shares for which it has
applied for. The allocation policy is influenced by the following factors:

- the number of Shares applied for by particular Institutional Investor;
- the Company’s desire for an informed and active trading market following listing on ASX;
- the Company’s desire to establish a broad spread of Institutional Investors;
- overall demand under the Offer;
- the size and type of funds under management of particular Institutional Investors;
- the likelihood that particular Institutional Investors will be long-term Shareholders; and
- any other factors that the Company considers appropriate.

7.5.2 Chairman's List Offer

7.5.2.1 Who can apply?

The Chairman’s List Offer is open to certain investors nominated by the Company. If you are a Chairman’s List Applicant,
you should have received a personalised invitation to apply for Shares in the Chairman’s List Offer.

7.5.2.2 How to apply?

If you have received a personalised invitation to participate in the Chairman’s List Offer, you should follow the
instructions on your personalised invitation to apply.

7.5.2.3 How to pay?

If you are a Chairman’s List Applicant, you must pay for Shares applied for by following the instructions in your
personalised invitation.

7.5.2.4 What is the allocation policy?

The allocation of Shares among Applicants in the Chairman’s List Offer will be determined by the Company. Chairman’s
List Applicants will receive an allocation for the amount indicated on their personalised invitation. The Company
reserves the right to reject or scale back Applications, in whole or in part and without giving any reason under the
Chairman’s List Offer. Any scaled back amount and amounts applied for in excess of the allocated amount will be
refunded in full (without interest), where Applicants receive a lesser number of Shares than the amount applied for.

7.5.2.5 Acceptance of applications

An application in the Chairman’s List Offer is an offer by the applicant to the Company to subscribe for Shares for all
or any of the Application Monies specified in and accompanying the Application Form at the Offer Price on the terms
and conditions set out in this Prospectus, including any supplementary or replacement prospectus, and the Application
Form. To the extent permitted by law, an Application by an Applicant is irrevocable.

An Application may be accepted by the Company in respect of the full number of Shares specified in the Application
Form or any number of them, calculated by dividing the Application Monies by the Offer Price. Where the Offer Price
does not divide evenly into the Application Monies, the number of Shares to be allocated will be determined by the
Company. Acceptance of an application will give rise to a binding contract.

An Application may also be rejected by the Company without giving any reason. Application Monies will be refunded to
the extent that an Application is rejected or scaled back, or the Offer is withdrawn. No interest will be paid on refunded
amounts. The Company will retain any interest earned on Application Monies.
7.5.3 Retail Offer

7.5.3.1 Who may apply?
The Retail Offer is only open to Applicants resident in Australia. All Applicants under the Retail Offer must have an eligible residential address or, in the case of a corporate Applicant, registered office address, in Australia.

7.5.3.2 How to Apply
Applications for Shares under the Retail Offer can be made by completing a valid Application Form attached to or accompanying this Prospectus. Application Forms must be completed in accordance with the instructions set out on the reverse of the Application Form. By making an application, you declare that you were given access to the Prospectus, together with an Application Form. The Corporations Act prohibits any person from passing an Application Form to another person unless it is attached to, or accompanied by, a hard copy of this Prospectus or the complete and unaltered electronic version of this Prospectus.

The minimum Application under the Retail Offer is 5,000 Shares (being worth $2,000), and in multiples of 1,250 Shares (being worth $500) thereafter.

The Retail Offer opens at 9.00am (Sydney time) on Thursday, 10 January 2019 and is expected to close at 5.00pm (Sydney time) on Friday, 22 February 2019. The Company may elect to close the Offer or any part of it early, extend the Offer or any part of it, or accept late Applications either generally or in particular cases. The Offer or any part of it may be closed at any earlier date and time, without further notice. Applicants are encouraged to submit their Applications as early as possible.

7.5.3.3 How to pay
Applicants under the Retail Offer may pay their Application Monies by BPAY or by cheque in accordance with the instructions on the Application Form.

When completing your BPAY payment, please make sure to use the specific code provided to you or generated by the online Application Form. Application Monies paid via BPAY must be received by the Share Registry by no later than 5.00pm (Sydney Time) on Friday, 22 February 2019 and it is your responsibility to ensure that this occurs. You should be aware that your financial institution may implement earlier cut-off times with regard to electronic payment and you should therefore take this into consideration when making payment. The Company takes no responsibility for any failure to receive Application Monies or payment by BPAY before the Retail Offer closes arising as a result of, among other things, delays in processing of payments by financial institutions.

Unless an Applicant is paying its Application Monies by way of BPAY as outlined above, the Application Form must be accompanied by a cheque for an amount equal to the number of Shares for which the Applicant wishes to apply, multiplied by the Offer Price of those Shares.

Cheques for the provision of Application Monies must be:

- in Australian currency;
- drawn on an Australian branch of a financial institution;
- crossed “Not Negotiable”; and
- made payable to “AltoStratos Holdings Limited IPO”.

Completed Application Forms and accompanying cheques must be received by the Share Registry before 5.00pm (Sydney Time) on the Closing Date, at the following address:

By Post - Boardroom Pty Limited, GPO Box 3993, Sydney NSW 2001

By Hand - Boardroom Pty Limited, Level 12, 225 George Street Sydney NSW 2000
7.5.3.4 Acceptance of Applications

An Application in the Retail Offer is an offer by the Applicant to the Company to subscribe for Shares for all or any of the Application Monies specified in and accompanying the Application Form at the Offer Price on the terms and conditions set out in this Prospectus including any supplementary or replacement prospectus and the Application Form. To the extent permitted by law, an Application is irrevocable.

The Company reserves the right to reject or scale back any Application in whole or in part, without giving any reason. An Application may be accepted by the Company in respect of the full number of Shares specified in the Application Form or any of them, without further notice to the Applicant. Acceptance of an Application will give rise to a binding contract.

If an Application is accepted or rejected in part only, the relevant part of the Application Monies will be refunded. No interest will be paid on any Application Monies refunded.

7.5.3.5 What is the allocation policy?

The allocation of Shares under the Retail Offer will be at the absolute discretion of the Company. The Company reserves the right to close the Retail Offer prior to the Closing Date. Shares which have been allocated to Applicants under the Retail Offer will be issued to the Applicants who have received a valid allocation of Shares from the Company.

7.6 DISCRETION REGARDING THE OFFER

The Company may withdraw the Offer, or any part of it, at any time before the issue of Shares to Successful Applicants in the applicable part of the Offer. If the Offer, or any part of it, does not proceed, all relevant Application Monies will be refunded (without interest).

The Company also reserves the right to close the Offer or any part of it early, extend the Offer or any part of it, accept late Applications or bids either generally or in particular cases, reject any Application or bid, or allocate to any Applicant or bidder fewer Shares than applied for.

7.7 ASX LISTING, REGISTERS AND HOLDING STATEMENTS AND NORMAL SETTLEMENT TRADING

7.7.1 Application to the ASX for Listing of the Company and quotation of Shares

The Company will apply to the ASX within seven days of the Prospectus Date for admission of the Company to the Official List and quotation of the Shares on the ASX. The Company’s ASX code is expected to be ATO.

The ASX takes no responsibility for this Prospectus or the investment to which it relates. The fact that the ASX may admit the Company to the Official List is not to be taken as an indication of the merits of the Company or the Shares offered for subscription.

If the Company has not been admitted to the Official List within three months after such application is made (or any longer period permitted by law), the Offer will be withdrawn and all Application Monies will be refunded without interest as soon as practicable in accordance with the requirements of the Corporations Act.

The Company will be required to comply with the ASX Listing Rules, subject to any waivers obtained by the Company from time to time.

7.7.2 CHESS AND ISSUER SPONSORSHIP

The Company will apply to participate in the ASX’s Clearing House Electronic Subregister System (CHESS) and will comply with the ASX Listing Rules and ASX Settlement Operating Rules. CHESS is an electronic transfer and settlement...
system for transactions in securities quoted on the ASX under which transfers are effected in an electronic form.

When the Shares become approved financial products (as defined in the ASX Settlement Operating Rules), holdings will be registered in one of two subregisters, being an electronic CHESS subregister or an issuer sponsored subregister. For all Successful Applicants, the Shares of a Shareholder who is a participant in CHESS or a Shareholder sponsored by a participant in CHESS will be registered on the CHESS subregister. All other Shares will be registered on the issuer sponsored subregister.

Following Completion, Shareholders will be sent a holding statement that sets out the number of Shares that have been allocated to them. This statement will also provide details of a Shareholder’s Holder Identification Number, or, where applicable, the security holder reference number of issuer sponsored holders. Shareholders will subsequently receive statements showing any changes to their shareholding. Certificates will not be issued.

Shareholders will receive subsequent statements during the first week of the following month if there has been a change to their holding on the register and as otherwise required under the ASX Listing Rules and the Corporations Act. Additional statements may be requested at any other time either directly through the Shareholders sponsoring broker in the case of a holding on the CHESS subregister or through the Share Registry in the case of a holding on the issuer sponsored subregister.

The Company and the Share Registry may charge a fee for these additional issuer sponsored statements.

7.7.3 Normal settlement trading of Shares

Trading of Shares on a normal settlement basis is expected to commence on ASX on Wednesday, 27 February 2019.

7.8 ESCROW ARRANGEMENTS

Subject to the Company being admitted to the Official List of the ASX, certain Shares on issue prior to the Offer are likely to be classified by the ASX as restricted securities and will be required to be held in escrow. Please refer to ‘Escrow Arrangements’ in Section 9.4 for further information.

7.9 OVERSEAS JURISDICTIONS

This Prospectus does not constitute an offer in any jurisdiction in which, or to any person to whom, it would be unlawful to make such an Offer. No action has been taken to register or qualify the Shares or the Offer under this Prospectus, or to permit a public offering of the Shares in any jurisdiction outside Australia.

The distribution of this Prospectus in jurisdictions outside Australia may be restricted by law. It is the responsibility of any overseas Applicant to ensure compliance with all laws of any country relevant to their Application.

7.9.1 New Zealand

This Prospectus has not been registered, filed with or approved by any New Zealand regulatory authority under the Financial Markets Conduct Act 2013 (FMC Act). The Shares are not being offered or sold in New Zealand (or allotted with a view to being offered for sale in New Zealand) other than to a person who:

- is an investment business within the meaning of clause 37 of Schedule 1 of the FMC Act;
- meets the investment activity criteria specified in clause 38 of Schedule 1 of the FMC Act;
- is large within the meaning of clause 39 of Schedule 1 of the FMC Act;
- is a government agency within the meaning of clause 40 of Schedule 1 of the FMC Act; or
- is an eligible investor within the meaning of clause 41 of Schedule 1 of the FMC Act.

7.9.2 Singapore

This Prospectus and any other materials relating to the Shares have not been, and will not be, lodged or registered
as a prospectus in Singapore with the Monetary Authority of Singapore. Accordingly, this Prospectus and any other
document or materials in connection with the offer or sale, or invitation for subscription or purchase, of Shares, may not
be issued, circulated or distributed, nor may the Shares be offered or sold, or be made the subject of an invitation for
subscription or purchase, whether directly or indirectly, to persons in Singapore except pursuant to and in accordance
with exemptions in Subdivision (4) Division 1, Part XIII of the Securities and Futures Act, Chapter 289 of Singapore
(SFA), or as otherwise pursuant to, and in accordance with the conditions of any other applicable provisions of the SFA.

This Prospectus has been given to you on the basis that you are (i) an existing holder of the Company’s shares, (ii) an
“institutional investor” (as defined in the SFA) or (iii) a “relevant person” (as defined in section 275(2) of the SFA). In
the event that you are not an investor falling within any of the categories set out above, please return this Prospectus
immediately. You may not forward or circulate this Prospectus to any other person in Singapore.

Any offer is not made to you with a view to the Shares being subsequently offered for sale to any other party. There are
on-sale restrictions in Singapore that may be applicable to investors who acquire Shares. As such, investors are advised
to acquaint themselves with the SFA provisions relating to resale restrictions in Singapore and comply accordingly.

7.9.3 Hong Kong

WARNING: This Prospectus has not been, and will not be, registered as a prospectus under the Companies (Winding
Up and Miscellaneous Provisions) Ordinance (Cap. 32) of Hong Kong, nor has it been authorised by the Securities
and Futures Commission in Hong Kong pursuant to the Securities and Futures Ordinance (Cap. 571) of the Laws of
Hong Kong (SFO). No action has been taken in Hong Kong to authorise or register this Prospectus or to permit the
distribution of this document or any documents issued in connection with it. Accordingly, the Shares have not been
and will not be offered or sold in Hong Kong other than to “professional investors” (as defined in the SFO and any rules
made under that ordinance).

No advertisement, invitation or document relating to the Shares has been or will be issued, or has been or will be in
the possession of any person for the purpose of issue, in Hong Kong or elsewhere that is directed at, or the contents of
which are likely to be accessed or read by, the public of Hong Kong (except if permitted to do so under the securities
laws of Hong Kong) other than with respect to Shares that are or are intended to be disposed of only to persons outside
Hong Kong or only to professional investors. No person allotted Shares may sell, or offer to sell, such securities in
circumstances that amount to an offer to the public in Hong Kong within six months following the date of issue of such
securities.

