NEXION TECHNOLOGIES LIMITED

(Incorporated in the Cayman Islands with limited liability)
Stock code: 8420

Annual Report
2018

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This report, for which the directors (the "Directors") of Nexion Technologies Limited (the "Company") collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on GEM of the Stock Exchange (the "GEM Listing Rules") for the purpose of giving information with regard to the Company and its subsidiaries (collectively referred to as the "Group"). The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this report is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this report misleading.

Corporate Information

REGISTERED OFFICE
P.O. Box 309
Ugland House
Grand Cayman
KY1-1104
Cayman Islands

PRINCIPAL PLACE OF BUSINESS IN HONG KONG
Room 2622–5, Tower 1
Admiralty Centre
18 Harcourt Road, Admiralty
Hong Kong

HEADQUARTERS AND PRINCIPAL PLACE OF BUSINESS IN SINGAPORE
12 Tannery Road
08–03, HB Centre 1
Singapore 347722

COMPANY SECRETARY
Mr. Kwok Siu Man, *FCIS FCS*
(appointed on 21 December 2018)
Mr. Tsang Tik Man, *CPA (HKICPA)*
(resigned on 21 December 2018)

AUTHORISED REPRESENTATIVES
Mr. Foo Moo Teng
Mr. Kwok Siu Man, *FCIS FCS*
(appointed on 21 December 2018)
Mr. Tsang Tik Man, *CPA (HKICPA),*
(resigned on 21 December 2018)

COMPLIANCE OFFICER
Mr. Foo Moo Teng

BOARD OF DIRECTORS
Executive directors
Mr. Foo Moo Teng *(Chairman)*
Mr. Edgardo Osillada Gonzales II

Independent non-executive directors
Mr. Chan Ming Kit
Ms. Lim Joo Seng
Mr. Park Jee Ho

AUDIT COMMITTEE
Ms. Lim Joo Seng *(Chairlady)*
Mr. Chan Ming Kit
Mr. Park Jee Ho

REMUNERATION COMMITTEE
Mr. Chan Ming Kit *(Chairman)*
Mr. Edgardo Osillada Gonzales II
Mr. Park Jee Ho

NOMINATION COMMITTEE
Mr. Chan Ming Kit *(Chairman)*
Mr. Foo Moo Teng
Ms. Lim Joo Seng

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE
Tricor Services (Cayman Islands) Limited
P.O. Box 10008 Willow House
Cricket Square
Grand Cayman
KY1-1001
Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE
Tricor Investor Services Limited
Level 22, Hopewell Centre
183 Queen's Road East
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PRINCIPAL BANKERS
Oversea-Chinese Banking Corporation Limited
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United Overseas Bank
80 Raffles Place
UOB Plaza 1
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Bank of Communications Co., Ltd.
20 Pedder Street
Central
Hong Kong

COMPLIANCE ADVISER

Southwest Securities (HK) Capital Limited
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Causeway Bay
Hong Kong

LEGAL ADVISER

LC Lawyers LLP *(formerly known as Lin and Associates)*
Suite 3106, 31/F One Taikoo Place
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Quarry Bay
Hong Kong

AUDITOR

Mazars CPA Limited
Certified Public Accountants
42/F, Central Plaza
18 Harbour Road
Wanchai
Hong Kong

COMPANY'S WEBSITE

http://nexion.com.hk

Chairman's Statement

Dear Shareholders,

On behalf of the board of the directors (the "Board") of Nexion Technologies Limited (the "Company" or "Nexion"), I am pleased to present to our shareholders (the "Shareholders") the annual report of the Group for the year ended 31 December 2018.

The Group is a well-established information and communications technology ("ICT") solution provider headquartered in Singapore focusing on the provision of cyber infrastructure and cyber security solutions. Established in 2002, the Group started as a system integration service provider providing services to telecommunications service providers. Having gradually diversified its ICT services, the Group is now a regional provider of cyber infrastructure solutions in Southeast Asia. By working with various technology vendors, the Group acquired the experience and expertise to evolve to an ICT solution provider. Drawing upon its research and development ("R&D") capability, the Group successfully developed its technologies to provide cyber security solutions.

Looking back to the year of 2018, in order to strengthen the R&D team and further expand the business in Southeast Asia, the Group acquired two properties located in Singapore for the development of new headquarter and R&D centre in the future. The Group will continue its focus on strengthening itself as an all-rounded ICT solution provider in Asia Pacific region by investing substantially in the R&D team for the development of new products and enhancement of the existing products and services according to the latest market trend.

The recent trade tensions between the United States and People's Republic of China (the "PRC") has created uncertainties to the global economy as well as businesses, the Group expects that the pace of business development in the PRC will be slower in the foreseeable future and will focus on exploring new business opportunities in Southeast Asia as the Group believes that the economy in Southeast Asia will be less affected by the recent trade tensions and there may be new business opportunities from the recent change of global economy.

Looking forward, in order to enhance the core competence of cyber infrastructure solutions and cyber security solutions, diversify the Group's business risks and utilise its internet resources and capabilities effectively, the Group will continue to explore and expand the business in new markets, including but not limited to, Europe, Middle East and Africa regions.

The Group believes that Nexion's current strong R&D capabilities, well established and diversified customer base, and experienced and dedicated management team will give Nexion an advantage in further establishment of a better reputation in the market, and a leading position in the cyber infrastructure and cyber security solutions industry.

On behalf of the Company, I would like to take this opportunity to express my sincere gratitude to the Shareholders for their trust and support, and to the Board, management and staff for their efforts and contribution to the Group in year 2018. Going forward, the Group will continue to pursue opportunities and devote more energetic spirit to keep up with the evolving marketplace and optimise its corporate strategy to achieve an exceptional result to the Shareholders.

Foo Moo Teng
Chairman

Hong Kong, 26 March 2019

Biographical Details of Directors and Senior Management

EXECUTIVE DIRECTORS

Mr. Foo Moo Teng (符懋胜) ("Mr. Foo"), aged 53, is a founder, the chairman, an executive Director and the chief executive officer of the Company. Mr. Foo is primarily in charge of the Group's overall corporate strategy and daily operations of the Group, including business development and overall management.

Mr. Foo has over 30 years of experience in the information technology (IT) industry. Prior to founding the Group in 2002, Mr. Foo held various positions in the IT industry. Between February 1989 and September 1996, Mr. Foo founded several IT businesses which were engaged in provision of word processing and repair services for the private and government sectors, sales and servicing of computers and trading of computer parts and computer peripherals. From October 1998 to December 1999, he was a training officer with the Institute of Technical Education, Singapore and was responsible for educating students in the subject of electronics engineering. In January 2000, he joined Premier Electro Communication Pte. Ltd., a company engaged in the business of IT system integration, as a service manager where he was responsible for assisting to manage a team of engineers, generation of revenue as well as the maintenance of contracts with existing clients. From March 2001 to April 2002, he joined Getronics Solutions (S) Pte Ltd., a subsidiary of a holding company headquartered in Munich, Germany, which was in the business of system integration as a project manager. He was responsible for the negotiation, implementation and maintenance of IT projects. Mr. Foo obtained a diploma in electronics & communication engineering from Singapore Polytechnic in April 1990.

Mr. Edgardo Osillada Gonzales II ("Mr. Gonzales"), aged 40, is the executive Director of the Company and chief technology officer of the Group. He is primarily responsible for overseeing the IT functions of the Group as well as providing marketing, sales and products support.

Mr. Gonzales has over 18 years of experience in the IT industry. From February 2001 to November 2005, Mr. Gonzales was a network engineer in Primeworld Digital System, Inc., a provider of internet protocol communication services, and was responsible for maintaining and managing computer networks. From October 2005 to October 2008, Mr. Gonzales joined Commverge Solutions Philippines, Inc. ("Commverge Philippines"), a company which provides professional services and network solutions to carriers and service providers in the telecommunications industry in the Asia Pacific region, as a technical manager. He also worked at Commverge Solutions (Singapore) Pte Ltd in Singapore as a technical manager from November 2008 to May 2009. He managed the technical operations for pre-sales and post-sales in Singapore and the Philippines. From May 2009 to June 2010, Mr. Gonzales was holding the position of technical manager at Commverge Philippines. In July 2010, Mr. Gonzales joined Systex SouthAsia Pte Ltd., a Taiwan-based IT services provider in the Asia Pacific region, as product support engineer where he was responsible for implementing, maintaining and administering networks and servers. Since September 2010, Mr. Gonzales joined Netsis Technology (S) Pte. Ltd. ("Netsis (Singapore)") as an internet service provider consultant.

Mr. Gonzales graduated with a bachelor degree in science (computer engineering) from the AMA Computer College in Manila, the Philippines in April 2000. Mr. Gonzales was recognised as a Cisco Routing and Switching Solutions Specialist in August 2007; Cisco Certified Network Professional in April 2012; and Cisco Certified Design Professional by Cisco Systems, Inc. in April 2015 and such certification was renewed in April 2018. Mr. Gonzales was also recognised as a Certified Engineer for Application Delivery by A10 Networks and VMWare Certified Professional by VMWare.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Chan Ming Kit (陳銘傑) ("Mr. Chan"), aged 39, was appointed as an independent non-executive Director on 31 May 2017. He has involved in the legal industry for over 7 years, having started his legal career as a compliance officer with G2000 (Apparel) Limited from April 2007 to August 2011. He was called to the bar in Hong Kong in April 2012. Thereafter from 2013 to 2017, he was employed by M.C.A. Lai & Co Solicitors (now known as Lai M.C.A. Solicitors LLP). He was admitted as a solicitor of the High Court of Hong Kong in March 2015 and is presently a partner of Chan & Ho.