The contents of this Prospectus have not been reviewed by any Hong Kong regulatory authority. You are advised to
exercise caution in relation to the offer. If you are in doubt about any contents of this Prospectus, you should obtain
independent professional advice.

7.9.4 Malaysia

No approval from, or recognition by, the Securities Commission of Malaysia has been or will be obtained in relation to
any offer of Shares. The Shares may not be offered or sold in Malaysia except pursuant to, and to persons prescribed

7.10 QUESTIONS OR FURTHER INFORMATION

If you have any queries in relation to this Prospectus, including how to complete the Application Form or how to obtain
additional copies, then you can:

- call the Offer Information Line on 1300 737 760 (within Australia) or +61 2 9290 9600 (outside Australia)
  between 8:30 am and 5:30 pm (Sydney Time), Monday to Friday (Business Days only); or
- visit www.altostratos.com to download an electronic copy of this Prospectus.

If you are unclear in relation to any matter or are uncertain as to whether the Company is a suitable investment for
you, you should seek professional guidance from your stockbroker, solicitor, financial advisor, accountant or other
independent professional adviser before deciding whether to invest.
INVESTIGATING ACCOUNTANT’S REPORT
SECTION 8
The Directors
Altostratos Holdings Limited
Governor Philip Tower
Level 36
1 Farrer Place
Sydney NSW 2000

9 January 2019

Dear Directors

Independent Limited Assurance Report

INTRODUCTION

BDO Corporate Finance (East Coast) Pty Ltd (BDO) has been engaged by Altostratos Holdings Limited (Altostratos or the Company) to prepare this Independent Limited Assurance Report (Report) for inclusion in a replacement prospectus proposed to be issued, in relation to the initial public offering of shares in Altostratos, on or about 9 January 2019 (Prospectus) and listing on the Australian Securities Exchange (ASX) (the Offer).

Unless stated otherwise in this Report, expressions defined in the Prospectus have the same meaning in this Report.

This Report has been prepared for inclusion in the Prospectus. We disclaim any assumption of responsibility for any reliance on this Report or on the financial information to which it relates for any purpose other than that for which it was prepared.

SCOPE

You have requested BDO to perform a limited assurance engagement in relation to the financial information described below and disclosed in the Prospectus.

The financial information is presented in the Prospectus in an abbreviated form, insofar as it does not include all of the presentation and disclosures required by Australian Accounting Standards (AAS) or Australian equivalents to International Financial Reporting Standard (AIFRS) and other mandatory professional reporting requirements applicable to general purpose financial reports prepared in accordance with the Corporations Act 2001.

SCOPE OF REVIEW OF THE STATUTORY HISTORICAL FINANCIAL INFORMATION

You have requested BDO to review the following statutory historical financial information included in the Prospectus:

- The historical statement of profit or loss and other comprehensive income for the years ended 30 June 2016 (FY16), 30 June 2017 (FY17) and 30 June 2018 (FY18);
- The historical statement of cash flows for FY16, FY17 and FY18; and
- The historical statement of financial position as at 30 June 2018,
The Statutory Historical Financial Information has been prepared in accordance with the stated basis of preparation, being the recognition and measurement principles contained in AAS and the Company’s adopted accounting policies. The Statutory Historical Financial Information has been extracted from the reviewed financial statements of Altostratos for 30 June 2016 and the audited financial statements of Altostratos for the financial periods ended 30 June 2017 and 30 June 2018 (audited by BDO East Coast Partnership (BDO ECP)). The audit was performed in accordance with Australian Auditing Standards.

BDO ECP issued an unqualified opinion on the financial reports for the years ended 30 June 2017 and 30 June 2018.

**SCOPE OF REVIEW OF THE PRO FORMA HISTORICAL FINANCIAL INFORMATION**

You have requested BDO review the following pro forma historical financial information included in the Prospectus:

- The pro forma historical statements of profit and loss and other comprehensive income for FY16, FY17 and FY18;
- The pro forma historical statements of cash flow for FY16, FY17 and FY18;
- The pro forma historical statement of financial position as at 30 June 2018; and
- Associated details of the pro forma adjustments,

together the **Pro Forma Historical Financial Information**.

The Pro Forma Historical Financial Information has been derived from the Statutory Historical Financial Information of Altostratos, after adjusting for the effects of pro forma adjustments described in Section 4 of the Prospectus. The stated basis of preparation is the recognition and measurement principles contained in AIFRS applied to the Statutory Historical Financial Information and the event(s) or transaction(s) to which the pro forma adjustments relate, as described in Section 4 of the Prospectus, as if those event(s) or transaction(s) had occurred as at 30 June 2018. Due to its nature, the Pro Forma Historical Financial Information does not represent the Company’s actual or prospective financial position.

**Directors’ Responsibility**

The directors of Altostratos (Directors) are responsible for the preparation of the Statutory Historical Financial Information and Pro Forma Historical Information, including the selection and determination of pro forma adjustments made to the Statutory Historical Financial Information and included in the Pro Forma Historical Financial Information. This includes responsibility for such internal controls as the Directors determine are necessary to enable the preparation of the Statutory Historical Financial Information and Pro Forma Historical Financial Information free from material misstatement, whether due to fraud or error.

**Our Responsibility**

Our responsibility is to express a limited assurance conclusion on the financial information based on the procedures performed and the evidence we have obtained. We have conducted our engagement in accordance with the Standard on Assurance Engagement ASAE 3450 *Assurance Engagements Involving Corporate Fundraisings and/or Prospective Financial Information*.

A review consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with AAS or AIFRS and consequently does not enable us to obtain reasonable assurance that we would
become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Our engagement did not involve updating or re-issuing any previously issued audit or review report on any financial information used as a source of the financial information.

**Review statement on the Statutory Historical Financial Information**

Based on our review, which is not an audit, nothing has come to our attention that causes us to believe that the Statutory Historical Financial Information, as described in Section 4 of the Prospectus, and comprising:

- 12 months ended 30 June 2016;
- 12 months ended 30 June 2017; and
- 12 months ended 30 June 2018

is not presented fairly, in all material respects, in accordance with the stated basis of preparation, as described in Section 4 of the Prospectus.

**Review statement on the Pro Forma Historical Financial Information**

Based on our review, which is not an audit, nothing has come to our attention that causes us to believe that the Pro Forma Historical Financial Information, as described in Section 4 of the Prospectus, and comprising:

- 12 months ended 30 June 2016;
- 12 months ended 30 June 2017; and
- 12 months ended 30 June 2018

is not presented fairly in all material respects, in accordance with the stated basis of preparation as described in Section 4 of the Prospectus.

**SUBSEQUENT EVENTS**

Apart from the matters dealt with in this Report, and having regard to the scope of this Report and the information provided by the Directors, to the best of our knowledge and belief no material transaction(s) or event(s) outside of the ordinary business of Altostratos not described in the Prospectus, has come to our attention that would require comment on, or adjustment to, the information referred to in our Report or that would cause such information to be misleading or deceptive.
INDEPENDENCE

BDO is a member of BDO International Ltd. BDO does not have any interest in the outcome of the Prospectus other than in connection with the preparation of this Report and participation in due diligence procedures, for which professional fees will be received. From time to time, BDO provides Altostratos with certain other professional services for which normal professional fees are received.

GENERAL ADVICE WARNING

This Report has been prepared, and included in the Prospectus, to provide investors with general information only and does not take into account the objectives, financial situation or needs of any specific investor. It is not intended to be a substitute for professional advice and potential investors should not make specific investment decisions in reliance on the information contained in this Report. Before acting or relying on any information, potential investors should consider whether it is appropriate for their objectives, financial situation or needs.

Without modifying our conclusions, we draw attention to Section 4 of the Prospectus, which describes the purpose of the financial information, being for inclusion in the Prospectus. As a result, the financial information may not be suitable for use for another purpose.

BDO has consented to the inclusion of this Report in the Prospectus in the form and context in which it is included. At the date of this Report this consent has not been withdrawn. However, BDO has not authorised the issue of the Prospectus. Accordingly, BDO makes no representation regarding, and takes no responsibility for, any other statements or material in or omissions from the Prospectus.

FINANCIAL SERVICES GUIDE

Our Financial Services Guide follows this Report. This guide is designed to assist retail clients in their use of any general financial product advice in our Report.

Yours faithfully
BDO CORPORATE FINANCE (EAST COAST) PTY LTD

Sebastian Stevens
Director
This Financial Services Guide (FSG) helps you decide whether to use any of the financial services offered by BDO Corporate Finance (East Coast) Pty Ltd (BDO Corporate Finance, we, us, our).

The FSG includes information about:
- Who we are and how we can be contacted;
- The services we are authorised to provide under our Australian Financial Services Licence, Licence No: 247420;
- Remuneration that we and/or our staff and any associates receive in connection with the financial services;
- Any relevant associations or relationships we have;
- Our complaints handling procedures and how you may access them.

FINANCIAL SERVICES WE ARE LICENSED TO PROVIDE

We hold an Australian Financial Services Licence which authorises us to provide financial product advice to retail and wholesale clients about securities and certain derivatives (limited to old law securities, options contracts and warrants). We can also arrange for customers to deal in securities, in some circumstances. Whilst we are authorised to provide personal and general advice to retail and wholesale clients, we only provide general advice to retail clients.

Any general advice we provide is provided on our own behalf, as a financial services licensee.

GENERAL FINANCIAL PRODUCT ADVICE

Our general advice is typically included in written reports. In those reports, we provide general financial product advice that is prepared without taking into account your personal objectives, financial situation or needs. You should consider the appropriateness of the general advice having regard to your own objectives, financial situation and needs before you act on the advice. Where the advice relates to the acquisition or possible acquisition of a financial product, you should also obtain a product disclosure statement relating to the product and consider that statement before making any decision about whether to acquire the product.

FEES, COMMISSIONS AND OTHER BENEFITS THAT WE MAY RECEIVE

We charge fees for providing reports. These fees are negotiated and agreed to with the person who engages us to provide the report. Fees will be agreed on an hourly basis or as a fixed amount depending on the terms of the agreement. In this instance, the Company has agreed to pay us $158,000 for preparing the Report.

Except for the fees referred to above, neither BDO Corporate Finance, nor any of its directors, employees or related entities, receive any pecuniary benefit or other benefit, directly or indirectly, for or in connection with the provision of general advice.

All our employees receive a salary. Our employees are eligible for bonuses based on overall company performance but not directly in connection with any engagement for the provision of a report.

REFERRALS

We do not pay commissions or provide any other benefits to any person for referring customers to us in connection with the reports that we are licensed to provide.

ASSOCIATIONS AND RELATIONSHIPS

BDO Corporate Finance is a member firm of the BDO network in Australia, a national association of separate entities (each of which has appointed BDO (Australia) Limited ACN 050 110 275 to represent it in BDO International). The general financial product advice in our report is provided by BDO Corporate Finance and not by BDO or its related entities. BDO and its related entities provide services primarily in the areas of audit, tax, consulting and financial advisory services.

We do not have any formal associations or relationships with any entities that are issuers of financial products. However, you should note that we and BDO (and its related entities) might from time to time provide professional services to financial product issuers in the ordinary course of business.

COMPLAINTS RESOLUTION

Internal Complaints Resolution Process

As the holder of an Australian Financial Services Licence, we are required to have a system for handling complaints from persons to whom we provide financial product advice. Complaints can be in writing, addressed to the Complaints Officer, BDO Corporate Finance, Level 11, 1 Margaret St, Sydney NSW 2001 or by telephone or email, using the contact details at the top of this FSG.

When we receive a complaint we will record the complaint, acknowledge receipt of the complaint within 15 days and investigate the issues raised. As soon as practical, and not more than 45 days after receiving the written complaint, we will advise the complainant in writing of our determination.

Referral to External Dispute Resolution Scheme

If a complaint relating to general advice to a retail client is not satisfied with the outcome of the above process, or our determination, has the right to refer the matter to the Australian Financial Complaints Authority (AFCA). AFCA is an independent company that has been established to impartially resolve disputes between consumers and participating financial services providers.

BDO Corporate Finance is a member of AFCA (Member Number 11843).

Further details about AFCA are available at the AFCA website www.afca.org.au or by contacting them directly via the details set out below.

Australian Financial Complaints Authority
GPO Box 3
MELBOURNE VIC 3001
Toll free: 1800 931 678
Email: info@afca.org.au

COMPENSATION ARRANGEMENTS

BDO Corporate Finance and its related entities hold Professional Indemnity insurance for the purpose of compensating retail clients for loss or damage suffered because of breaches of relevant obligations by BDO Corporate Finance or its representatives under Chapter 7 of the Corporations Act 2001. These arrangements and the level of cover held by BDO Corporate Finance satisfy the requirements of section 912B of the Corporations Act 2001.

CONTACT DETAILS

You may provide us with instructions using the details set out at the top of this FSG or by emailing - cf.ecp@bdo.com.au
ADDITIONAL INFORMATION
SECTION 9
9. ADDITIONAL INFORMATION

9.1 REGISTRATION

The Company was registered as a proprietary company limited by shares in Victoria on 23 June 2015. The Company was then converted to a public company limited by shares on 27 March 2018.

The Company is the ultimate holding company of the AltoStratos Group.

9.2 COMPANY TAX STATUS

The Company is and will be subject to tax at the Australian corporate tax rate on its taxable income.

9.3 CORPORATE ENTITIES

Set out below is an outline of the corporate entities that form part of the AltoStratos Group.

<table>
<thead>
<tr>
<th>NAME</th>
<th>COUNTRY OF INCORPORATION</th>
<th>NATURE OF BUSINESS</th>
<th>PERCENTAGE OWNED BY THE COMPANY</th>
</tr>
</thead>
<tbody>
<tr>
<td>Altostratos Holdings Limited</td>
<td>Australia</td>
<td>Holding company</td>
<td>--</td>
</tr>
<tr>
<td>Altostratos Holdings Pte Ltd</td>
<td>Singapore</td>
<td>Holding company of operating subsidiaries</td>
<td>100%</td>
</tr>
<tr>
<td>Digiland (Thailand) Limited</td>
<td>Thailand</td>
<td>Operating subsidiary</td>
<td>100% via Altostratos Holdings Pte Ltd</td>
</tr>
<tr>
<td>Infonet Systems and Services Pte Ltd</td>
<td>Singapore</td>
<td>Operating subsidiary</td>
<td>100% via Altostratos Holdings Pte Ltd</td>
</tr>
<tr>
<td>Altostratos (Malaysia) Sdn Bhd</td>
<td>Malaysia</td>
<td>Operating subsidiary</td>
<td>100% via Altostratos Holdings Pte Ltd</td>
</tr>
</tbody>
</table>

Notes:
1. Under Thailand corporate law, companies are required to have a minimum of three shareholders. Accordingly, AltoStratos Holdings Pte Ltd holds all of the shares on issue in Digiland, being 12,700,000 ordinary shares, directly and beneficially, as follows:
   - AltoStratos Holdings Pte Ltd holds both legal and beneficial title to 12,699,998 ordinary shares on issue in Digiland; and
   - Mr Lee Yuen Wai and Dr Long Ming Fai Edwin each hold legal title to 1 ordinary share on issue in Digiland on behalf of AltoStratos Holdings Pte Ltd.
2. Note: Digiland (Thailand) Limited currently holds a minority interest in TTDG Co., Ltd (a company incorporated in Thailand), which the Board does not consider to be part of the AltoStratos Group. TTDG Co., Ltd is in the process of being wound up and it is the intention of the Board that the winding up be completed as soon as possible. However as a minority shareholder in this entity, the timing of the winding up process is outside the control of the Board.

9.4 ESCROW ARRANGEMENTS

The Company has a number of Shares that certain Existing Shareholders will be restricted from dealing in. These restrictions will be imposed by the ASX.

The ASX Listing Rules require that certain persons such as seed capitalists, related parties and promoters enter into restriction agreements under which they are restricted from dealing in a specified number of securities in the Company held by them, for up to 24 months from the date of quotation of the Shares.

The restriction agreements will be in the form required by the ASX Listing Rules over a number of securities and a period as determined by the ASX and restrict the ability of those persons to dispose of, create any security interest in or transfer effective ownership or control over the securities. ASX may consent to the removal of the restrictions, subject to the satisfaction of certain conditions, to enable a holder of escrowed securities to accept an offer under a
takeover bid, or enable the restricted securities to be transferred or cancelled as part of a merger by way of a scheme of arrangement.

The table below sets out the details of the Escrowed Shareholders that will be escrowed under the ASX Listing Rules and the period during which they will be restricted from dealing in their restricted securities pursuant to the terms of the restriction agreements.

**TABLE 7: ESCROW ARRANGEMENTS**

<table>
<thead>
<tr>
<th>Escrowed Shareholders</th>
<th>Number of Shares</th>
<th>Restriction Ends</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Existing Shareholders who are related parties or promoters</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Mr Lee Yuen Wai</td>
<td>84,825,000</td>
<td>24 months from Listing</td>
</tr>
<tr>
<td>Dr Long Ming Fai Edwin</td>
<td>45,675,000</td>
<td>24 months from Listing</td>
</tr>
<tr>
<td>Mercurial Capital Limited</td>
<td>11,750,000</td>
<td>24 months from Listing</td>
</tr>
<tr>
<td><strong>Existing Shareholders who are not related parties or promoters</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Other Existing Shareholders who are not related parties or promoters</td>
<td>678,459</td>
<td>12 months from the issue date (expires February 2019)</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>142,928,459</strong></td>
<td></td>
</tr>
</tbody>
</table>

Notes:
1. The AltoStratos Group acquired one of its operating entities, Digiland, from Mercurial Capital Limited, the consideration for which was an issue of 11,750,000 shares in the Company.
2. Subject to the Company being admitted to the Official List of the ASX, it is therefore anticipated that the ASX will treat up to approximately 142,928,459 Shares as restricted securities for the purposes of the ASX Listing Rules, which represents approximately 75.29% of the total Shares on issue in the Company following Completion on the Minimum Subscription and approximately 67.31% of the total Shares on issue in the Company following Completion on the Maximum Subscription.

**9.5 SUMMARY OF RIGHTS AND LIABILITIES ATTACHED TO SHARES AND OTHER MATERIAL PROVISIONS OF THE CONSTITUTION**

**9.5.1 Introduction**

The rights and liabilities attaching to ownership of Shares are:

- detailed in the Constitution which may be inspected during normal business hours at the registered office of the Company; and
- in certain circumstances, regulated by the Corporations Act, the ASX Listing Rules, the ASX Settlement Operating Rules and the general law.

A summary of the significant rights, liabilities and obligations attaching to the Shares and a description of other material provisions of the Constitution is set out below. This summary is not intended to be exhaustive and is qualified by the full terms of the Constitution. This summary does not constitute a definitive statement of the rights and liabilities of Shareholders.

All Shares issued pursuant to this Prospectus will, from the time they are issued, rank equally with all existing Shares.

**9.5.2 Voting at general meeting**

At a general meeting of the Company, every Shareholder present in person or by proxy, attorney or representative has one vote on a show of hands and, on a poll, one vote for each Share held.
On a poll, every member (or his or her proxy, attorney or representative) is entitled to vote for each fully paid Share held and in respect of each partly paid Share, entitled to a fraction of a vote equivalent to the proportion which the amount paid up (excluding any amount credited as paid up) on that partly paid Share bears to the total issue price of that Share. Amounts paid in advance of a call are ignored when calculating the proportion.

**9.5.3 Meetings of members**

Each Shareholder is entitled to receive written notice of, and except in certain circumstances attend and vote at, general meetings of the Company and to receive all notices, accounts and other documents required to be sent to Shareholders under the Constitution, the Corporations Act and the ASX Listing Rules.

**9.5.4 Dividends**

Subject to the Corporations Act, the Constitution and the terms of issue or rights of any shares with special rights to dividends, the Directors may determine that a dividend is payable (including interim dividends), fix the amount and time for payment and authorise the payment or crediting by the Company to, or at the direction of, each member entitled to that dividend.

A dividend may only be paid in accordance with the Corporations Act.

**9.5.5 Transfer of Shares**

Subject to the Constitution, Shares may be transferred by:

- a written instrument of transfer which complies with the Constitution;
- a proper transfer effected in accordance with the ASX Settlement Operating Rules; or
- any other method permitted by the Corporations Act, the ASX Listing Rules or the ASX Settlement Operating Rules.

The Board may refuse to register a transfer of Shares:

- if permitted to do so under the Constitution or under the ASX Listing Rules; or
- on which the Company has a lien or which are subject to forfeiture.

The Board must refuse to register any transfer of Shares if the registration of the transfer would result in a breach of, or failure to observe, the provisions of any applicable law, the ASX Listing Rules or a restriction agreement.

**9.5.6 Issue of further Shares**

Subject to the Constitution, the Corporations Act, the ASX Listing Rules and the ASX Settlement Operating Rules and any rights and restrictions attached to a class of shares, the Board has full discretion to issue additional shares or other equity securities and determine the terms of such issue.

**9.5.7 Winding up**

If the Company is wound up, then with the sanction of a special resolution of the Company’s members, the liquidator may divide among the Company’s members in kind the whole or part of the Company’s property, set the value of that property and determine how the division is to be carried out between members or different classes of members.

**9.5.8 Sale of non-marketable parcels**

Subject to the Corporations Act, the ASX Listing Rules and the ASX Settlement Operating Rules, the Board may sell the Shares of a Shareholder who holds less than a marketable parcel of Shares.
9.5.9 Share buy-backs

The Company may, in accordance with the Corporations Act, buy back its own shares.

9.5.10 Variation of class rights

Subject to the Corporations Act and the terms of issue of the shares, whenever the capital of the Company is divided into different classes of shares, the rights attached to any class of shares may be varied with:

- the written consent of the holders of at least three quarters of the issued shares in the particular class; or
- the sanction of a special resolution passed at a separate meeting of the holders of shares in that class.

9.5.11 Conversion or reduction of share capital

Subject to the Corporations Act, the Company may convert all or any of its shares into a larger or smaller number of shares by resolution passed at a general meeting or with the written consent of all members entitled to vote on the matter.

The Company may reduce its share capital in any way permissible by the Corporations Act.

9.5.12 Election to reinvest dividend

The Constitution allows the Board to grant to Shareholders the right to elect to reinvest cash dividends paid by the Company by subscribing for Shares in the Company on such terms and conditions as the Directors think fit. It is not currently intended that a dividend reinvestment plan will be implemented at or prior to Completion.

9.5.13 Directors - appointment and removal

Under the Constitution, the Company will have at least three Directors, unless otherwise provided by the Corporations Act. There is a maximum of eight Directors prescribed in the Constitution. Directors are elected at annual general meetings of the Company. Retirement will occur on a rotation basis so that any Director who has held office for three or more years or three or more annual general meetings (excluding any chief executive officer) without re-election faces re-election at the next annual general meeting. The Directors may also appoint a Director to fill a casual vacancy on the Board or as an addition to the existing Directors, who will then hold office until the next annual general meeting of the Company and is then eligible for election at that meeting.

9.5.14 Directors - voting

Questions arising at a meeting of the Board will be decided by a majority of votes cast by Directors present and entitled to vote at a meeting at which a quorum is present. If an equal number of votes are cast for and against a resolution, the chairperson does not have a casting vote in addition to the chairperson's vote as a Director and the resolution is not passed.

9.5.15 Directors remuneration

See Section 6.2.3 for a description of the remuneration arrangements for Directors.

9.5.16 Indemnity and Insurance

The Company, to the fullest extent permitted by the Corporations Act, may indemnify any current or former Director, or officer, of the Company or its subsidiaries against any liability incurred by that person in that capacity including certain legal costs.

The Company, to the fullest extent permitted by the Corporations Act, may enter into and pay premiums on a contract insuring any current or former Director, or officer, of the Company or its subsidiaries against any liability incurred by that person in that capacity, including legal costs.
Under the Constitution, the Company must provide indemnification and may obtain insurance for each Director, or officer, of the Company or its subsidiaries during their period of office and for a certain period after the person ceases to be a Director, or officer, of the Company or its subsidiaries.

The Company has entered into deeds of access, insurance and indemnity with each Director.

These are summarised above in Section 6.2.3.2 of this Prospectus.

**9.5.17 Variation of the Constitution**

The Constitution can only be amended by special resolution passed by at least three-quarters of the votes cast by shareholders present (in person or by proxy) and entitled to vote on the resolution at a general meeting of the Company.

The Company must give at least 28 days written notice of a general meeting of the Company.

**9.6 RELATED PARTY TRANSACTIONS**

Other than as detailed in other sections of this Prospectus, there are no existing agreements, arrangements or proposed transactions between the Company and any related party of the Company.

**9.7 MATERIAL CONTRACTS**

The Directors consider that the material contractual arrangements and other relevant information described below are those which an investor would reasonably regard as material and which investors and their professional advisers would reasonably expect to find in this Prospectus for the purpose of making an informed assessment of an investment in the Company under the Offer.

This Section 9.7 contains a summary of the material contracts and their substantive terms which are not otherwise disclosed elsewhere in this Prospectus.

**9.7.1 Distribution agreement between D-Link International Pte Ltd and Digiland**

D-Link International Pte Ltd (D-Link) has appointed Digiland as an authorised, non-exclusive reseller for the purchase and resale of D-Link products in the territory of Thailand, pursuant to a distribution agreement between D-Link and Digiland. The term of the distribution agreement expires on 31 December 2018, but automatically renews for successive one year periods unless otherwise terminated by the parties providing written notice of termination at least 90 days prior to the expiry of the term. No such notice has been given at the date of this Prospectus.

Under the agreement, Digiland is required to provide D-Link with forecast orders for periods of four months, including a good faith projection of anticipated sales of D-Link products for the third and fourth months of the forecast orders. However, D-Link has the right to decline purchase orders, vary product pricing and vary the products available to be purchased by Digiland at its sole discretion.

In addition to the forecast order requirements, the distribution agreement requires Digiland to purchase a minimum amount of products to the value of US$1,200,000 each quarter from D-Link.