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

Ms. Lim Joo Seng (林友欣) ("Ms. Lim"), aged 44, was appointed as an independent non-executive Director on 31 May 2017. She has involved in the finance industry for approximately 20 years, having started her career at Sekhar & Tan as a tax assistant from April 1999 to March 2000. Thereafter, she joined Deloitte KassimChan (a member firm of Deloitte Touche Tohmatsu) as an audit senior from May 2000 to December 2003. From February 2005 to February 2010, she joined Deloitte Touche Tohmatsu CPA Ltd. (Shanghai) as a manager. From February 2010 to January 2017, she joined XinRen Aluminium Holdings Limited, previously a company listed on the main board of the Singapore Exchange Securities Trading Limited in October 2010 and was subsequently privatised in year 2016 and is now a private holding company located in the PRC, as a chief financial officer.

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

Mr. Park Jee Ho ("Mr. Park"), aged 48, was appointed as an independent non-executive Director on 31 May 2017. Mr. Park was employed by KPMG Samjong Accounting Corp., an international accounting firm from November 2000 to December 2003 as a senior associate. He joined Webzen Inc,. an online game company listed on the Korean Securities Dealers Automated Quotations and National Association of Securities Dealers Automated Quotations from July 2006 to August 2010 as a finance and administration manager. Thereafter from January 2012 to September 2012, he commenced a role as finance manager in TmaxSoft, a software development company in Korea. He then joined DMX Technologies Korea Co. Ltd. (wholly owned by DMX Technologies Group Ltd. which is listed on the main board of the Singapore Exchange Securities Trading Limited) as chief financial officer from May 2014 to December 2015. In April 2016, he became a regional chief financial officer in DMX Technologies Group Ltd. and is presently engaged in this role. In October 2018, he joined SungJee Accounting Corp. as a director.

Mr. Park graduated with a bachelor of commerce (with a major in accounting) from Concordia University in Montreal, Canada in May 1998.

Biographical Details of Directors and Senior Management

SENIOR MANAGEMENT

Mr. Chan Kok Liang Frankie (田國良) ("Mr. Chan"), aged 36, is a founder of Expert Team (Singapore) and is the chief development officer of the Group. He joined Expert Team (Singapore) in October 2013. He takes up the management role in the supervision of the Group's product and technology research, design and development. He further oversees the daily operation of the engineering team and leads the implementation of the Group's own developed solutions. Mr. Chan has 10 years of experience in the IT industry.

From December 2006 to April 2015, Mr. Chan was a director at Decision Group Pte. Ltd., a company in Singapore which provides cyber security solutions and consultancy services. Mr. Chan graduated with a bachelor degree in engineering electronics, majoring in telecommunications, from the Multimedia University in Malaysia in June 2005, and obtained a master of communication engineering from the Nanyang Technological University in Singapore in November 2006. Mr. Chan was a member of the Institute of Electrical and Electronics Engineers ("IEEE") until December 2016. Mr. Chan has also contributed to publications including the "Analysis of IEEE 802.11b wireless security for university wireless LAN design" published in Volume 2 of the 2005 12th IEEE International Conference on Networks jointly held with the 2005 IEEE 7th Malaysia International Conference on Communication and "Supporting Quality of Services in Wireless LANs by EDCA Access Scheme" in Proc-MMU International Symposium on Information and Communications Technologies (M2USIC 2006).

Mr. Chen Kao Chih (陳高智) ("Mr. Chen"), aged 51, is the R&D director of the Group who joined the Group in August 2013. Mr. Chen is primarily responsible for the supervision of software engineering and programming of the Group's products. He has over 25 years of experience in network design, deployment and administration for large scale sites, and is experienced in embedded system implementation.

From November 1992 to September 1998, Mr. Chen worked as an IT trainer and network administrator at the Army Communication Electronic Information School of Taiwan and was mainly responsible for the campus network establishment and management. Then, he became the chief of network administrators at Information Centre of a Taiwan government unit from April 2000 to August 2006. He was responsible for designing network for the Taiwan Army's Management Information Systems (MIS) management information system projects. He subsequently returned to the Army Communication Electronic Information School of Taiwan as its chief IT trainer from September 2006 to June 2010, where he was responsible for the planning of, and teaching information technology courses and testing and application of radiocommunication equipments. Before joining the Group in August 2013, Mr. Chen worked as the project manager at the Decision Group of Taiwan, a company focused on providing data monitoring and gathering, computer forensics cyber security services. He was responsible for creating and maintaining the internal communication mechanism and designed data monitoring and gathering products. Mr. Chen obtained a bachelor of information science degree from the Chung Cheng Institute of Technology in Taiwan in July 1990 and a master of science from the department of computer science and information engineering from the National Taiwan University in January 2004. Mr. Chen obtained the OCPJP (Oracle Certified Professional, Java SE 6 Programmer) certification, OCPJWCD (Oracle Certified Professional Java EE Web Component Developer) certification and CCNA (Cisco Certified Network Associate) certificate in December 2010, January 2011 and May 2010 respectively.

Mr. Hoo Kam Choy (何錦財) ("Mr. Hoo"), aged 42, is a founder of Expert Team Pte. Ltd. ("Expert Team (Singapore)") and is the sales and marketing director of the Group. He joined Expert Team (Singapore) in September 2015. He is responsible for supervising the sales and marketing department of the Group's cyber security business. In November 2003, Mr. Hoo founded K Track Trading, which was engaged in the business of security camera and communication products in Taiwan, Hong Kong and the PRC. Before joining the Group, Mr. Hoo incorporated Gandingan Pakar Sdn. Bhd. in Malaysia in August 2013, which supplied surveillance products.

Mr. Hoo obtained a bachelor degree in business administration from SooChow University, Taiwan in June 2001.

Ms. Tang Mei Leng Olivia (鄧美玲) ("Ms. Tang"), aged 51, is the head of sales and marketing department of the Group. She is also responsible for the overall supervision of the sales and marketing of the Group's cyber infrastructure solutions business. She has over 15 years of experience in the IT industry since 2003.

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

Ms. Yeo Joo Ling (楊珠琳) ("Ms. Yeo"), aged 40, was appointed as the financial controller of the Group in August 2016. Ms. Yeo is primarily responsible for the overall financial management of the Group. Ms. Yeo has approximately 10 years in the finance and accounting spheres, having held positions in another two companies in Singapore with roles in accounting. Ms. Yeo obtained the general certificate of education A levels from Outram Institute in December 1998 and completed level 3 of the Association of Chartered Certified Accountants in June 2007.

COMPANY SECRETARY

Mr. Kwok Siu Man (郭兆文) ("Mr. Kwok"), aged 60, was appointed as company secretary of the Company ("Company Secretary") on 21 December 2018.

Mr. Kwok is an executive director and head, corporate secretarial of Boardroom Corporate Services (HK) Limited ("Boardroom") and a director of Boardroom Share Registrars (HK) Limited, responsible for, among others, providing corporate secretarial services to listed clients. Prior to joining Boardroom, between February 2011 and March 2013, he was the company secretary of a number of companies of the same group listed on GEM and the Main Board of the Stock Exchange, respectively, and a company of a related group listed on the Main Board of the Stock Exchange concurrently. He has over 30 years' extensive legal, corporate secretarial and management experience gained from working, amongst others, at company secretary and other senior positions for companies overseas and in Hong Kong (including the Hang Seng Index Constituent ("HSIC") and Hang Seng Mid-Cap 50 stock companies). He was the managing director of a top-notched financial printer in Hong Kong with international affiliation and an independent non-executive director (the "INED") of a company listed on the Main Board of the Stock Exchange. In addition, he is an INED of a company listed on GEM and an executive committee member of Federation of Share Registrars Limited, and has been a director of a charity fund in Hong Kong since its corporation in 1992.

A Chartered Governance Professional of The Institute of Chartered Secretaries and Administrators in England ("ICSA") and The Hong Kong Institute of Chartered Secretaries ("HKICS"), Mr. Kwok is a fellow member of each of ICSA, HKICS, The Institute of Financial Accountants in England, the Institute of Public Accountants in Australia, The Association of Hong Kong Accountants and The Hong Kong Institute of Directors and a member of the Hong Kong Securities and Investment Institute. He also possesses professional qualifications in arbitration, taxation, financial planning and human resources management. He matriculated from Queen's College in Hong Kong, obtained a Professional Diploma in Company Secretaryship and Administration and a Bachelor's Degree of Arts (with honours) in Accountancy from the Hong Kong Polytechnic (currently known as the Hong Kong Polytechnic University). He also completed a Post-Graduate Diploma in Laws (with credit) from the Manchester Metropolitan University in England and passed the Common Professional Examinations in England and Wales. In 1999, he received induction into the International WHO'S WHO of Professionals, an international organisation which establishes a network of international elite professionals. He was one of the adjudicators for the "Best Annual Reports Awards" organised by the Hong Kong Management Association in the early 1990's and the late 2000's and the longest serving elected council member and reviewer and the chief examiner of the "Hong Kong Company Secretarial Practice"/Corporate Secretaryship module of the international qualifying scheme of the HKICS.