The distribution agreement may be terminated by a party following a breach by the other party which has not been remedied following the provision of 60 days’ written notice requiring the remedy of the breach by the breaching party. The agreement may also be terminated immediately by notice to the other party where:

- payments required under the agreement are not made when due;
- the other party is subject to an insolvency event;
- there is a change in control of the other party;
- the other party is convicted of a fraudulent act in a court of law;
there is an assignment of the agreement by a party without the prior written consent of the other party; and

there is a failure to fulfil and deliver products which have been paid for in accordance with an accepted purchase order.

Under the agreement, Digiland is required to fully indemnify D-Link against all losses, claims, damages, costs, charges, expenses, liabilities, demands, proceedings and actions which D-Link may sustain or incur or which may be brought or established against D-Link by any person as a result of a breach of the distribution agreement by Digiland, including in respect of the manner in which Digiland markets and sells products supplied by D-Link under the agreement.

9.7.2 Other distribution arrangements

The AltoStratos Group distributes I.T. and consumer electronics products supplied by other vendors including Acer, TP-Link, Sony, Smart ID, Verbatim, Armageddon Gaming, SonicGear and Alcatroz. In some cases, a formal distribution agreement governs the relevant distribution arrangement. However, in other cases a distribution agreement has not been entered into, or such formal agreement has since expired and the business relationship of the parties is governed by the general terms and conditions of trade of the relevant supplier.

In general, the distribution arrangements are terminable by either party without cause by giving notice in writing. The notice period under the agreements generally ranges up to 30 days. Specific events giving rise to termination rights for either party include the occurrence of insolvency events, failure to pay invoices when due or if a party fails to remedy a material breach of the agreement within 30 days of receiving written notice of that breach.

In some cases, the terms of trade of the suppliers provide that each order is subject to rejection by the supplier and that the relevant AltoStratos Group member has no right to require the supplier to sell goods to that member.

Credit limits under the accounts can be varied from time to time but are payable within 30 days from the invoice date.

9.8 NO ASX WAIVERS OR ASIC RELIEF SOUGHT

The Company has not applied to the ASX for any waivers from the ASX Listing Rules, nor to ASIC for any relief from the requirements of the Corporations Act, for the purposes of the Offer.

9.9 OWNERSHIP RESTRICTIONS

The sale and purchase of Shares in Australia is regulated by a number of laws that restrict the level of ownership or control by any one person (either alone or in contribution with others). This Section 9.9 contains a general description of these laws.

9.9.1 Foreign Acquisitions and Takeovers Act 1975 (Cth) and Federal Government Foreign Investment Policy

Generally, the Foreign Acquisitions and Takeovers Act 1975 (Cth) (FATA) applies to acquisitions of shares and voting power of a company of 20% or more by a single foreign person and its associates, or 40% or more by two or more unassociated foreign persons and their associates, where the acquisition meets a threshold value (which varies by investor type and industry). In addition, FATA applies to acquisitions of a direct interest in an Australian company by foreign governments and their related entities irrespective of the acquisition value. A “direct interest” is an interest of 10% in the entity but may include an interest of less than 10% where the investor has entered into business arrangements with the entity or the investor is in a position to influence or participate in the management and control or policy of the entity. There are exemptions which can apply to certain acquisitions.

Where FATA applies to the acquisition, the acquisition may not occur unless notice of it has been given to the Federal Treasurer and the Federal Treasurer has either notified that there is no objection to the proposed acquisition (with or without conditions) or a statutory period has expired without the Federal Treasurer objecting. An acquisition to which the FATA applies may be the subject of a divestment order by the Federal Treasurer unless the process of notification, and either a no objection notification or expiry of a statutory period without objection, has occurred. Criminal offences and civil penalties can apply for failing to give notification of certain acquisitions, undertaking certain acquisitions
without a no objection notification or contravening a condition in a no objection notification.

9.9.2 Corporations Act

The takeover provisions in Chapter 6 of the Corporations Act restrict acquisitions of shares in listed companies, and unlisted companies with more than 50 members, if the acquirer’s (or another party’s) voting power would increase to above 20%, or would increase from a starting point that is above 20% and below 90%, unless certain exceptions apply. The Corporations Act also imposes notification requirements on persons having voting power of 5% or more in the Company either themselves or through an associate.

9.10 LITIGATION AND CLAIMS

The Company and members of the AltoStratos Group may be involved from time to time in disputes or other claims. These disputes may lead to legal and other proceedings, and may cause the Company and the Altostratos Group as a whole to suffer additional costs. As at the Prospectus Date, the Directors are not aware of any current, pending or threatened litigation in which the AltoStratos Group is directly or indirectly involved that the Company believes is likely to have a material adverse impact on the business of the AltoStratos Group going forward.

Further details regarding litigation risks relevant to the AltoStratos Group are provided in Section 5.3.7

9.11 TAXATION CONSIDERATIONS

The following comments provide a general summary of the Australian income tax, capital gains tax (CGT), goods and services tax (GST) and stamp duty issues for investors who acquire Shares under the Prospectus.

The general taxation comments consider the Australian taxation implications for Australian tax residents and non-resident investors. The tax implications for holders of the Shares in the Company relate to the receipt of dividends and potential gains on the disposal of the said Shares.

The categories of investors considered in this summary are limited to individuals, complying superannuation entities and certain companies, trust or partnerships, each of whom holds their Shares on capital account.

This summary does not consider the consequences for investors who are insurance companies, banks, investors that hold their Shares on revenue account or carry on a business of trading in shares or investors who are exempt from Australian tax. This summary also does not cover the consequences for investors who are subject to Division 230 of the Income Tax Assessment Act 1997.

This summary is based on the tax laws in Australia in force at the time of issue of this Prospectus (together with established interpretations of those laws), which may change. This summary does not take into account the tax law of countries other than Australia. This summary is general in nature and is not intended to be an authoritative or complete statement of the applicable law.

The comments do not purport to provide tax advice to any particular investor and should not be relied upon as the tax position of each investor may vary depending on the specific circumstances of the investor. We recommend each investor seek their own independent income tax advice based on their particular circumstances. All current or potential investors in the Company are urged to obtain independent financial advice about the consequences of acquiring the said Shares from a taxation point of view and generally.

To the maximum extent permitted by law, the Company, its officers, directors, and each of their respective advisers accept no liability or responsibility with respect to the taxation consequences of acquiring or disposing of Shares issued under this Prospectus.
9.11.1 Dividends - Australian Tax Resident Investors

9.11.1.1 Individual and complying superannuation funds

Individuals and complying superannuation entities who receive a dividend should include the dividend and any attached franking credits in their assessable income for the year they derive the dividend.

A tax offset should generally be available for any franking credits included in assessable income. However, an Australian tax resident investor should not be entitled to a tax offset for franking credits (and should not be required to include this amount in their assessable income) unless the investor is a ‘qualified person’ (refer to further comments below) in respect of their Shares.

The tax offset can be applied to reduce the income tax payable on the investor’s taxable income. Where the tax offset exceeds the income tax payable on the investor’s taxable income in an income year, the investor should be entitled to a tax refund equal to the amount of the excess.

Where a dividend paid is unfranked, the investor should generally be taxed at their prevailing tax rate on the dividend received.

9.11.1.2 Companies

Corporate investors should be required to include both the dividend and associated franking credit in their assessable income, subject to satisfaction of the qualified person rules.

A tax offset should be allowable up to the amount of the franking credit on the dividend. In addition, the corporate investor should be entitled to a credit in its own franking account to the extent of the franking credit attached to the dividend received. Such a corporate investor can then pass on the benefit of the franking credit to its own investor(s) on the payment of dividends by the corporate investor.

Where franking credits received by a corporate investor exceed the income tax payable by the investor, the excess cannot give rise to a refund but may be able to be converted into carried forward tax losses.

9.11.1.3 Trusts and Partnerships

Investors who are trustees (other than trustees of complying superannuation entities) or partnerships should include the dividend in their assessable income in determining the net income of the trust or partnership.

Subject to satisfaction of the qualified person rules, such investors should also include any franking credits attached to the dividend in their net income. As a result, a relevant beneficiary or partner may be entitled to a tax offset equal to the beneficiary’s or partner’s share of the franking credit received by the investor.

Notably, as the qualified person rules can be complex in the context of distributions received indirectly via a trust or partnership, it is recommended that investors seek independent advice on the tax consequences arising in these circumstances.

9.11.1.4 Qualified Person Rule

The benefit of franking credits can be denied where an investor does not satisfy the qualified person rules, in which case the investor should not be required to include an amount for the franking credits in their assessable income and should also not be entitled to a tax offset.

Broadly, to satisfy the qualified person rules, an investor must satisfy the holding period rule or, if necessary, the related payment rule.

The holding period rule requires an investor to hold the Shares continuously ‘at risk’ for not less than 45 days in the period beginning the day after the day on which the investor acquires the Shares, and ending on the 45th day after the
day on which the Shares become ex-dividend. In the ordinary case, this means that the holding period rule should be satisfied provided that the Shares have not been held ‘at risk’ for a continuous period of 45 days (not including the date of acquisition or disposal) at some time during the period of ownership of the Shares.

Very broadly, Shares should be held ‘at risk’ to the extent that no material ‘positions’ are adopted in relation to the Shares which have the effect of diminishing the economic exposure associated with holding the Shares (for example, certain option and derivative agreements, or agreements to sell the Shares).

The related payment rule should not impact investors who do not pass the benefit of the dividend to another person. Investors should obtain their own tax advice to determine if the related payment rule applies in the context of their particular circumstances.

In the event that no related payments are made with respect to a particular dividend, an individual investor may satisfy the qualified person rules on an alternative basis, provided that the investor satisfies the small holdings exemption. This exemption should generally be satisfied where the investor is entitled to total franking credits (from all sources) of no more than $5,000 in the relevant year of income.

As indicated above, the qualified person rules can be particularly complex for distributions received by an investor indirectly (for example, via an interposed trust). It is recommended that investors in such situations seek independent taxation advice.

9.11.1.5 Dividend washing rules

Dividend washing rules can apply in certain cases, such that no tax offset is available (nor is an amount required to be included in assessable income in relation to an attached franking credit) for a dividend received on Shares. Broadly, the rules can apply where investors seek to obtain additional franking benefits by disposing of Shares ex-dividend and re-purchasing a substantially equivalent parcel of Shares cum-dividend on a special market.

Investors should seek independent taxation advice regarding the dividend washing rules, and consider the impact of these rules, having regard to their own personal circumstances.

9.11.2 Disposal of Shares – Australian Tax Resident Investors

The disposal of a Share by an investor should constitute a CGT event. A capital gain should arise to the extent that the capital proceeds on disposal exceed the cost base of the Share (broadly, the amount paid to acquire the Share plus certain non-deductible transaction costs). In the case of an arm’s length on-market sale, the capital proceeds should generally equal the cash proceeds from the sale. Where the investor is a partnership, the partners of that partnership (and not the partnership itself) should ordinarily be treated as realising any capital gain arising from the disposal (in their proportionate shares).

A CGT discount may be applied against any capital gain (after reduction of the capital gain by applicable capital losses) where the entity which realises the capital gain is an individual, complying superannuation entity or trustee. The CGT discount may be applied in these circumstances, provided that the Shares have been held for at least 12 months (not including the date of acquisition or disposal for CGT purposes) and certain other requirements have been met. Where the CGT discount applies, any capital gain arising to individuals and entities acting as trustees (other than trustees of a complying superannuation entity) may be reduced by 50%, after offsetting current year or prior year capital losses. For a complying superannuation entity, any capital gain may be reduced by one third, after offsetting current year or prior year capital losses.

If the investor who realises the capital gain and is entitled to the CGT discount is the trustee of a trust (other than the trustee of a complying superannuation entity), the CGT discount may flow through to the beneficiaries of the trust, provided those beneficiaries are not companies. Investors that are trustees should seek specific advice regarding the tax consequences of distributions to beneficiaries who may qualify for discounted capital gains.

A capital loss should be realised to the extent that the reduced cost base of a Share (which should generally be calculated
in a similar manner to the cost base) exceeds the capital proceeds from its disposal. Capital losses may only be offset against capital gains realised in the same income year or future income years, subject to certain loss recoupment tests being satisfied. Capital losses cannot be offset against other assessable income. As with capital gains, where the investor realising the capital loss is a partnership, the partners of that partnership (and not the partnership itself) should ordinarily be treated as realising the capital loss (in their proportionate shares).

### 9.11.3 Dividends - Non-Australian Tax Resident Investors

Investors who are not tax resident in Australia should generally be subject to Australian dividend withholding tax with respect to any unfranked dividends paid by the Company. Australian dividend withholding tax should be imposed at a flat rate of 30% on the amount of the dividend that is unfranked unless the investor is tax resident in a country that has concluded a double tax treaty with Australia. If that is the case, and the investor is otherwise able to rely on the double tax treaty, the rate of Australian dividend withholding tax may be reduced (usually to 15%), depending on the terms of the double tax treaty. Dividends paid by the Company which are fully franked should not be subject to Australian dividend withholding tax.

### 9.11.4 Disposal of Shares - Non-Australian Tax Resident Investors

The disposal of a Share by an investor who is not tax resident in Australia should constitute a CGT event. A capital gain may initially arise to the extent that the capital proceeds on disposal exceed the cost base of the Share.

However, any capital gain initially arising as a result of the CGT event should be disregarded unless the Share constitutes ‘taxable Australian property’. In the ordinary case, a Share should not constitute taxable Australian property unless both of the following requirements are satisfied:

- the investor (together with any associates of the investor) holds an interest of at least 10% in the Company at the time of the disposal, or has held such an interest throughout a 12-month period in the 24 months preceding the disposal; and
- the Company is land rich for Australian income tax purposes (broadly, because more than 50% of the value of the Company’s assets, including those of certain downstream subsidiaries, is comprised by Australian real property interests and/or certain interests in respect of Australian minerals).

A Share should also constitute taxable Australian property if it is used by an investor in carrying on a business in Australia through a permanent establishment (for example, a fixed place of business, such as an office, which is located in Australia).

In the event that an investor who is not tax resident in Australia realises a capital gain in connection with the disposal of a Share that constitutes taxable Australian property, the investor should ordinarily be required to lodge an Australian income tax return including the capital gain. In such circumstances, the investor should generally not be entitled to claim the benefit of the CGT discount to reduce the amount of the capital gain included, but may be able to offset the capital gain with available capital losses, subject to certain loss recoupment tests being satisfied. The amount of the capital gain, after application of available capital losses, should be subject to Australian income tax at the investor’s marginal tax rate (note non-resident tax rates apply).

A capital loss should initially be realised by an investor who is not tax resident in Australia to the extent that the reduced cost base of a Share exceeds the capital proceeds from its disposal. However, as with capital gains, a capital loss should be disregarded by the investor unless the Share being disposed of constitutes taxable Australian property. Capital losses which are not disregarded may only be offset against capital gains from the disposal of taxable Australian property in the same income year or future income years, subject to certain loss recoupment tests being satisfied.

### 9.11.5 Non-resident CGT Withholding

New rules have recently been introduced which can apply to the disposal of certain taxable Australian property under contracts entered into on or after 1 July 2017. Pursuant to the new rules, a 12.5% non-final withholding tax may be applied to such transactions at settlement.
However, the new rules should not apply to the disposal of a Share on the ASX (in accordance with a specific exemption).

### 9.11.6 GST

Investors should not be liable for GST from acquiring or disposing of any Shares. Investors may not be entitled to claim full input tax credits in respect of any GST paid on costs incurred in connection with their acquisition or disposal of Shares. Separate GST advice should be sought by investors in this respect.

### 9.11.7 Stamp Duty

Investors should not be liable for stamp duty in respect of their investment in Shares, unless they acquire, either alone or with an associated/related person, an interest of 90% or more in the Company. Under current stamp duty legislation, no stamp duty should ordinarily be payable by investors on any subsequent transfer of Shares whilst the Company remains listed.

Investors should seek their own advice as to the impact of stamp duty in their own particular circumstances.

### 9.11.8 Tax File Number (TFN)

Australian tax resident investors may, if they choose, notify the Company of their TFN or ABN or a relevant exemption from withholding tax with respect to dividends. In the event the Company is not so notified, pursuant to the TFN withholding rules, tax will automatically be deducted at the highest marginal rate (currently 47%), including where relevant, the Medicare levy from unfranked dividends and/or distributions.

Australian tax resident investors should be able to claim a tax credit/rebate (as applicable) in respect of any tax withheld on dividends in their income tax returns.

Investors who are not a tax resident in Australia should generally be entitled to an exemption from the TFN withholding rules. This means that mandatory withholding may not be required by the Company with respect to unfranked dividends or distributions paid to such investors, irrespective of whether those investors have notified the Company of their TFN or ABN.

### 9.12 CONSENT TO BE NAMED AND STATEMENT OF DISCLAIMERS OF RESPONSIBILITY

Written consents to the issue of this Prospectus have been given and, at the time of lodgement of this Prospectus with ASIC, had not been withdrawn by the following parties:

- KMPG Law has given, and has not withdrawn prior to the Prospectus Date, its written consent to be named in this Prospectus as Australian legal advisor (other than in relation to taxation matters) to the Company in relation to the Offer in the form and context in which it is named;
- BDO East Coast Partnership has given, and has not withdrawn prior to the Prospectus Date, its written consent to be named in this Prospectus as Investigating Accountant to the Company in relation to the Financial Information in the form and context in which it is named and has given and has not withdrawn its consent to the inclusion in this Prospectus of its Investigating Accountant’s Report in the form and context in which it is included;
- BDO East Coast Partnership has given, and has not withdrawn prior to the Prospectus Date, its written consent to be named in this Prospectus as auditor to the Company in the form and context in which it is named;
- BDO East Coast Partnership has given, and has not withdrawn prior to the Prospectus Date, its written consent to be named in this Prospectus as provider of tax due diligence for the Company in relation to the Offer in the form and context in which it is included; and
- Boardroom Pty Limited has given, and has not withdrawn prior to the Prospectus Date, its written consent to be named in this Prospectus as the Share Registry in relation to the Offer in the form and context in which it is named.
No entity or person referred to above in this Section 9.12 has made any statement that is included in this Prospectus, or any statement on which a statement made in this Prospectus is based, except as stated above. Each of the persons and entities referred to above in this Section 9.12 has not authorised or caused the issue of this Prospectus, does not make any offer of Shares and expressly disclaims and takes no responsibility for any statements in or omissions from this Prospectus except as stated above in this Section 9.12.

9.13 GOVERNING LAW

This Prospectus and the contracts that arise from the acceptance of Applications and bids under this Prospectus are governed by the laws applicable in New South Wales, and each Applicant under this Prospectus submits to the non-exclusive jurisdiction of the courts of New South Wales.

9.14 INVESTOR CONSIDERATIONS

Before deciding to participate in this Offer, you should consider whether the Shares to be issued are a suitable investment for you. There are general risks associated with any investment in the stock market. The value of Shares listed on the ASX, may rise or fall depending on a range of factors beyond the control of the Company.

If you are in doubt as to the course you should follow, you should seek advice on the matters contained in this Prospectus from a stockbroker, solicitor, accountant or other professional adviser.

The potential tax effects relating to the Offer will vary between investors. Investors are urged to consider the possible tax consequences of participating in the Offer by consulting a professional tax adviser.

9.15 STATEMENT OF DIRECTORS

This Prospectus is authorised by each Director of the Company who consents to its lodgement with ASIC and its issue.
APPENDIX
SECTION 10
10. APPENDIX

10.1 SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of the financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

10.1.1 New, revised or amending Accounting Standards and Interpretations adopted

The AltoStratos Group has adopted all of the new, revised or amending Accounting Standards and Interpretations issued by the Australian Accounting Standards Board (AASB) that are mandatory for the current reporting period.

Any new, revised or amending Accounting Standards or Interpretations that are not yet mandatory have not been early adopted.

The adoption of these Accounting Standards and Interpretations did not have any significant impact on the financial performance or position of the AltoStratos Group.

10.1.2 Basis of preparation

These financial statements are general purpose financial statements that have been prepared in accordance with Australian Accounting Standards – Reduced Disclosure Requirements and interpretations issued by the Australian Accounting Standards Board. The AltoStratos Group is a for-profit entity for financial reporting purposes under Australian Accounting Standards.

10.1.2.1 Historical cost convention

The financial statements have been prepared under the historical cost convention, except for, where applicable, the revaluation of financial liabilities at fair value through profit or loss and other derivative financial instruments.

10.1.2.2 Critical accounting estimates

The preparation of the financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the AltoStratos Group’s accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in 10.2.

10.1.3 Parent entity information

These financial statements present the results of the AltoStratos Group only.

10.1.4 Principles of consolidation

The consolidated financial statements incorporate the assets and liabilities of all members of the Company and the results of all subsidiaries.

Subsidiaries are all those entities over which the AltoStratos Group has control. The AltoStratos Group controls an entity when the AltoStratos Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the AltoStratos Group. They are de-consolidated from the date that control ceases.

Intercompany transactions, balances and unrealised gains on transactions between entities in the AltoStratos Group are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the
asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the AltoStratos Group.

The acquisition of subsidiaries is accounted for using the acquisition method of accounting. A change in ownership interest, without the loss of control, is accounted for as an equity transaction, where the difference between the consideration transferred and the book value of the share of the non-controlling interest acquired is recognised directly in equity attributable to the parent.

Where the AltoStratos Group loses control over a subsidiary, it derecognises the assets including goodwill, liabilities and non-controlling interest in the subsidiary together with any cumulative translation differences recognised in equity. The AltoStratos Group recognises the fair value of the consideration received and the fair value of any investment retained together with any gain or loss in profit or loss.

**10.1.5 Going concern**

The statutory consolidated accounts have been prepared on a going concern basis which contemplates continuity of normal business activities and the realisation of assets and settlement of liabilities in the ordinary course of business. This is notwithstanding that the AltoStratos Group generated a loss from continuing activities and incurred a cash outflow from operating activities in certain reporting periods.

As at 30 June 2018, the AltoStratos Group had cash and cash equivalents of $578,496 (30 June 2017: $2,765,174), net assets of $1,248,053 (30 June 2017: net liabilities $3,397,086) and net current assets of $254,266 (30 June 2017: net current liabilities $948,143). Whilst the AltoStratos Group is in a net liability position as at 30 June 2017, this was primarily driven by the significant convertible notes, derivative, and deferred share consideration liabilities of 30 June 2017: $6,192,543 which were converted to equity during the 2018 financial year. Excluding these balances, the AltoStratos Group was in a net assets position of $1,248,053 (30 June 2018: $2,795,457).

The auditor performed work to assess whether the AltoStratos Group could continue on a going concern basis and found that it was contingent on raising funding.

The AltoStratos Group is currently undergoing a due diligence process with the intention to obtain additional equity funding in late 2018 by way of a listing on the ASX.

Since the due diligence process started in early 2017, the AltoStratos Group has refrained from raising further equity funding from existing and/or New Shareholders or debt financing ahead of the intended listing on the ASX.

Should the listing prove to be unsuccessful, the AltoStratos Group will consider alternative sources of finance through the issue of debt and/or equity instruments. To date, the Directors have been successful in obtaining financing through the issuance of convertible notes and therefore there is a reasonable expectation that alternate sources of funding can be sourced.

Should the AltoStratos Group not be able to continue as a going concern, it may be required to realise its assets and discharge its liabilities other than in the ordinary course of business, and at amounts that differ from those stated in the financial statements. The financial statements do not include any adjustments relating to the recoverability and classification of asset carrying amounts or the amount of liabilities that might result should the AltoStratos Group be unable to continue as a going concern and meet its liabilities as and when they fall due.

**10.1.6 Foreign currency translation**

The financial statements are presented in Australian dollars, which is the Company’s functional and presentation currency.

**10.1.6.1 Foreign currency transactions**

Foreign currency transactions are translated into Australian dollars using the exchange rates prevailing at the dates of
the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at financial year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

10.1.6.2 Foreign operations

The assets and liabilities of foreign operations are translated into Australian dollars using the exchange rates at the reporting date. The revenues and expenses of foreign operations are translated into Australian dollars using the average exchange rates, which approximate the rates at the dates of the transactions, for the period. All resulting foreign exchange differences are recognised in other comprehensive income through the foreign currency reserve in equity.

The foreign currency reserve is recognised in profit or loss when the foreign operation or net investment is disposed of.

10.1.7 Revenue recognition

Revenue is recognised when it is probable that the economic benefit will flow to the AltoStratos Group and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received or receivable.

10.1.7.1 Sale of goods

Sale of goods revenue is recognised at the point of sale, which is where the customer has taken delivery of the goods, the risks and rewards are transferred to the customer and there is a valid sales contract. Amounts disclosed as revenue are net of sales returns and trade discounts.

10.1.7.2 Rendering of services

Rendering of services revenue from computer maintenance fees is recognised by reference to the stage of completion of the contracts.

Stage of completion is measured by reference to labour hours incurred to date as a percentage of total estimated labour hours for each contract. Where the contract outcome cannot be reliably estimated, revenue is only recognised to the extent of the recoverable costs incurred to date.

10.1.7.3 Interest

Interest revenue is recognised as interest accrues using the effective interest method. This is a method of calculating the amortised cost of a financial asset and allocating the interest income over the relevant period using the effective interest rate, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset.

10.1.7.4 Other revenue

Other revenue is recognised when it is received or when the right to receive payment is established.

10.1.8 Income tax

The income tax expense or benefit for the period is the tax payable on that period’s taxable income based on the applicable income tax rate for each jurisdiction, adjusted by the changes in deferred tax assets and liabilities attributable to temporary differences, unused tax losses and the adjustment recognised for prior periods, where applicable.

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to be applied when the assets are recovered or liabilities are settled, based on those tax rates that are enacted or substantively enacted, except for:

- When the deferred income tax asset or liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and that, at the time of the transaction, affects neither the
accounting nor taxable profits; or

- When the taxable temporary difference is associated with interests in subsidiaries, associates or joint ventures, and the timing of the reversal can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

The carrying amount of recognised and unrecognised deferred tax assets are reviewed at each reporting date. Deferred tax assets recognised are reduced to the extent that it is no longer probable that future taxable profits will be available for the carrying amount to be recovered. Previously unrecognised deferred tax assets are recognised to the extent that it is probable that there are future taxable profits available to recover the asset.