Management Discussion and Analysis

BUSINESS REVIEW

The Group is a well-established ICT solution provider headquartered in Singapore focusing on the provision of cyber infrastructure and cyber security solutions. Established in 2002, the Group started as a system integration service provider providing services to telecommunications service providers. Having gradually diversified its ICT services, the Group is now a regional provider of cyber infrastructure solutions in Southeast Asia. By working with various technology vendors, the Group acquired the experience and expertise to evolve to an ICT solution provider. Drawing upon its R&D capability, the Group successfully developed its technologies to provide cyber security solutions.

The shares of the Company were successfully listed on GEM on 16 June 2017 (the "Listing Date") by way of public offer. 150,000,000 public offer shares were issued at HK$0.48 per share pursuant to the offer of the public offer shares for subscription in Hong Kong (the "Public Offer"). The proceeds received from the Public Offer have strengthened the Group's cash flow and the Group will implement its future plans and business strategies as set out in the section headed "Statement of Business Objectives and Use of Proceeds" in the prospectus dated 6 June 2017 (the "Prospectus").

As an ICT solution provider, the Group believes that R&D capability represents the core competency of the Group. Therefore, the Group has continuously placed great emphasis on its R&D capability. During the year ended 31 December 2018, the Group acquired two properties located in Singapore for the development of new headquarter and R&D centre in the future. The Group has continuously invested resources in professional and experienced engineers, R&D team's software and hardware, and its own cyber infrastructure.

The emphasis on the Group's R&D capability gained significant achievement. During the year ended 31 December 2018, the Group successfully developed its own cyber infrastructure, known as Netsis Hybrid Converge Hub, which broadened the Group's source of revenue. The Group will continue its focus on strengthening itself as an all-rounded ICT solution provider in Asia Pacific region by investing substantially in the R&D team for the development of new products and enhancement of the existing products and services continuously for potential customers.

For the year ended 31 December 2018, the reportable segment results (Adjusted EBITDA) (i.e. "adjusted earnings before interest, taxes, depreciation and amortisation") in cyber infrastructure solutions segment and cyber security solutions segment were approximately US$362,000 *(2017: approximately US$2,202,000)* and approximately US$4,161,000 *(2017: approximately US$2,168,000)* respectively.

The decrease in the amount of reportable segment results (Adjusted EBITDA) in cyber infrastructure solutions segment was mainly due to the operating loss from the PRC subsidiaries. The Group believes such operating loss was attributable to the decrease in demand of cyber infrastructure in the PRC resulted from the recent trade tensions between the United States and the PRC.

The increase in the amount of reportable segment results (Adjusted EBITDA) in cyber security solutions segment was mainly due to the new customers in South Korea.

The Group is deeply rooted in the Southeast Asia cyber infrastructure sector with its strength in the provision of cyber infrastructure solutions to internet services providers and its customers are mainly located in the Southeast Asia. During the year ended 31 December 2018, the Group's revenue from external customers based in Southeast Asia accounted for approximately 77% *(2017: approximately 80%)* of the total Group's revenue.

The Group believes that the emerging markets in the Southeast Asia will provide the Group with vast potential business opportunities. The Group expects the demand of the Group's services and products from the clients based in Southeast Asia will remain strong in the future. To further increase our market shares and brand visibility, the Group will continue to focus on the market of the Southeast Asia by leveraging on its established strengths and reputations.

In order to enhance the core competence of cyber infrastructure solutions and cyber security solutions, diversify the Group's business risks and utilise its internet resources and capabilities, the Group expects to further diversify its geographical reach and customer base. During the year ended 31 December 2018, the Group carried out feasibility studies on the market in Frankfurt and Dubai for potential business development in the future. The Group will continue to explore and expand the business to new markets, including but not limited to, Europe, Middle East and Africa regions.

Looking forward, the Group expects that the cyber infrastructure solutions market and cyber security solution market will grow continuously. The steady growth of developing economies in the Asia Pacific region, will continue to attract considerable multinational enterprises and foreign investments. More organisations are keen to equip themselves with proper cyber infrastructure for international communication and information interaction so as to safeguard their interests. In addition, it urges enterprises or governments to manage the data and information delivered over the internet and to enhance cyber security because of an increase in information leakage, internet content management risks and cyber-crimes.

The Group believes that its strong R&D capabilities in developing technologies and solutions, diversified geographical reach and well established customer base would enhance its corporate profile and benefit brand image among its existing and potential customers. The Group remains optimistic on the market trend and expects the Group will benefit from the increasing demand for cyber infrastructure and cyber security solutions in the global market.

FINANCIAL REVIEW

Revenue

The major revenue streams of the Group were derived from provision of cyber infrastructure solutions and cyber security solutions. For the year ended 31 December 2018, the Group recorded the total revenue of approximately US$8,573,000 *(2017: approximately US$8,538,000)*, which were generated from cyber infrastructure solutions business of approximately US$4,313,000 *(2017: approximately US$4,839,000)* and cyber security solutions business of approximately US$4,260,000 *(2017: approximately US$3,699,000)*. The increase in the amount of revenue is mainly due to the acceptance of substantial projects in South Korea and Myanmar, partially setoff by the decrease in revenue from the PRC and Malaysia. The revenue contributed by customers from Southeast Asia remained stable, accounted for approximately 77% and approximately 80% for the year ended 31 December 2018 and 2017 respectively.

Cost of inventories sold

The Group's cost of inventories sold was decreased from approximately US$3,164,000 for the year ended 31 December 2017 to approximately US$3,134,000 for the year ended 31 December 2018. It was generally driven by the decreasing number of hardware components used in cyber infrastructure solutions projects.

Staff costs and related expenses

For the year ended 31 December 2018, the Group recorded staff costs and related expenses of approximately US$1,705,000 *(2017: approximately US$1,195,000)*. The increase was mainly due to the aggregate effect of the increase in salaries and bonus of employees, and recognition of equity-settled share-based payment expenses of approximately US$190,000 *(2017: Nil)*.

Other operating expenses

The Group's other operating expenses comprise mainly of sales and marketing expenses and administrative expenses. The amount of other operating expenses increased from approximately US$752,000 for the year ended 31 December 2017 to approximately US$861,000 for the year ended 31 December 2018, which was mainly resulted from further development and expansion of the Group's business.

Management Discussion and Analysis

Liquidity and financial resources

At 31 December 2018, the Group had current assets of approximately US$13,889,000 *(2017: approximately US$15,455,000)* including bank balances and cash of approximately US$7,818,000 *(2017: approximately US$9,492,000)* which are principally denominated in Hong Kong dollars ("HK$"), Singapore dollars ("SG$"), Renminbi ("RMB") and US$, and the Group did not have any bank borrowings and debts. Total assets were approximately US$17,941,000 *(2017: approximately US$16,961,000)* and total liabilities were approximately US$2,047,000 *(2017: approximately US$2,089,000)*. The gearing ratio is not available, since the Group had no bank borrowings and no debts as at 31 December 2018 and 2017.

Share capital

At 31 December 2018 and 2017, the authorised share capital of the Company was HK$60,000,000 (equivalent to approximately US$7,692,000) divided into 6,000,000,000 shares of HK$0.01 each and the issued share capital of the Company was approximately HK$6,000,000 (equivalent to approximately US$769,000) divided into 600,000,000 shares of HK$0.01 each.

Treasury policy

The Group has adopted a prudent financial management approach towards its treasury policies and had maintained a healthy liquidity position throughout the reporting period. To manage liquidity risk, the Board closely monitors the Group's liquidity position to ensure that the liquidity structure of the Group's assets, liabilities and commitments can meet its funding requirements from time to time.

Foreign exchange exposure

Most of the Group's assets, liabilities and transactions are denominated in US$. For the Group's Hong Kong operation, as the exchange rate between HK$ and US$ is pegged, the directors of the Company consider that the Group has no significant foreign exchange exposures.

Certain financial assets and financial liabilities of the Group are denominated in SG$, which is different from the functional currency of the respective group entities.

The Group currently has no foreign currency hedging policy and the management monitors the foreign exchange exposure by closely monitoring the movement of foreign currency rates. Nevertheless, the Group will consider hedging significant foreign currency exposure by using derivative contracts should the need arise.

Contingent liabilities

The Group did not have any material contingent liabilities as at 31 December 2018 *(2017: Nil)*.

Commitments

At 31 December 2018, the Group has operating lease commitments as lessor in respect of rentals receivable from its investment property, amounted to approximately US$17,000 *(2017: Nil)*; and as lessee in respect of rentals payable for its office premise, amounted to approximately US$29,000 *(2017: approximately US$58,000)*.

The Group did not have any material capital commitments as at 31 December 2018 *(2017: approximately US$2,186,000)*.

Significant investment, material acquisitions and disposals

Acquisition of two properties in Singapore

Completion of the acquisition of two properties in Singapore took place on 9 January 2018 and 14 February 2018 (the "Acquisition"), respectively, after all conditions stipulated under the 1st Option Letter and 2nd Option Letter as disclosed in the Company's announcement dated 20 October 2017 have been fulfilled.

Due to the restriction of existing tenancy agreements prior to the Acquisition, two properties were rented to independent third parties during the year ended 31 December 2018. The Group plans to use the properties as its headquarter and a R&D centre after the expiration of tenancy agreements.

For more information on the Acquisition, please refer to the Company's announcements dated 20 October 2017 and 14 February 2018.

Disposal of subsidiaries

In order to minimise the operation costs and enhance the business efficiency, the Group disposed of Global Expert Team (BVI) Limited and its subsidiary (collectively, the "GET Group") (the "Disposal") to an independent third party during the year ended 31 December 2018. The principal activities of GET Group are investment holding, provision of cyber security solutions service and R&D in Malaysia. The Disposal resulted in a loss of approximately US$19,000 and was completed on 28 March 2018. The R&D functions had been taken up by the subsidiaries in Singapore after the Disposal. In addition, the Disposal did not constitute a notifiable transaction for the Company under Chapter 19 of the GEM Listing Rules. Details of the Disposal are set out in Note 25 of the consolidated financial statements.

Save as the Acquisition and the Disposal and those disclosed in this report, the Group has no significant investment, or any material acquisitions or disposal of subsidiaries, associated companies or joint ventures for the year ended 31 December 2018. Save as disclosed in the Prospectus and in this report, there was no plan authorised by the Board for any material investments or additions of capital assets as at the date of this report.

Final dividends

The Board did not recommend the payment of final dividend for the year ended 31 December 2018 *(2017: Nil)*.

There is no arrangement that a shareholder of the Company has waived or agreed to waive any dividend.

Charges on the Group's assets

There was no charge on the Group's assets as at 31 December 2018 and 2017.

Employee information

At 31 December 2018, the Group had a total of 20 employees *(2017: 44 employees)* (including executive Directors). Decrease in number of staff was mainly attributable to downsizing of operation in the PRC and the Disposal. During the year ended 31 December 2018, the total staff costs amount to approximately US$1,705,000 *(2017: approximately US$1,195,000)*, representing an increase of approximately US$510,000 over the year. The salaries and benefits of the Group's employees were kept at a market level and employees were rewarded on a performance-related basis within the general framework of the Group's salary and bonus system, which is reviewed annually.

Management Discussion and Analysis

COMPARISON OF BUSINESS OBJECTIVE WITH ACTUAL BUSINESS PROGRESS

The following is a comparison of the Group's business plan as set out in the Prospectus with actual business progress for the year ended 31 December 2018.

Business objectives	Planned progress for the year ended 31 December 2018 as set out in the Prospectus	Actual business development for the year ended 31 December 2018
Expanding the Group's headquarters, establishing a R&D centre in Singapore and upgrading the R&D facilities	To acquire and equip the testing centre with testing equipment for testing the reliability, performance, and features of the Group's cyber security solutions.	Selection of necessary equipment for the establishment of the testing centre was in progress. The Group will acquire necessary equipment in coming years.
	To acquire and equip the demonstration laboratory with equipment for demonstrative purposes for realtime simulation and to upgrade the Group's R&D software and hardware for its R&D team in Singapore for design, database and project management purposes.	Selection of necessary equipment for the establishment of the demonstration laboratory and upgrade of R&D team was in progress. The Group will acquire necessary equipment in coming years.
	To acquire and install new computers, laptops, design software and hardware, and servers for the purpose of products development and testing.	The Group has already acquired and installed new hardware and software to upgrade its R&D facilities.
Expanding product lines by developing new products, upgrading the Group's existing products and strengthening the Group's R&D team	To recruit two professional service engineers with relevant qualifications and with approximately 5 years of relevant experience to be based in Singapore to assist in the Group's pre-sales and after-sales technical support.	No engineer was recruited during the year ended 31 December 2018. The Group will continue the evaluation on necessity of new recruitment.
	To recruit two experienced senior engineers comprising two java/java script/J2EE engineers for software programming and two C/C++ engineers with relevant qualifications and with approximately 3 to 5 years of relevant experience to be based in Malaysia to assist in developing new products and upgrading the Group's existing products.	No engineer was recruited during the year ended 31 December 2018. The Group will continue the evaluation on necessity of new recruitment.

Business objectives	Planned progress for the year ended 31 December 2018 as set out in the Prospectus	Actual business development for the year ended 31 December 2018
Expanding the Group's sales and marketing team and establishing regional offices	To establish a regional office and lease a service office in Dubai, United Arab Emirates ("UAE") as the Group's representative office for market coverage in Middle East & Africa region.	The Group carried out business feasibility study on the establishment of the regional office in Dubai, UAE.
	To recruit two senior technical sales engineers with the relevant qualifications and with approximately 5 years of relevant experience to be based at the Group's regional office in Dubai, UAE to better support the Group's existing and prospective clients for proof of concept, onsite visits and support in the Middle East & Africa region.	The Group will proceed with the employment process once the results of feasibility study are satisfied with the management's expectation.
	To establish a regional office and lease a service office in Frankfurt, Germany as the Group's representative office in Europe.	The Group carried out business feasibility study on the establishment of the regional office in Frankfurt, Germany.
	To recruit one senior regional sales and two senior technical sales engineers with the relevant qualifications and with approximately 5 years of relevant experience to be based at the Group's regional office in Frankfurt, Germany to assist in the strengthening of the marketing and branding of the Group's products.	The Group will proceed with the employment process once the results of feasibility study are satisfied with the management's expectation.
Developing Netsis Hybrid Converge Hub in Singapore to broaden the Group's source of revenue	To maintain and support the operation of the services.	The Group monitored and improved the services and products offered to the customers regularly during the year ended 31 December 2018.
	To promote and market the services through events and social media.	Regular marketing promotion was carried out by the Group's marketing team regularly during the year ended 31 December 2018.

Management Discussion and Analysis

Business objectives	Planned progress for the year ended 31 December 2018 as set out in the Prospectus	Actual business development for the year ended 31 December 2018
Developing Netsis Security Hub in Hong Kong to broaden the Group's source of revenue	To acquire hardware and software for setting up of the Netsis Security Hub in Hong Kong.	The Group has acquired parts of the necessary hardware and software in advance for the establishment of Netsis Security Hub in Hong Kong for cost efficiency.
	To design and commission the Netsis Security Hub.	The Netsis Security Hub is expected to be launched in year 2019.

USE OF NET PROCEEDS FROM LISTING

The net proceeds from the issue of new shares of the Company at the time of its listing on GEM on 16 June 2017 through the public offer of 150,000,000 shares of HK$0.01 each in the share capital of the Company at the price of HK$0.48 per share, after deduction of the underwriting commission and actual expenses paid by the Group in connection thereto, were approximately HK$51,995,000, which is equivalent to approximately US$6,666,000. Up to 31 December 2018, the net proceeds from the Listing had been applied as follows:

	Adjusted use of net proceeds		Actual use of net proceeds from the Listing Date and up to 31 December 2018	
	HK$'000	*US$'000*	*HK$'000*	*US$'000*
To acquire and renovate a new property as the Group's headquarter and R&D Centre	15,023	1,926	15,023	1,926
To develop new products, upgrade existing products and strengthen R&D team	5,585	716	1,739	223
To expand sales and marketing team	6,146	788	554	71
To develop Netsis Hybrid Converge Hub in Singapore	6,217	797	5,039	646
To develop Netsis Security Hub in Hong Kong	14,204	1,821	5,834	748
Working capital over the period	4,820	618	4,820	618
	51,995	6,666	33,009	4,232

As at the date of this annual report, the unutilised proceeds were placed in interest-bearing deposits with authorised financial institutions or licensed banks in Hong Kong.

The business objectives, future plans and planned use of proceeds as stated in the Prospectus were based on the best estimation and assumption of future market conditions made by the Group at the time of preparing the Prospectus while the proceeds were applied based on the actual development of the Group's business and the industry.

INTRODUCTION

The directors of the Company are pleased to present the corporate governance report of the Company for the year ended 31 December 2018 in accordance with the requirement under Rule 18.44(2) of the GEM Listing Rules.

The directors of the Company consider that incorporating the core elements of good corporate governance in the management structure and internal control procedures of the Group would help to balance the interest of the Shareholders, customers and employees of the Company. The Board has adopted the principles and the code provisions of the Corporate Governance Code contained in Appendix 15 of the GEM Listing Rules (the "CG Code") to uphold a high standard of ethics, transparency, responsibility and integrity in all aspects of business, and to ensure that affairs are conducted in accordance with applicable laws and regulations.

CORPORATE GOVERNANCE PRACTICES

The Board is responsible for performing the corporate governance duties in the CG Code, which includes developing and reviewing the Company's policies and practices on corporate governance, training and continuous professional development of directors, and reviewing the Company's compliance with the code provision in the CG Code and disclosures in this report. The Company has complied with the principles and applicable code provisions of the CG Code for the year ended 31 December 2018, except the deviation from code provision A.2.1 of the CG Code as set out below.