Deferred tax assets and liabilities are offset only where there is a legally enforceable right to offset current tax assets against current tax liabilities and deferred tax assets against deferred tax liabilities; and they relate to the same taxable authority on either the same taxable entity or different taxable entities which intend to settle simultaneously.

10.1.9 Current and non-current classification

Assets and liabilities are presented in the statement of financial position based on current and non-current classification.

An asset is classified as current when: it is either expected to be realised or intended to be sold or consumed in normal operating cycle; it is held primarily for the purpose of trading; it is expected to be realised within 12 months after the reporting period; or the asset is cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period. All other assets are classified as non-current.

A liability is classified as current when: it is either expected to be settled in normal operating cycle; it is held primarily for the purpose of trading; it is due to be settled within 12 months after the reporting period; or there is no unconditional right to defer the settlement of the liability for at least 12 months after the reporting period. All other liabilities are classified as non-current.

Deferred tax assets and liabilities are always classified as non-current.

10.1.10 Cash and cash equivalents

Cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. For the statement of cash flows presentation purposes, cash and cash equivalents also includes fixed deposits and cash at bank pledged as collateral.

10.1.11 Trade and other receivables

Trade receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less any provision for impairment. Trade receivables are generally due for settlement within 30 days.

Collectability of trade receivables is reviewed on an ongoing basis. Debts which are known to be uncollectable are written off by reducing the carrying amount directly. A provision for impairment of trade receivables is raised when there is objective evidence that the AltoStratos Group will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation and default or delinquency in payments (more than 60 days overdue) are considered indicators that the trade receivable may be impaired. The amount of the impairment allowance is the difference between the asset’s carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. Cash flows relating to short-term receivables are not discounted if the effect of discounting is immaterial.

Other receivables are recognised at amortised cost, less any provision for impairment.
10.1.12 Inventories

Raw materials, work in progress and finished goods are stated at the lower of cost and net realisable value. Cost comprises of direct materials and delivery costs, direct labour, import duties and other taxes, an appropriate proportion of variable and fixed overhead expenditure based on normal operating capacity. Costs of purchased inventory are determined after deducting rebates and discounts received or receivable.

Stock in transit is stated at the lower of cost and net realisable value. Cost comprises of purchase and delivery costs, net of rebates and discounts received or receivable.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

10.1.13 Financial Instruments

10.1.13.1 Initial recognition and measurement

Financial assets and financial liabilities are recognised when the entity becomes a party to the contractual provisions to the instrument. For financial assets, this is equivalent to the date that the company commits itself to either purchase or sell the asset (i.e. trade date accounting is adopted).

Financial instruments are initially measured at fair value plus transaction costs, except where the instrument is classified “at fair value through profit or loss”, in which case transaction costs are recognised immediately as expenses in profit or loss.

10.1.13.2 Classification and subsequent measurement

Financial instruments are subsequently measured at fair value, amortised cost using the effective interest method, or cost. Where available, quoted prices in an active market are used to determine fair value. In other circumstances, valuation techniques are adopted.

Amortised cost is calculated as the amount at which the financial asset or financial liability is measured at initial recognition less principal repayments and any reduction for impairment, and adjusted for any cumulative amortisation of the difference between that initial amount and the maturity amount calculated using the effective interest method.

The effective interest method is used to allocate interest income or interest expense over the relevant period and is equivalent to the rate that exactly discounts estimated future cash payments or receipts (including fees, transaction costs and other premiums or discounts) through the expected life (or when this cannot be reliably predicted, the contractual term) of the financial instrument to the net carrying amount of the financial asset or financial liability. Revisions to expected future net cash flows will necessitate an adjustment to the carrying amount with a consequential recognition of an income or expense item in profit or loss.

10.1.13.3 Financial assets at fair value through profit or loss (FVTPL)

Financial assets are classified at “fair value through profit or loss” when they are held for trading for the purpose of short-term profit taking, derivatives not held for hedging purposes, or when they are designated as such to avoid an accounting mismatch or to enable performance evaluation where a group of financial assets is managed by key management personnel on a fair value basis in accordance with a documented risk management or investment strategy. Such assets are subsequently measured at fair value with changes in carrying amount included in profit or loss.

10.1.13.4 Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are subsequently measured at amortised cost. Gains or losses are recognised in profit or loss through the amortisation process and when the financial asset is derecognised.
10.1.13.5 Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets that have fixed maturities and fixed or determinable payments, and it is the Group’s intention to hold these investments to maturity. They are subsequently measured at amortised cost. Gains or losses are recognised in profit or loss through the amortisation process and when the financial asset is derecognised.

10.1.13.6 Financial liabilities

Non-derivative financial liabilities (including borrowings, other financial liabilities and trade and other payables) are subsequently measured at amortised cost. Gains or losses are recognised in profit or loss through the amortisation process and when the financial liability is derecognised.

Financial liabilities at fair value through profit or loss are stated at fair value, with any gain or losses arising on remeasurement recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any interest paid on the financial liability.

10.1.13.7 Compound instruments

The component parts of compound instruments (convertible notes) issued by the Group are classified separately as financial liabilities in accordance with the substance of the contractual arrangements and the definitions of a financial liability.

10.1.13.8 Derivative financial instruments

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured to their fair value at each reporting date. The resulting gain or loss is recognised in the statement of profit or loss and other comprehensive income immediately unless the derivative is designated and effective as a hedging instrument, in which event, the timing of the recognition in the statement of profit or loss and other comprehensive income depends on the nature of the hedge relationship. The fair value of a derivative is presented as a non-current asset or liability if the remaining maturity of the instrument is more than 12 months and it is not expected to be realised or settled within 12 months. Other derivatives are presented as current assets or current liabilities. The AltoStratos Group does not designate any derivatives as effective hedging instruments.

Derivatives embedded in non-derivative host contracts are treated as separate derivatives when they meet the definition of a derivative, their risks and characteristics are not closely related to those of the host contracts and the contracts are not measured at fair value through profit or loss.

10.1.14 Plant and equipment

Plant and equipment is stated at historical cost less accumulated depreciation and impairment. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Depreciation is calculated on a straight-line basis to write off the net cost of each item of plant and equipment (excluding land) over their expected useful lives being 2 to 8 years.

The residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each reporting date.

Plant and equipment and motor vehicles under lease are depreciated over the unexpired period of the lease or the estimated useful life of the assets, whichever is shorter.

An item of plant and equipment is derecognised upon disposal or when there is no future economic benefit to the AltoStratos Group. Gains and losses between the carrying amount and the disposal proceeds are taken to profit or loss. Any revaluation surplus reserve relating to the item disposed of is transferred directly to retained profits.
10.1.15 Leases

The determination of whether an arrangement is or contains a lease is based on the substance of the arrangement and requires an assessment of whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset.

A distinction is made between finance leases, which effectively transfer from the lessor to the lessee substantially all the risks and benefits incidental to the ownership of leased assets, and operating leases, under which the lessor effectively retains substantially all such risks and benefits.

Finance leases are capitalised. A lease asset and liability are established at the fair value of the leased assets, or if lower, the present value of minimum lease payments. Lease payments are allocated between the principal component of the lease liability and the finance costs, so as to achieve a constant rate of interest on the remaining balance of the liability.

Leased assets acquired under a finance lease are depreciated over the asset’s useful life or over the shorter of the asset’s useful life and the lease term if there is no reasonable certainty that the AltoStratos Group will obtain ownership at the end of the lease term.

Operating lease payments, net of any incentives received from the lessor, are charged to profit or loss on a straight-line basis over the term of the lease.

10.1.16 Intangible assets

Intangible assets acquired as part of a business combination, other than goodwill, are initially measured at their fair value at the date of the acquisition. Intangible assets acquired separately are initially recognised at cost. Indefinite life intangible assets are not amortised and are subsequently measured at cost less any impairment. Finite life intangible assets are subsequently measured at cost less amortisation and any impairment. The gains or losses recognised in profit or loss arising from the derecognition of intangible assets are measured as the difference between net disposal proceeds and the carrying amount of the intangible asset. The method and useful lives of finite life intangible assets are reviewed annually. Changes in the expected pattern of consumption or useful life are accounted for prospectively by changing the amortisation method or period.

10.1.16.1 Goodwill

Goodwill arises on the acquisition of a business. Goodwill is not amortised. Instead, goodwill is tested annually for impairment, or more frequently if events or changes in circumstances indicate that it might be impaired, and is carried at cost less accumulated impairment losses. Impairment losses on goodwill are taken to profit or loss and are not subsequently reversed.

10.1.17 Impairment of non-financial assets

Goodwill and other intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other non-financial assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset’s carrying amount exceeds its recoverable amount.

Recoverable amount is the higher of an asset’s fair value less costs of disposal and value-in-use. The value-in-use is the present value of the estimated future cash flows relating to the asset using a pre-tax discount rate specific to the asset or cash-generating unit to which the asset belongs. Assets that do not have independent cash flows are grouped together to form a cash-generating unit.

10.1.18 Trade and other payables

These amounts represent liabilities for goods and services provided to the AltoStratos Group prior to the end of the financial year and which are unpaid. Due to their short-term nature they are measured at amortised cost and are not
discounted. The amounts are unsecured and are usually paid within 30 days of recognition.

10.1.19 Borrowings

Loans and borrowings are initially recognised at the fair value of the consideration received, net of transaction costs. They are subsequently measured at amortised cost using the effective interest method.

10.1.20 Finance costs

Finance costs attributable to qualifying assets are capitalised as part of the asset. All other finance costs are expensed in the period in which they are incurred.

10.1.21 Provisions

Provisions are recognised when the AltoStratos Group has a present (legal or constructive) obligation as a result of a past event, it is probable the AltoStratos Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the reporting date, taking into account the risks and uncertainties surrounding the obligation. If the time value of money is material, provisions are discounted using a current pre-tax rate specific to the liability. The increase in the provision resulting from the passage of time is recognised as a finance cost.

10.1.22 Employee benefits

10.1.22.1 Short-term employee benefits

Liabilities for wages and salaries, including non-monetary benefits, annual leave and long service leave expected to be settled within 12 months of the reporting date are measured at the amounts expected to be paid when the liabilities are settled.

10.1.22.2 Other long-term employee benefits

The liability for other long-term employee benefits not expected to be settled within 12 months of the reporting date are measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the reporting date on national government bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

10.1.23 Fair value measurement

When an asset or liability, financial or non-financial, is measured at fair value for recognition or disclosure purposes, the fair value is based on 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; and assumes that the transaction will take place either: in the principal market; or in the absence of a principal market, in the most advantageous market.

Fair value is measured using the assumptions that market participants would use when pricing the asset or liability, assuming they act in their economic best interests. For non-financial assets, the fair value measurement is based on its highest and best use. Valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, are used, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

Assets and liabilities measured at fair value are classified, into three levels, using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. Classifications are reviewed at each reporting date and transfers between levels are determined based on a reassessment of the lowest level of input that is significant to the fair value measurement.
For recurring and non-recurring fair value measurements, external valuers may be used when internal expertise is either not available or when the valuation is deemed to be significant. External valuers are selected based on market knowledge and reputation. Where there is a significant change in fair value of an asset or liability from one period to another, an analysis is undertaken, which includes a verification of the major inputs applied in the latest valuation and a comparison, where applicable, with external sources of data.

**10.1.24 Issued capital**

Ordinary shares are classified as equity.

**10.1.25 Business combinations**

The acquisition method of accounting is used to account for business combinations regardless of whether equity instruments or other assets are acquired.

The consideration transferred is the sum of the acquisition-date fair values of the assets transferred, equity instruments issued or liabilities incurred by the acquirer to former owners of the acquiree and the amount of any non-controlling interest in the acquiree. For each business combination, the non-controlling interest in the acquiree is measured at either fair value or at the proportionate share of the acquiree’s identifiable net assets. All acquisition costs are expensed as incurred to profit or loss.

On the acquisition of a business, the AltoStratos Group assesses the financial assets acquired and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic conditions, the AltoStratos Group’s operating or accounting policies and other pertinent conditions in existence at the acquisition-date.

Where the business combination is achieved in stages, the AltoStratos Group remeasures its previously held equity interest in the acquiree at the acquisition-date fair value and the difference between the fair value and the previous carrying amount is recognised in profit or loss.

Contingent consideration to be transferred by the acquirer is recognised at the acquisition-date fair value. Subsequent changes in the fair value of the contingent consideration classified as an asset or liability is recognised in profit or loss. Contingent consideration classified as equity is not remeasured and its subsequent settlement is accounted for within equity.

The difference between the acquisition-date fair value of assets acquired, liabilities assumed and any non-controlling interest in the acquiree and the fair value of the consideration transferred and the fair value of any pre-existing investment in the acquiree is recognised as goodwill. If the consideration transferred and the pre-existing fair value is less than the fair value of the identifiable net assets acquired, being a bargain purchase to the acquirer, the difference is recognised as a gain directly in profit or loss by the acquirer on the acquisition-date, but only after a reassessment of the identification and measurement of the net assets acquired, the non-controlling interest in the acquiree, if any, the consideration transferred and the acquirer’s previously held equity interest in the acquirer.