Chairman and chief executive officer

Code provision A.2.1 of the CG Code stipulates that the roles of chairman and chief executive officer should be separated and should not be performed by the same individual.

The division of responsibilities between the chairman and chief executive officer should be clearly established and set out in writing.

Mr. Foo is the chairman, an executive Director and the chief executive officer of the Company. It is considered that he has in-depth knowledge and experience in the IT industry and familiarity with the operations of the Group, that all major decisions are made in consultation with members of the Board and relevant Board committees, and that there are three independent non-executive Directors in the Board offering independent perspectives, the Board is therefore of the view that there are adequate safeguards in place to ensure sufficient balance of powers and authorities between the Board and the management of the Company and that it is in the best interest of the Group to have Mr. Foo taking up both roles.

Accordingly, the Company has not segregated the roles of its chairman and chief executive officer as suggested by code provision A.2.1 of the CG Code.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted Rules 5.48 to 5.67 of the GEM Listing Rules ("Model Code") as the code of conduct for securities transactions by the directors in respect of the Shares (the "Code of Conduct"). Having made specific enquiries to all directors of the Company, each of them has confirmed that he/she has fully complied with the required standard of dealings and its code of conduct regarding to directors' securities transactions during the year ended 31 December 2018.

Corporate Governance Report

BOARD OF DIRECTORS

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

The composition of the Board during the year ended 31 December 2018 and up to the date of this report is set out as follows.

Executive directors

Mr. Foo Moo Teng *(Chairman)*
Mr. Edgardo Osillada Gonzales II

Independent non-executive directors

Mr. Chan Ming Kit
Ms. Lim Joo Seng
Mr. Park Jee Ho

There is no financial, business, family or other material/relevant relationship among any members of the Board.

The Board has delegated to the chief executive officer and through him, to the senior management the authority and responsibility for the day-to-day management and operation of the Group.

In addition, the Board has established Board committees and has delegated to these Board committees various responsibilities as set out in their respective terms of reference. Further details of these committees are set out in section headed "Board Committees" on pages 20 to 24 in this report.

The Board reserves for its decision all major matters relating to policy matters, strategies and budgets, internal control and risk management, material transactions (in particular those that may involve conflict of interests), financial information, appointment of directors and other significant operational matters of the Company. Responsibilities relating to implementing decisions of the Board, directing and coordinating the daily operation and management of the Company are delegated to the management.

All the Directors, including independent non-executive Directors, have brought a wide spectrum of valuable business experience, knowledge and professionalism to the Board for its efficient and effective functioning. The biographical details of each Director of the Company are set out in the section headed "Biographical Details of Directors and Senior Management" on pages 6 to 7 in this report.

All the Directors have access to all the information of the Company as well as the services and advice of the company secretary and senior management. The Directors may, upon request, seek independent professional advice in appropriate circumstances, at the Company's expenses for discharging their duties to the Company. All the Directors shall ensure that they carry out duties in good faith, in compliance with applicable laws and regulations, and in the interest of the Company and the Shareholders at all times.

The CG Code requires the Directors to disclose the number and nature of offices held in public companies or organisations and other significant commitments as well as their identity and the time involved to the issuer. The Directors have agreed to disclose their commitments to the Company in a timely manner and the Board regularly reviews the contribution required from each Director to perform his/her responsibilities to the Company. Further details of these disclosures are set out in section headed "Biographical Details of Directors and Senior Management" on pages 6 to 7 in this report.

The Board has also monitored the corporate governance policies and practices of the Company in compliance with all requirements under GEM Listing Rules and CG Code.

NUMBER OF MEETINGS AND DIRECTORS' ATTENDANCE

The Board meets regularly and additional meeting will be convened when considered necessary by the Board; eight Board meetings were held throughout the year ended 31 December 2018. Details of directors' attendance record of the Board meetings are set out as follow:

Name of directors	Attendance/ Number of meetings held
Mr. Foo Moo Teng	8/8
Mr. Edgardo Osillada Gonzales II	8/8
Mr. Chan Ming Kit	8/8
Ms. Lim Joo Seng	8/8
Mr. Park Jee Ho	8/8

INDEPENDENT NON-EXECUTIVE DIRECTORS

In compliance with Rules 5.05A, 5.05(1) and 5.05(2) of the GEM Listing Rules, the Company has appointed three independent non-executive directors representing at least one-third of the Board and at least one of whom has appropriate professional qualifications, or accounting or related financial management expertise. As such, the independent non-executive Directors will bring independent judgment to the decision making process of the Board.

In accordance with code provision A.4.1 of the CG Code, the Company has entered into a letter of appointment with each of the independent non-executive directors for a term of three years commencing from the Listing Date which may be terminated by either party by giving three months' written notice.

The Company has received an annual confirmation of independence from each independent non-executive Directors as regards each of the factors referred to in Rule 5.09 of the GEM Listing Rules and considers the independent non-executive directors are independent as at the date of this annual report.

TERMS OF APPOINTMENT AND RE-ELECTION OF DIRECTORS

Each of the executive Directors has entered into a service contract with the Company for a term of three years commencing from the 31 May 2017, which may be terminated by not less than three months' notice in writing served by either party on the other and is subject to termination provisions therein and provisions on retirement by rotation of the directors as set out in the Articles.

The Directors shall have power at any time and from time to time to appoint any person to be a Director, either to fill a casual vacancy or as an addition to the existing directors. Any Director so appointed shall hold office only until the next general meeting of the Company and shall then be eligible for re-election at that meeting.

Corporate Governance Report

At every annual general meeting ("AGM") of the Company, one-third of the Directors for the time being, or, if their number is not three or a multiple of three, then the number nearest to, but not less than, one-third, shall retire from office by rotation, provided that every director (including those appointed for a specific term) shall be subject to retirement by rotation at least once every three years. A retiring Director shall retain office until the close of the meeting at which he retires and shall be eligible for re-election thereat. The Company at any AGM at which any directors retire may fill the vacated office by electing a like number of persons to be Directors.

DIRECTORS TRAINING AND PROFESSIONAL DEVELOPMENT

Pursuant to the code provision A.6.5 of the CG Code, all Directors of the Company should participate in continuous professional development to develop and refresh their knowledge and skills, which is to ensure that their contribution to the Board remains informed and relevant.

During the year ended 31 December 2018, the Directors have been provided with regular updates on Company's performance, position and prospects to enable the Board as a whole and each Director to discharge their duties. The Directors are also briefed on the latest development and changes in the GEM listing rules and other relevant regulatory requirements timely. All Directors confirmed that they have had suitable training throughout the year. The Company has maintained the training record in respect of each Director. There are also arrangements in place for providing continuing briefing and professional development to its directors by the Company whenever necessary.

A summary of continuous professional development of each Director of the Company participated during the year ended 31 December 2018, according to the records provided, is set out below:

Name of directors	Attending internal briefings or trainings, participating seminars or reviewing materials
Executive directors	
Mr. Foo Moo Teng	✓
Mr. Edgardo Osillada Gonzales II	✓
Independent non-executive directors	
Mr. Chan Ming Kit	✓
Ms. Lim Joo Seng	✓
Mr. Park Jee Ho	✓

BOARD COMMITTEES

The Board has established three committees, namely as audit committee, remuneration committee and nomination committee with specific written terms of reference which deal clearly with the committee's authority and duties. It is required for the committees to report the improvements and recommendations in respect to any identified matters to the Board.

Audit Committee

The Company has established an audit committee of the Company (the "Audit Committee") pursuant to a resolution of the directors passed on 31 May 2017. The Audit Committee has written terms of reference in compliance with Rule 5.28 of the GEM Listing Rules and the CG Code.

The primary duties of the Audit Committee are mainly to make recommendations to the Board on the appointment and removal of external auditor, review the financial statements and information and provide advice in respect of financial reporting and oversee the internal control procedures of the Group.

As at the date of this report, the Audit Committee comprises three independent non-executive Directors, namely Ms. Lim Joo Seng (Chairlady), Mr. Chan Ming Kit and Mr. Park Jee Ho. There has not been any changes of the members of the Audit Committee during the year ended 31 December 2018.

Four Audit Committee meetings were held throughout the year ended 31 December 2018. Details of members' attendance record of the Audit Committee meetings are set out as follow:

Name of directors	Attendance/ Number of meetings held
Ms. Lim Joo Seng *(Chairlady)*	4/4
Mr. Chan Ming Kit	4/4
Mr. Park Jee Ho	4/4

The summary of the work of the Audit Committee is as follows:

(i) reviewed the final results and annual report of the Group for the year ended 31 December 2017, the interim results and report for the six months ended 30 June 2018, the quarterly results and reports for the periods ended 31 March 2018 and 30 September 2018 with a recommendation to the Board for approval and monitored the integrity of such consolidated financial statements;

(ii) reviewed the Group's financing and accounting policies; and

(iii) recommended improvements on the Group's internal control system and risk management functions.

The Group's results for the year ended 31 December 2018 has been reviewed by the Audit Committee.

Remuneration Committee

The Company has established a remuneration committee of the Company (the "Remuneration Committee") pursuant to a resolution of the directors passed on 31 May 2017. The Remuneration Committee has written terms of reference in compliance with Rule 5.34 of the GEM Listing Rules and the CG Code.

The primary duties of the remuneration committee are to make recommendation to the Board on the overall remuneration policy and structure relating to all directors and senior management of the Group, review performance-based remuneration and ensure none of the directors determine their own remuneration.

As at the date of this report, the Remuneration Committee has three members comprising of two independent non-executive Directors and one executive Director, namely Mr. Chan Ming Kit (Chairman), Mr. Edgardo Osillada Gonzales II and Mr. Park Jee Ho. There has not been any changes of the members of the Remuneration Committee during the year ended 31 December 2018.

Corporate Governance Report

One Remuneration Committee meeting was held throughout the year ended 31 December 2018. Details of members' attendance record of the Remuneration Committee meeting are set out as follow:

Name of directors	Attendance/ Number of meetings held
Mr. Chan Ming Kit *(Chairman)*	1/1
Mr. Edgardo Osillada Gonzales II	1/1
Mr. Park Jee Ho	1/1

The summary of the work of the Remuneration Committee is as follows:

(i) made recommendations to the Board on the Company's remuneration policy of directors and senior management;

(ii) reviewed the remuneration packages of directors and senior management in relation to the performance and financial position of the Company; and

(iii) made recommendations to the Board on the remuneration of independent non-executive directors.

Remuneration of directors and senior management

Particulars in relation to directors' remuneration and the five highest paid employees as required to be disclosed pursuant to Rule 18.30 of the GEM Listing Rules are set out in Notes 7 and 8 to the consolidated financial statements. Pursuant to code provision B.1.5 of the CG Code, the remuneration of the members of senior management by band for the year ended 31 December 2018 is set out below:

Remuneration Band	Number of senior management
Up to US$100,000	5
US$100,001 to US$150,000	2
US$150,001 to US$200,000	–
US$200,001 to US$300,000	–

Nomination Committee

The Company has established a nomination committee of the Company (the "Nomination Committee") pursuant to a resolution of the directors passed on 31 May 2017. The nomination committee has written terms of reference in compliance with the CG Code.

The primary duties of the nomination committee are to review the structure, size and composition (including the skills, knowledge and experience) of the Board on a regular basis and make recommendations to the Board on any proposed changes to the Board to complement the Group's corporate strategy, identify individuals suitably qualified to become Board members, assess the independence of independent non-executive directors and make recommendations to the Board on the appointment or reappointment of directors and succession planning for directors, in particular the chairman and the chief executives.

As at the date of this report, the Nomination Committee has three members comprising of two independent non-executive Directors and one executive Director, namely Mr. Chan Ming Kit (Chairman), Mr. Foo Moo Teng and Ms. Lim Joo Seng. There has not been any changes of the members of the Nomination Committee during the year ended 31 December 2018. The Company has met the code provision A.5.1 of having a majority of the Nomination Committee members being independent non-executive Directors and being chaired by an independent non-executive Director.

One Nomination Committee meeting was held throughout the year ended 31 December 2018. Details of members' attendance record of the Nomination Committee meeting are set out as follow:

Name of directors	Attendance/ Number of meetings held
Mr. Chan Ming Kit *(Chairman)*	1/1
Mr. Foo Moo Teng	1/1
Ms. Lim Joo Seng	1/1

The summary of the work of the Nomination Committee is as follows:

(i) reviewed the structure, size and composition (including the skills, knowledge and experience) of the Board;

(ii) assessed the independence of independent non-executive directors; and

(iii) made recommendations on the retiring directors at the AGM of the Company.

Nomination policy

Pursuant to the nomination policy adopted by the Company, the Nomination Committee shall nominate suitable candidates to the Board for it to consider and make recommendations to shareholders for election as directors at general meetings or appoints as directors to fill casual vacancies.

Selection of proposed candidates shall be based on a range of criteria in assessing their suitability, including but not limited to, reputation of integrity, qualifications, commitment in respect of available time and relevant interest, the board diversity policy adopted by the Company, and whether the candidates would be considered independent with reference to the independence guidelines as set out in the Listing Rules under the case of selection of independent non-executive directors.

For filling a casual vacancy, the Nomination Committee shall make recommendations for the Board's consideration and approval. For proposing candidates to stand for election at a general meeting, the Nomination Committee shall make nominations to the Board for its consideration and recommendation. As there may be more candidates than the vacancies available, and the "gross-vote" method will be used to determine who shall be elected as a director, shareholder proposed resolutions shall therefore take the same form as the resolutions proposed for the candidates recommended by the Board.

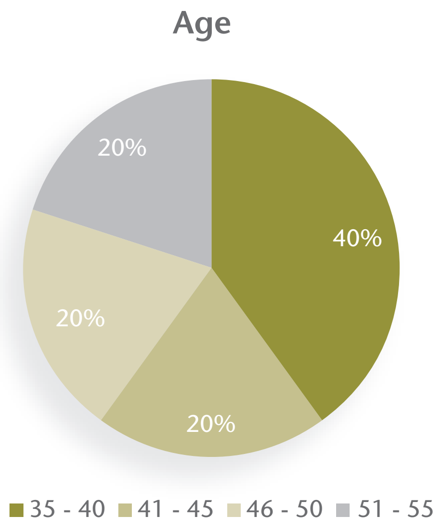
Board Diversity Policy

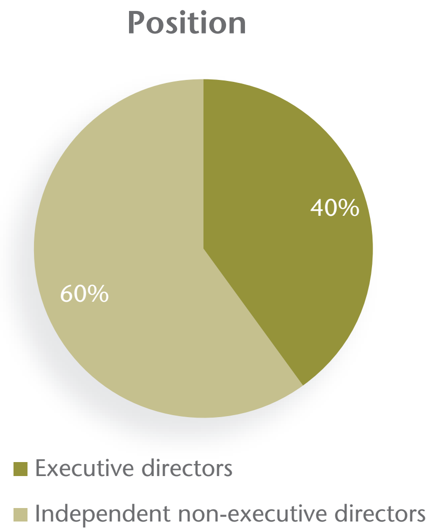
The Board adopted a board diversity policy (the "Board Diversity Policy") in accordance with the requirement set out in the CG Code. The Board Diversity Policy aims to set out the approach to maintain diversity on the Board for long term sustainable development. The Company recognises and embraces the benefits of having a diverse Board. All Board appointments shall be made on a meritocracy, and candidates shall be considered against objective criteria, having due regard for the benefits of diversity on the Board.

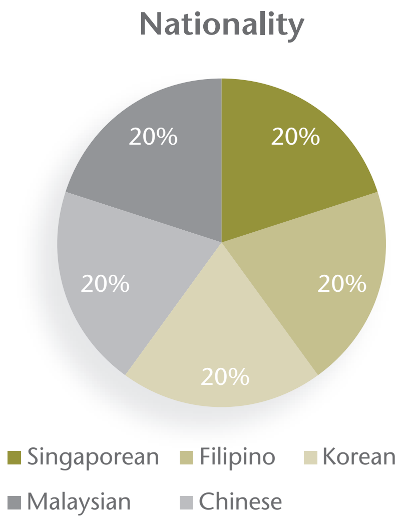
Selection of candidates shall be based on a range of diversity perspectives, including but not limited to, gender, age, cultural and educational background or professional experience. The ultimate decision shall be based on merit and contribution that the selected candidates shall bring to the Board.

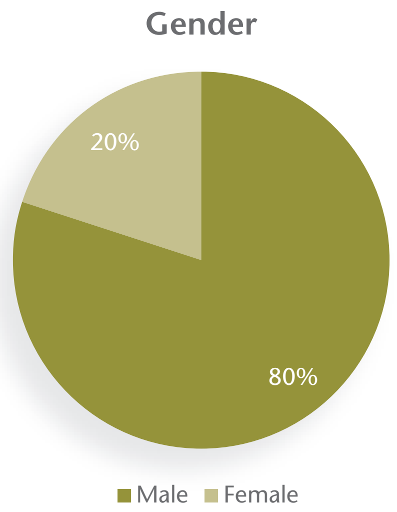
Corporate Governance Report

As at the date of this annual report, the diversity of the Board is illustrated as below:









The Nomination Committee monitors the implementation of the policy, and reviews, as appropriate, the policy to ensure the effectiveness of the policy regularly.

Dividend Policy

The Board adopted a dividend policy (the "Dividend Policy") in accordance with the requirement set out in the code provision, which aimed to provide stable and sustainable returns to shareholders of the Company. Pursuant to the Dividend Policy, the Board of the Company has the sole discretion to propose and determine the declaration and payment of dividends and the manner or form in which it shall be paid.

Determination on dividend distribution shall be taken into account of the financial position of the Group, the Group's actual and future operations and liquidity position, the Group's expected working capital requirements and future expansion plans, the Group's debt to equity ratios and the debt level, any restrictions on payment of dividends that may be imposed by the Group's lenders, the accumulated profits and other distributable reserves of the Company and each of the members of the Group, the shareholders' and investors' expectation and industry's norm, the general market conditions, and any other factors that the Board deems appropriate.

The Board did not recommend the payment of final dividend for the year ended 31 December 2018 *(2017: Nil)*.