Business combinations are initially accounted for on a provisional basis. The acquirer retrospectively adjusts the provisional amounts recognised and also recognises additional assets or liabilities during the measurement period, based on new information obtained about the facts and circumstances that existed at the acquisition-date. The measurement period ends on either the earlier of (i) 12 months from the date of the acquisition or (ii) when the acquirer receives all the information possible to determine fair value.

**10.1.26 Goods and Services Tax (‘GST’) and other similar taxes**

Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the tax authority. In this case it is recognised as part of the cost of the acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST
recoverable from, or payable to, the tax authority is included in other receivables or other payables in the statement of financial position.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to the tax authority, are presented as operating cash flows.

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the tax authority.

10.1.27 Accounting Standards and interpretations issued but not yet effective

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet mandatory, have not been early adopted by the AltoStratos Group for the reported periods. The AltoStratos Group has not yet fully assessed the impact of these new or amended Accounting Standards and Interpretations, however they do not expect the impact to be material.

10.2 CRITICAL ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts in the financial statements. Management continually evaluates its judgements and estimates in relation to assets, liabilities, contingent liabilities, revenue and expenses. Management bases its judgements, estimates and assumptions on historical experience and on various other factors, including expectations of future events, management believes to be reasonable under the circumstances. The resulting accounting judgements and estimates will seldom equal the related actual results. The judgements, estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

10.2.1 Provision for impairment of receivables

The provision for impairment of receivables assessment requires a degree of estimation and judgement. The level of provision is assessed by taking into account the recent sales experience, the ageing of receivables, historical collection rates and specific knowledge of the individual debtors financial position.

10.2.2 Provision for impairment of inventories

The provision for impairment of inventories assessment requires a degree of estimation and judgement. The level of the provision is assessed by taking into account the recent sales experience, the ageing of inventories and other factors that affect inventory obsolescence.

10.2.3 Fair value measurement hierarchy

The AltoStratos Group is required to classify all assets and liabilities, measured at fair value, using a three level hierarchy, based on the lowest level of input that is significant to the entire fair value measurement, being: Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date; Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly; and Level 3: Unobservable inputs for the asset or liability. Considerable judgement is required to determine what is significant to fair value and therefore which category the asset or liability is placed in can be subjective.

The fair value of assets and liabilities classified as level 3 is determined by the use of valuation models. These include discounted cash flow analysis or the use of observable inputs that require significant adjustments based on unobservable inputs.
10.2.4 Impairment of non-financial assets other than goodwill and other indefinite life intangible assets

The AltoStratos Group assesses impairment of non-financial assets other than goodwill and other indefinite life intangible assets at each reporting date by evaluating conditions specific to the AltoStratos Group and to the particular asset that may lead to impairment. If an impairment trigger exists, the recoverable amount of the asset is determined. This involves fair value less costs of disposal or value-in-use calculations, which incorporate a number of key estimates and assumptions.

10.2.5 Income tax

The AltoStratos Group is subject to income taxes in the jurisdictions in which it operates. Significant judgement is required in determining the provision for income tax. There are many transactions and calculations undertaken during the ordinary course of business for which the ultimate tax determination is uncertain. The AltoStratos Group recognises liabilities for anticipated tax audit issues based on the AltoStratos Group's current understanding of the tax law. Where the final tax outcome of these matters is different from the carrying amounts, such differences will impact the current and deferred tax provisions in the period in which such determination is made.

10.2.6 Recovery of deferred tax assets

Deferred tax assets are recognised for deductible temporary differences and brought forward tax losses only if the AltoStratos Group considers it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

10.2.7 Business combinations

As discussed in 10.1.25, business combinations are initially accounted for on a provisional basis. The fair value of assets acquired and liabilities and contingent liabilities assumed are initially estimated by the AltoStratos Group taking into consideration all available information at the reporting date. Fair value adjustments on the finalisation of the business combination accounting is retrospective, where applicable, to the period the combination occurred and may have an impact on the assets and liabilities, depreciation and amortisation reported.
GLOSSARY
SECTION 11
11. GLOSSARY

The following terms used in this Prospectus have the following meanings unless the context otherwise requires.

### TABLE 8: GLOSSARY OF TERMS

<table>
<thead>
<tr>
<th>TERM</th>
<th>DEFINITION</th>
</tr>
</thead>
<tbody>
<tr>
<td>$, AUD or A$</td>
<td>Australian dollar</td>
</tr>
<tr>
<td>AltoStratos Group</td>
<td>Means, together: • the Company; • Altostratos Holdings Pte Ltd; • Digiland; • Infojet; and • Altostratos Malaysia.</td>
</tr>
<tr>
<td>AltoStratos Malaysia</td>
<td>AltoStratos (Malaysia) Sdn Bhd</td>
</tr>
<tr>
<td>Applicant</td>
<td>A person who submits an Application</td>
</tr>
<tr>
<td>Application</td>
<td>An application made to subscribe for Shares offered under this Prospectus</td>
</tr>
<tr>
<td>Application Form</td>
<td>The application form attached to or accompanying this Prospectus (including the electronic form provided by an online application facility)</td>
</tr>
<tr>
<td>Application Monies</td>
<td>The amount of money accompanying an Application Form submitted by an Applicant</td>
</tr>
<tr>
<td>ASIC</td>
<td>Australian Securities and Investments Commission</td>
</tr>
<tr>
<td>ASX</td>
<td>ASX Limited ACN 008 624 691 or the Australian Securities Exchange (as the context requires)</td>
</tr>
<tr>
<td>ASX Listing Rules</td>
<td>The rules of the ASX that govern the admission, quotation and removal of securities from the Official List as amended, varied or waived from time to time</td>
</tr>
<tr>
<td>ASX Settlement Operating Rules</td>
<td>The settlement rules of the ASX as amended, varied or waived from time to time</td>
</tr>
<tr>
<td>Audit and Risk Committee</td>
<td>The committee described in Section 6.3.5</td>
</tr>
<tr>
<td>Australian Accounting Standards</td>
<td>Accounting Standards defined by the Corporations Act</td>
</tr>
<tr>
<td>B2B</td>
<td>Business to business</td>
</tr>
<tr>
<td>B2C</td>
<td>Business to consumer</td>
</tr>
<tr>
<td>Board</td>
<td>The board of directors of the Company</td>
</tr>
<tr>
<td>Bonus Scheme</td>
<td>Refers to the bonus compensation arrangements outlined in Section 6.2.6</td>
</tr>
<tr>
<td>Business Day</td>
<td>Has the meaning given in the ASX Listing Rules</td>
</tr>
<tr>
<td>CEO</td>
<td>Chief Executive Officer</td>
</tr>
<tr>
<td>CGT</td>
<td>Capital Gains Tax</td>
</tr>
<tr>
<td>Chairman</td>
<td>Chairman of the Board as at the Prospectus Date</td>
</tr>
<tr>
<td>Chairman’s List Applicant</td>
<td>A person who submits an Application under the Chairman’s List Offer</td>
</tr>
<tr>
<td>Chairman’s List Offer</td>
<td>The offer of Shares under this Prospectus to Australian resident retail investors and Institutional Investors who have received a personalised invitation to participate in the Offer from the Company</td>
</tr>
<tr>
<td>TERM</td>
<td>DEFINITION</td>
</tr>
<tr>
<td>-----------------------------</td>
<td>-------------------------------------------------------------------------------------------------------------------------------------------</td>
</tr>
<tr>
<td>CHESS</td>
<td>Clearing House Electronic Subregister System, operated in accordance with the ASX Listing Rule and the ASX Settlement Operating Rules</td>
</tr>
<tr>
<td>Closing Date</td>
<td>The date that the Offer closes, being Friday, 22 February 2019 as at the Prospectus Date. This date may be varied without prior notice</td>
</tr>
<tr>
<td>Code of Conduct</td>
<td>The corporate governance policy document described in Section 6.3.7.2</td>
</tr>
<tr>
<td>Company</td>
<td>AltoStratos Holdings Limited ABN 72 606 621 676</td>
</tr>
<tr>
<td>Company Secretary</td>
<td>Each company secretary of the Company from time to time</td>
</tr>
<tr>
<td>Completion</td>
<td>The completion of the Offer, being the date on which Shares are Issued to Successful Applicants in accordance with the terms of the Offer</td>
</tr>
<tr>
<td>Constitution</td>
<td>The constitution of the Company as amended from time to time</td>
</tr>
<tr>
<td>Corporations Act</td>
<td>Corporations Act 2001 (Cth)</td>
</tr>
<tr>
<td>CRN</td>
<td>Customer Reference Number</td>
</tr>
<tr>
<td>Digiland</td>
<td>Digiland (Thailand) Ltd</td>
</tr>
<tr>
<td>Directors</td>
<td>Each of the directors of the Company from time to time</td>
</tr>
<tr>
<td>Disclosure and Communications Policy</td>
<td>The policy document described in Section 6.3.7.2</td>
</tr>
<tr>
<td>EBIT</td>
<td>Earnings before interest and tax</td>
</tr>
<tr>
<td>Escrowed Shareholders</td>
<td>Those Shareholders whose Shares in the Company will be subject to escrow arrangements, as described in Section 9.4</td>
</tr>
<tr>
<td>Executive Directors</td>
<td>Directors who are also employees of the Company</td>
</tr>
<tr>
<td>Existing Shareholders</td>
<td>Those persons holding Shares immediately prior to Completion</td>
</tr>
<tr>
<td>Expiry Date</td>
<td>The date which is 13 months after the Prospectus Date</td>
</tr>
<tr>
<td>Exposure Period</td>
<td>The fourteen day period after the Prospectus Date, during which an Application must not be accepted</td>
</tr>
<tr>
<td>Financial Information</td>
<td>Has the meaning given in Section 4</td>
</tr>
<tr>
<td>FY</td>
<td>Financial Year ended 30 June</td>
</tr>
<tr>
<td>GST</td>
<td>Goods and Services Tax</td>
</tr>
<tr>
<td>IPO</td>
<td>Initial Public Offering</td>
</tr>
<tr>
<td>TERM</td>
<td>DEFINITION</td>
</tr>
<tr>
<td>--------------------------------</td>
<td>---------------------------------------------------------------------------------------------------------------------------------------------</td>
</tr>
<tr>
<td>Infonet</td>
<td>Infonet Systems &amp; Services Pte Ltd</td>
</tr>
<tr>
<td>Institutional Investor</td>
<td>An investor:</td>
</tr>
<tr>
<td></td>
<td>➢ in Australia who is a “wholesale client” for the purpose of section 761G of the Corporations Act and who is a “professional investor” or “sophisticated investor” under 708(8) and 708(11) of the Corporations Act;</td>
</tr>
<tr>
<td></td>
<td>➢ in certain other jurisdictions to whom offers or invitations in respect of securities can be made without the need for a lodgement or registered prospectus or other form of disclosure document or filing with, or approved by, any governmental agency (except one with which the Company is willing, in its absolute discretion, to comply).</td>
</tr>
<tr>
<td></td>
<td>and in either case, provided that such person is not in the United States.</td>
</tr>
<tr>
<td>Institutional Offer</td>
<td>The invitation to institutional investors under this Prospectus to acquire Shares</td>
</tr>
<tr>
<td>Investigating Accountant</td>
<td>BDO East Coast Partnership</td>
</tr>
<tr>
<td>Investigating Accountant Report</td>
<td>The report contained in Section 8</td>
</tr>
<tr>
<td>I.T.</td>
<td>Information technology</td>
</tr>
<tr>
<td>Listing</td>
<td>The admission of the Company to the Official List of the ASX and quotation of the Shares on the ASX</td>
</tr>
<tr>
<td>Maximum Subscription</td>
<td>62,500,000 Shares to raise $25,000,000</td>
</tr>
<tr>
<td>Minimum Subscription</td>
<td>40,000,000 Shares to raise $16,000,000</td>
</tr>
<tr>
<td>New Shareholders</td>
<td>Persons acquiring Shares under the Offer (excluding any Existing Shareholders who acquire Shares under the Offer)</td>
</tr>
<tr>
<td>Nomination and Remuneration Committee</td>
<td>The committee described in Section 6.3.6</td>
</tr>
<tr>
<td>Non-Executive Director</td>
<td>Directors who are not employees of the Company</td>
</tr>
<tr>
<td>Offer</td>
<td>The offer under this Prospectus of new Shares for issue by the Company</td>
</tr>
<tr>
<td>Offer Period</td>
<td>The period commencing from the Opening Date and ending on the Closing Date</td>
</tr>
<tr>
<td>Offer Price</td>
<td>$0.40 per Share</td>
</tr>
<tr>
<td>Official List</td>
<td>The official list of the ASX</td>
</tr>
<tr>
<td>Opening Date</td>
<td>Thursday, 10 January 2019</td>
</tr>
<tr>
<td>Prospectus</td>
<td>This document (including the electronic copy of this prospectus) dated Wednesday, 9 January 2019</td>
</tr>
<tr>
<td>Prospectus Date</td>
<td>The date on which a copy of this Replacement Prospectus is lodged with ASIC, being Wednesday, 9 January 2019</td>
</tr>
<tr>
<td>Retail Applicant</td>
<td>An Applicant under the Retail Offer</td>
</tr>
<tr>
<td>Retail Offer</td>
<td>The invitation for retail investors under this Prospectus as described in Section 7.5.4 of the Prospectus</td>
</tr>
<tr>
<td>RTM</td>
<td>Routes-to-market</td>
</tr>
<tr>
<td>Share</td>
<td>A fully paid ordinary share in the capital of the Company</td>
</tr>
<tr>
<td>Shareholder</td>
<td>A holder of Shares</td>
</tr>
<tr>
<td>TERM</td>
<td>DEFINITION</td>
</tr>
<tr>
<td>----------------------</td>
<td>-----------------------------------------------------------------------------</td>
</tr>
<tr>
<td>Share Registry</td>
<td>Boardroom Pty Limited ACN 003 209 836</td>
</tr>
<tr>
<td>Successful Applicants</td>
<td>An Applicant who is issued Shares under the Offer</td>
</tr>
<tr>
<td>Sydney Time</td>
<td>Australian Eastern Daylight Time</td>
</tr>
<tr>
<td>TFN</td>
<td>Tax file number</td>
</tr>
<tr>
<td>US or United States</td>
<td>United States of America, its territories and possessions</td>
</tr>
<tr>
<td>USD</td>
<td>United States dollar</td>
</tr>
<tr>
<td>US Securities Act</td>
<td>US Securities Act of 1933, as amended</td>
</tr>
<tr>
<td>VAR</td>
<td>Value-added-reseller</td>
</tr>
</tbody>
</table>
Corporate Directory