Corporate Governance

The Board is also responsible for the corporate governance functions under code provision D.3.1 of the CG Code. During the year ended 31 December 2018, the summary of the work of the Board is as follows:

(i) developed, reviewed and recommended to the Board on the Company's policies and practices on corporate governance;

(ii) reviewed and monitored the training and continuous professional development of directors and senior management of the Company;

(iii) reviewed and monitored the Company's policies and practices on compliance with legal and regulatory requirements;

(iv) developed, reviewed and monitored the code of conduct applicable to employees and directors; and

(v) reviewed the Company's compliance with the CG Code and disclosure in the corporate governance report.

EMOLUMENT POLICY OF DIRECTORS AND SENIOR MANAGEMENT

The remuneration policy of the Group is to ensure the competitiveness of total remuneration to directors and senior management in the market. It will be generally determined with reference to the skills, experience, knowledge and roles of them. Except for the abovementioned criteria, the Group will also consider the Company's performance and the prevailing market conditions for the emoluments of executive directors and efforts and time dedicated to the participation in Company affairs for the emoluments of independent non-executive directors and senior management.

FINANCIAL REPORTING

The Directors acknowledge their responsibility for the preparation of the consolidated financial statements for the year ended 31 December 2018 which give a true and fair view of the state of affairs of the Group in accordance with the statutory requirements and accounting standards and other financial disclosure requirements under the GEM Listing Rules. The financial results of the Group are announced in a timely manner in accordance with statutory and/or regulatory requirements.

The Directors are not aware of material uncertainties relating to events or conditions that may cast significant doubt on the Company's ability to continue as going concern. Therefore, the consolidated financial statements are prepared in going concern basis.

Corporate Governance Report

AUDITOR'S REMUNERATION

The consolidated financial statements for the year ended 31 December 2017 have been audited by independent joint auditors, namely Mazars CPA Limited, *Certified Public Accountants* ("Mazars Hong Kong") and Mazars LLP, *Public Accountants and Chartered Accountants of Singapore* ("Mazars Singapore").

The consolidated financial statements for the year ended 31 December 2018 have been audited by independent auditor, Mazars Hong Kong.

During the year ended 31 December 2018, the remuneration paid/payable to Mazars Hong Kong in respect of audit and non-audit services amounted to approximately US$94,000 *(paid/payable to Mazars Hong Kong and Mazars Singapore for the year ended 31 December 2017: approximately US$93,000)* and approximately US$21,000 *(paid/payable to Mazars Hong Kong and Mazars Singapore for the year ended 31 December 2017: approximately US$18,000)* respectively.

The fee of non-audit services represented the agreed-upon procedures reports on the Group's interim and quarterly results.

During the year ended 31 December 2017, the Group paid the professional fee of approximately US$200,000 to Mazars Hong Kong and Mazars Singapore for acting as joint auditors and joint reporting accountants in relation to the Listing of the Company. No such professional fee was incurred during the year ended 31 December 2018.

The Audit Committee has expressed its views to the Board that the level of fees paid/payable to the Company's external auditor for annual audit services is reasonable. There has been no major disagreement between the auditor and the management of the Company during the year.

The responsibilities of the external auditors about their financial reporting are set out in the independent auditor's report attached to the Company's consolidated financial statements for the year ended 31 December 2018 in this annual report.

DIRECTORS AND OFFICERS INSURANCE

Appropriate insurance covers on directors' and officers' liabilities have been in force to protect the directors and officers of the Group from their risk exposure arising from the business of the Group and, as at the date of this report, the directors and officers of the Company are indemnified under a directors' and officers' liability insurance against any liability incurred by them in discharge of their duties while holding office as the directors and officers of the Company.

COMPANY SECRETARY

Mr. Tsang Tik Man resigned as the Company Secretary with effect from 21 December 2018 due to his other business commitment. Mr. Kwok Siu Man of Boardroom Corporate Services (HK) Limited, was appointed by the Board as the Company Secretary on the same date. The biographical details of Mr. Kwok are set out in the section headed "Biographical Details of Directors and Senior Management" on page 9 of this annual report. Mr. Kwok has been providing certain corporate secretarial services to the Company pursuant to an engagement letter entered into between the Company and Boardroom. The primary person at the Company with whom Mr. Kwok has been contracting in respect of company secretarial matter is Mr. Foo Moo Teng, the Company's executive Director.

Mr. Kwok has confirmed that he has no less than 15 hours of relevant professional training in accordance with Rule 5.15 of the GEM Listing Rules during the year ended 31 December 2018.

COMPLIANCE OFFICER

Pursuant to the code provision 5.19 of the GEM Listing Rules, the Company must ensure that, at all times, one of its executive Directors assumes responsibility for acting as the Company's compliance officer. Mr. Foo Moo Teng, an executive director, is acting as the compliance officer of the Group. Please refer to section headed "Biographical Details of Directors and Senior Management" for further details.

SHAREHOLDERS' RIGHTS

Convening an extraordinary general meeting ("EGM")

Pursuant to Article 12 of the amended and restated Memorandum of Article and Association (the "Amended and Restated M&A") of the Company, the Board may, whenever it thinks fit, convene an EGM. General meetings shall also be convened on the written requisition of any two or more members of the Company ("Members") deposited at the principal place of office of the Company in Hong Kong or, in the event the Company ceases to have such a principal office, the registered office specifying the objects of the meeting and signed by requisitionists, provided that such requisitionists held as at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company which carries the right of voting at general meetings of the Company. General meetings may also be convened on the written requisition of any one member which is a recognised clearing house (or its nominee(s)) deposited at the principal office of the Company in Hong Kong or, in the event the Company ceases to have such principal office, the registered office specifying the objects of the meeting are signed by the requisitionist, provided that such requisitionist held as at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company which carries the right of voting at general meetings of the Company. If the Board does not within 21 days from the date of deposit of the requisition proceed duly to convene the meeting to be held within a further twenty one days, the requisitionist(s) themselves or any of them representing more than one-half of the total voting rights of all of them, may convene the general meeting in the same manner, as nearly as possible, as that in which meetings may be convened by the Board provided that any meeting so convened shall not be held after the expiration of three months from the date of deposit of the requisition, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to them by the Company.

Procedures of putting enquiries to the Board

The Members' requisition, as stated above, must state the objects of the meeting and must be signed by the requisitionists and deposited at the Company's principal place of business in Hong Kong. It may consist of several documents in like form each signed by one or more requisitionists.

Procedures of putting forward proposals at shareholders' meeting

There are no provisions allowing Shareholders to move new resolutions at the general meetings under the Companies Law (Revised) of Cayman Islands. However, pursuant to the Amended and Restated M&A, the Shareholders who wish to move a resolution may by means of requisition convene an EGM following the procedures set out above.

Corporate Governance Report

INVESTOR RELATIONS

The Company has established a range of channels to maintain effective communication between the Company itself, Shareholders and potential investors by the following ways:

(i) the publication of quarterly, interim and annual reports;

(ii) regular AGM or EGM which provide a platform for Shareholders to exchange opinions with the Board;

(iii) the publication of updated and key information of the Group on the websites of GEM and the Company; and

(iv) the offer of the enquiry page on the website of the Company.

The Company aims to provide its Shareholders and investors with high standards of disclosure and financial transparency and has established a shareholders communication policy between itself, its Shareholders and investors which aims to set out the principles of the Company in relation to the shareholders' communications. The policy will be under review from time to time in order to ensure its effectiveness. The Board is committed to provide clear and detailed information of the Group to Shareholders through the publication of quarterly, interim and annual reports and/or despatching circulars, notices, and other announcements on a timely and regular basis.

Shareholders may at any time send their enquiries either by post, by facsimiles or by email, together with their contact details, such as postal address, email or fax, to the principal place of business of the Company in Hong Kong at the following address, facsimile number or vial email:

Room 2622–5, Tower 1
Admiralty Centre
18 Harcourt Road, Admiralty
Hong Kong
Fax: +852 3583 1236
Email: contact@nexion.com.hk

CONSTITUTIONAL DOCUMENTS

The Company adopted the Amended and Restated M&A on 31 May 2017 which became effective on the date on which the Company's shares are listed on GEM of the Stock Exchange.

RISK MANAGEMENT AND INTERNAL CONTROL

The Board is responsible for the Group's internal control and has conducted a review of the effectiveness of the internal control of the Group regularly during year ended 31 December 2018 by:

(i) identifying, assessing and managing the risks associated with the Group's operations from time to time to ensure due compliance with laws and regulations applicable to the Group;

(ii) overseeing the implementation of relevant internal control policies; and

(iii) reviewing the effectiveness of the Group's risk management and internal control system.

In addition to the Code of Conduct for the directors, the Company has also established written guidelines no less exacting than the Model Code for any employee or director of the Group or the holding company of the Company who, because of his office or employment, is likely to possess inside information in relation to the Company or its securities employees in respect of their dealings in the Company's securities, and the procedures and internal controls for handling and dissemination of inside information.

There has been no internal audit unit as the Board does not perceive the cost efficiency to set up one at the present scale of operations of the Company, as the Board has invested resources to enhance the internal control system and to take active steps in addressing the recommendation of the internal control system review from the independent internal control consultant during the preparation stage for the Listing.

Based on the result of the reviews as mentioned above, the Board had not identified any material internal control defects and considered that the Group's internal control and risk management systems are adequate and effective.