ISSUER
Altostratos Holdings Limited
Level 36, Governor Phillip Tower
1 Farrer Place
Sydney NSW 2000
Australia

AUDITOR
BDO East Coast Partnership
Level 11, 1 Margaret Street
Sydney NSW 2000
Australia

AUSTRALIAN LEGAL ADVISOR
KPMG Law
Level 38, Tower 3
International Towers Sydney
300 Barangaroo Avenue
Sydney NSW 2000
Australia

INVESTIGATING ACCOUNTANT
BDO East Coast Partnership
Level 11, 1 Margaret Street
Sydney NSW 2000
Australia

SHARE REGISTRY
Boardroom Pty Ltd
Grosvenor Place
Level 12, 225 George Street
Sydney NSW 2000
Australia

OFFER INFORMATION LINE
1300 737 760 (within Australia)
+61 2 9290 9600 (outside Australia)
Between 8.30 am to 5.30 pm (Sydney time),
Monday to Friday (Business Days only)

OFFER WEBSITE
www.altostratos.com

PROPOSED ASX CODE
ATO
Altostratos Holdings Limited
ACN 606 621 676
Retail Offer Application Form

This is an Application Form for Shares in Altostratos Holdings Limited (Company) on the terms set out in the Replacement Prospectus dated 9 January 2019 (Prospectus). Defined terms in the Prospectus have the same meaning in this Application Form. You may apply for a minimum of 5,000 Shares and multiples of 1,250 Shares thereafter. This Application Form and your cheque, bank draft or BPAY must be received by 5.00pm (Sydney Time) on the Closing Date.

This Application Form is important. If you are in doubt as to how to deal with this Application Form, please contact your accountant, lawyer, stockbroker or other professional adviser. The Replacement Prospectus dated 9 January 2019 contains information relevant to a decision to invest in the Shares of the Company and you should read the entire Prospectus carefully before applying for Shares.

The Share Registry's Privacy Policy (Privacy Policy) also sets out important information relating to the collection, use and disclosure of all personal information that you provide to the Company. Please ensure that you and all relevant individuals have read the Privacy Policy carefully before submitting this Application Form. The Privacy Policy can be found on the website https://www.boardroomlimited.com.au/corp/privacy-policy

To meet the requirements of the Corporations Act 2001 (Cth), this Application Form must not be distributed to another person unless included in or accompanied by the Prospectus. A person who gives another person access to this Application Form must, at the same time and by the same means, give the other person access to the Prospectus. During the Offer period, the Company will send you a free copy of the Prospectus if you have received an electronic prospectus and you ask for a paper copy.

PLEASE FOLLOW THE INSTRUCTIONS TO COMPLETE THIS APPLICATION FORM (SEE REVERSE) AND PRINT CLEARLY IN CAPITAL LETTERS USING BLACK OR BLUE PEN.

<table>
<thead>
<tr>
<th>A</th>
<th>Number of Shares you are applying for</th>
<th>B</th>
<th>Total amount payable</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>x $0.40 per Share =</td>
<td></td>
</tr>
</tbody>
</table>

Minimum of 5,000 Shares to be applied for and thereafter in multiples of 1,250 Shares

<table>
<thead>
<tr>
<th>C</th>
<th>Write the name(s) you wish to register the Shares in (see reverse for instructions)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Applicant #1</td>
<td></td>
</tr>
<tr>
<td>Name of Applicant #2 or &lt;Account Designation&gt;</td>
<td></td>
</tr>
<tr>
<td>Name of Applicant #3 or &lt;Account Designation&gt;</td>
<td></td>
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</tbody>
</table>

<table>
<thead>
<tr>
<th>D</th>
<th>Write your postal address here</th>
</tr>
</thead>
<tbody>
<tr>
<td>Number/Street</td>
<td></td>
</tr>
<tr>
<td>Suburb/Town</td>
<td>State</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>E</th>
<th>CHESS participant – Holder Identification Number (HIN)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Important please note if the name and address details above in sections C and D do not match exactly with your registration details held at CHESS, any Shares issued as a result of your Application will be held on the Issuer Sponsored subregister.</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>F</th>
<th>Enter your Tax File Number(s), ABN, or exemption category</th>
</tr>
</thead>
<tbody>
<tr>
<td>Applicant #1</td>
<td></td>
</tr>
<tr>
<td>Applicant #2</td>
<td></td>
</tr>
<tr>
<td>Applicant #3</td>
<td></td>
</tr>
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<table>
<thead>
<tr>
<th>G</th>
<th>Cheque payment details – PIN CHEQUE(S) HERE. Cheque to be made payable to &quot;Altostratos Holdings Limited IPO&quot; and crossed Not Negotiable. Enter cheque details below. Alternatively you can apply online at <a href="http://www.altostratos.com/investor">www.altostratos.com/investor</a> and pay by BPAY.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Name of drawer of cheque</td>
<td>Cheque no.</td>
</tr>
<tr>
<td>BSB no.</td>
<td>Account no.</td>
</tr>
<tr>
<td>Cheque Amount A$</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>H</th>
<th>Contact telephone number (daytime/work/mobile)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Contact Name</td>
</tr>
<tr>
<td>E-mail Address</td>
<td></td>
</tr>
</tbody>
</table>
Declaration

✓ have read the Prospectus in full;
✓ have received a copy of the electronic Prospectus or a print out of it;
✓ have completed this Application Form in accordance with the instructions on the form and in the Prospectus;
✓ declare that the Application Form and all details and statements made by me/us are complete and accurate;
✓ agree and consent to the Company collecting, holding, using and disclosing my/our personal information in accordance with the Prospectus;
✓ where I/we have been provided information about another individual, warrant that I/we have obtained that individual’s consent to the transfer of their information to the Company;
✓ acknowledge that once the Company accepts my/our Application Form, I/we may not withdraw it;
✓ apply for the number of Shares that I/we apply for (or a lower number allocated in a manner allowed under the Prospectus);
✓ acknowledge that my/our Application may be rejected by the Company in its absolute discretion;
✓ authorise the Company and their respective officers and agents to do anything on my/our behalf necessary (including the completion and execution of documents) to enable the Shares to be allocated to me/us;
✓ am/are over 18 years of age;
✓ agree to be bound by the constitution of the Company;
✓ represent, warrant and agree that I/we have not received this Prospectus outside Australia and am/are not acting on behalf of a person resident outside Australia.

Guide to the Application Form

YOU SHOULD READ THE PROSPECTUS CAREFULLY BEFORE COMPLETING THIS APPLICATION FORM.

Instructions

A If applying for Shares insert the number of Shares for which you wish to subscribe at Item A (not less than 5,000 Shares representing a minimum investment of $2,000.00). Multiply by 0.40 to calculate the total Application Monies for Shares and enter the Amount at Item B.

B Write your full name. Initials are not acceptable for first names.

C Enter your postal address for all correspondence. All communications to you from the Company will be mailed to the person(s) and address as shown. For joint Applicants, only one address can be entered.

D If you are sponsored in CHESS by a stockbroker or other CHESS participant you may enter your CHESS HIN if you would like the allocation to be directed to your CHESS HIN.

E If you are an Australian resident. Where applicable, please enter the TFN/ABN of each joint Applicant. Collection of TFNs is authorised by taxation laws.

F Enter your Australian tax file number ("TFN") or ABN or exemption category, if you are an Australian resident. Where applicable, please enter the TFN/ABN of each joint Applicant. Collection of TFNs is authorised by taxation laws.

Quotation of your TFN is not compulsory and will not affect your Application Form. However, if no TFN is quoted your dividends and distributions may be taxed at the highest marginal tax rate plus medicare levy.

G Complete cheque details as requested. Make your cheque payable to "Altostratos Holdings Limited IPO". Cross it and mark it 'Not negotiable'. Cheques must be in Australian currency, and must be drawn on a bank or financial institution in Australia. Alternatively you can apply online at www.altostratos.com/investor and pay by BPAY. If you apply online, you do not need to complete a paper Application Form. See below.

H Enter your contact details, including name, phone number and e-mail address, so we may contact you regarding your Application Form or Application Monies.

Payment by BPAY

You may apply for shares online and pay your Application Monies by BPAY. Applicants wishing to pay by BPAY should complete the online Application Form accompanying the electronic version of the prospectus available at www.altostratos.com/investor and follow the instructions on the online Application Form. When completing your BPAY payment please ensure you use the specific Biller Code and Unique CRN provided in the online Application Form and confirmation e-mail. If you do not use the correct Biller Code and CRN your Application will not be recognised as valid. It is your responsibility to ensure payment is received by 5:00pm (Sydney Time) on the Closing Date.

Applications should be aware that their own financial institution may implement earlier cut off times with regards to electronic payment and should therefore take this into account.

Correct Form of Registrable Title

Note that ONLY legal entities can hold the Shares. The Application must be in the name of a natural person(s), companies or other legal entities acceptable to the Company. At least one full given name and surname is required for each natural person. Examples of the correct form of registrable title are set out below.

<table>
<thead>
<tr>
<th>Type of Investor</th>
<th>Correct Form of Registrable Title</th>
<th>Incorrect Form of Registrable Title</th>
</tr>
</thead>
<tbody>
<tr>
<td>Individual</td>
<td>Mr John David Smith</td>
<td>J D Smith</td>
</tr>
<tr>
<td>Company</td>
<td>ABC Pty Ltd</td>
<td>ABC P/L or ABC Co</td>
</tr>
<tr>
<td>Joint Holdings</td>
<td>Mr John David Smith &amp; Mrs Mary Jane Smith</td>
<td>John David &amp; Jane Smith</td>
</tr>
<tr>
<td>Trusts</td>
<td>Mr John David Smith</td>
<td>John Smith Family Trust</td>
</tr>
<tr>
<td></td>
<td>&lt;J D Smith Family A/C&gt;</td>
<td></td>
</tr>
<tr>
<td>Deceased Estates</td>
<td>Mr Michael Peter Smith</td>
<td>John Smith deceased</td>
</tr>
<tr>
<td></td>
<td>&lt;Est Late John Smith A/C&gt;</td>
<td></td>
</tr>
<tr>
<td>Partnerships</td>
<td>Mr John David Smith &amp; Mr Ian Lee Smith</td>
<td>John Smith &amp; Son</td>
</tr>
<tr>
<td>Clubs/Unincorporated Bodies</td>
<td>Mr John David Smith</td>
<td>Smith Investment Club</td>
</tr>
<tr>
<td></td>
<td>&lt;Smith Investment A/C&gt;</td>
<td></td>
</tr>
<tr>
<td>Superannuation Funds</td>
<td>John Smith Pty Limited &lt;3 Smith Super Fund A/C&gt;</td>
<td>John Smith Superannuation Fund</td>
</tr>
</tbody>
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Lodgment

Mail or deliver your completed Application Form with your cheque(s) or bank draft attached to one of the following addresses:

Mailing address:
Altostratos Holdings Limited
C/-Boardroom Pty Limited
GPO Box 3993
SYDNEY NSW 2001

The General Offer closes at 5:00 p.m. (Sydney Time) on 22 February 2019, unless varied in accordance with the Corporations Act and ASX Listing Rules.

It is not necessary to sign or otherwise execute the Application Form.

If you have any questions as to how to complete the Application Form, please contact Boardroom Pty Limited on 1300 737 760 within Australia and +61 2 9290 9600 outside Australia.

Privacy Statement

Altostratos Holdings Limited advises that Chapter 2C of the Corporations Act requires information about its shareholders (including names, addresses and details of shares held) to be included in the Company’s share register. Information is collected to administer your securityholding and if some or all of the information is not collected then it might not be possible to administer your securityholding. Your personal information may be disclosed to the Company. To obtain access to your personal information or more information on how the Company collects, stores, uses and discloses your information please contact the Company at the address or telephone number shown in the Prospectus.
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