On behalf of the Board
Foo Moo Teng
Chairman

Hong Kong, 26 March 2019

Report of the Directors

The Directors submit herewith their report together with the audited consolidated financial statements of the Company for the year ended 31 December 2018.

PRINCIPAL PLACE OF BUSINESS

The address of the Company's registered office is PO Box 309, Ugland House, Grand Cayman, KY1-1104, Cayman Islands. The Company's principal place of business in Singapore and Hong Kong are Unit #08–03, HB Centre I, 12 Tannery Road, Singapore 347722 and Room 2622–5, Tower 1, Admiralty Centre, 18 Harcourt Road, Admiralty, Hong Kong, respectively.

PRINCIPAL ACTIVITIES

The Company is an investment holding company. The Group is principally engaged in provision of cyber infrastructure solutions services and research and development, and provision of cyber security solutions services. The principal activities of its principal subsidiaries are set out in Note 15 to the consolidated financial statements in this annual report.

BUSINESS REVIEW

The business review and the likely future development of the Group's business for the year ended 31 December 2018 is set out in the section headed "Chairman's Statement" and "Management, Discussion and Analysis" in page 4 and pages 10 to 16 respectively in this annual report.

PRINCIPAL RISKS AND UNCERTAINTIES

The Group believes that there are certain risks involved in its operations, many of which are beyond its control. Some of the key risks include:

(i) failure to anticipate and respond to changes in technologies or needs could harm the Group's business;

(ii) dependent on its key management personnel for its operations, profitability and prospects;

(iii) claims from third parties that the Group is infringing their intellectual property rights in which the Group could suffer significant litigation expenses or licensing expenses or be prevented from selling certain of its solutions if these claims are successful;

(iv) changes of political, legal and economic situations in emerging markets;

(v) changes in project mix may have an impact on the Group's gross operating profit margin;

(vi) changes of the sources of revenue from public sector as well as internet service provider ("ISP") and telecommunications sector, in which the Group's business, financial condition and results of operation may be materially and adversely affected;

(vii) uncertainty on the procurement of new contracts; and

(viii) recoverability of trade receivables which could affect cash flow of the Group.

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

Further descriptions of the Group's financial risk (including credit risk, foreign currency risk, equity price risk and liquidity risk) management objectives and policies are set out in Note 27 to the consolidated financial statements.

There were no material difference in the identified risks between those disclosed in the Prospectus and this annual report.

An analysis of the Group's performance during the year using financial key performance indicators is set out in the section headed "Financial Summary" and "Management, Discussion and Analysis" on pages 101 to 102 and pages 10 to 16 respectively.

ENVIRONMENTAL POLICIES AND PERFORMANCE

Environmental concerns is an essential issue to be addressed by the Board for the sustainable development of society and the operation of the Group. The Group's operation is not subject to any environmental regulations in Hong Kong, Singapore and the PRC.

The Group has also established an internal policy regarding to the creation of environmental friendly environment for employees to follow. The internal policy will be reviewed along with the employees' feedback, business development and latest legislations and regulations regularly.

KEY RELATIONSHIPS WITH EMPLOYEES, CUSTOMERS AND SUPPLIERS

Employees

The Group considers employees are the important assets and their contribution is valued at all times. The Group provided competitive remuneration package to attract and retain high quality employees for long term business development. The Group reviews the compensation to employees in accordance with their performances, contributions and the prevailing market practice annually. The Group regularly provides various training to the employees to uphold the high quality and competitive workforce. The Directors believe that the Group has a good relationship with its employees. Up to the date of this annual report, the Group had not experienced any significant problems with its employees or disruption to its operation due to labour disputes nor had it experienced any material difficulties in recruiting or retaining experienced staff.

Customers

The Group values the views and opinions of all customers through various means and channels, including usage of business intelligence to understand customer trends and needs and regular analysis on customer feedback for improvements in the products and services. Comprehensive tests and checks are conducted to ensure the quality of products and services provided. The Group offers a competitive price to customers so as to build up and strengthen the current relationship with customers for potential business opportunities.

Suppliers

The Group encompasses working relationships with suppliers to meet our customers' needs in an effective and efficient manner. The departments work closely to make sure the tendering and procurement process is conducted in an open, fair and just manner. The Group's requirements and standards are also well-communicated to suppliers before the commencement of any production.

RESULTS AND APPROPRIATION

The results of the Group for the year ended 31 December 2018 and the financial position of the Group as at 31 December 2018 are set out in the consolidated financial statements on pages 46 to 47 of this annual report.

The Board does not recommend the payment of a final dividend for the year ended 31 December 2018.

Report of the Directors

FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the last five years is set out on pages 101 to 102 of this annual report.

AGM AND CLOSURE OF REGISTER OF MEMBERS

To ascertain the entitlement to attend and vote at the annual general meeting to be held on 20 May 2019, the register of members of the Company will be closed from 15 May 2019 to 20 May 2019 (both days inclusive) during which no transfer of Shares will be registered. In order to be eligible to attend and vote at the AGM, all transfer forms accompanied by the relevant share certificates must be lodged with the Company's registrar, Tricor Investor Services Limited, Level 22, Hopewell Centre 183 Queen's Road East, Hong Kong, for registration no later than 4:30 p.m. on 14 May 2019.

CONNECTED/RELATED PARTIES TRANSACTIONS

The Company had not entered into any connected transaction during the year ended 31 December 2018 which is required to be disclosed under the GEM Listing Rules. Related party transactions entered into by the Group during the year ended 31 December 2018, which constitute fully exempt connected transactions or continuing connected transactions under Chapter 20 of the GEM Listing Rules are disclosed in Note 26 to the consolidated financial statements.

SHARE CAPITAL

Details of the movements in the share capital of the Company during the year ended 31 December 2018 are set out in Note 21 to the consolidated financial statements in this annual report.

PRE-EMPTIVE RIGHTS

There is no provisions for pre-emptive rights under the Articles or the laws of the Cayman Islands which would oblige the Company to offer new shares on a pro rata basis to its existing shareholders of the Company.

SHARE OPTION SCHEME

The following is a summary of principal terms of the share option scheme (the "Scheme") which was conditionally approved by a resolution of the shareholders of the Company passed on 31 May 2017 and became unconditional upon the listing of the Company's shares on the Stock Exchange. The principal terms of the Scheme are set out in the paragraph headed "Share Option Scheme" under the section headed "Statutory and General Information" of the Prospectus.

The purpose of the Scheme is to reward Participants, who is defined as directors (including executive directors, non-executive directors and independent non-executive directors) and employees of the Group and any advisors, consultants, distributors, contractors, suppliers, agents, customers, partners, joint venture business partners, promoters or service providers of any member of the Group who the Board considers, in its sole discretion, have contributed or will contribute to the Group, who have contributed to the Group and to encourage Participants to work towards maximising the value of the Company and the shares for the benefit of the Company and the Shareholders as a whole.

The maximum number of Shares which may be issued upon the exercise of all options to be granted under the Scheme and any other Schemes of the Group shall not in aggregate exceed 10% of the total number of Shares in issue as at Listing Date, which amounts to 60,000,000 shares. As at the date of this report, the total number of shares available for issue in respect of which options may be granted under the Scheme (including the share options granted but yet to be issued) is 60,000,000 shares, representing 10% of the issued shares of the Company as at the date of this report. No options may be granted to any Participant of the Scheme such that the total number of Shares issued and to be issued upon exercise of the options granted and to be granted to that person in any twelve-month period up to the date of the latest grant exceeds 1% of the Company's issued shares from time to time. Any further grant of share option in excess of this limit must be separately approved by Shareholders in general meeting.

An option may be exercised in accordance with the terms of the Scheme at any time during a period as determined by the Board and not exceeding ten years from the date of the grant under the Scheme. The offer of the grant of the share option (the "Offer") is deemed to be accepted when the Company receives from the Participants who accepts an Offer in accordance with the terms of the Scheme, or (where the context so permits) a person entitled to any such option in consequence of the death of the original grantee, or the personal representative of such person (the "Grantee"), the offer letter signed by the Grantee specifying the number of the Shares in respect of which the Offer is accepted, and a remittance to the Company of HK$1 as consideration for the grant of the option. There is no minimum period for which an option must be held before it can be exercised. The exercise price of the options is determined by the Board in its absolute discretion and shall not be less than the higher of:

(i) the closing price of the Company's shares as stated in the Stock Exchange's daily quotations sheet on the date on which the option is granted, which date must be a business day;

(ii) the average closing price of the Company's shares as stated in the Stock Exchange's daily quotations sheets for the five business days immediately preceding the date on which the option is granted; and

(iii) the nominal value of the Company's share on the date on which the option is granted.

The Scheme shall be valid and effective for a period of ten years commencing from the adoption date, which is 31 May 2017. The Company may, by ordinary resolution in a general meeting or, the Board, on such date as the Board determines, terminate the Scheme at any time without prejudice to the exercise of options granted prior to such termination.

On 3 January 2018, the Company offered to grant a total of 28,800,000 share options (the "Options") at an exercise price of HK$0.61 per Share to certain eligible participants (the "Grantees") pursuant to the Scheme. The Grantees are entitled, subject to the terms and conditions of the grant and upon exercise, to subscribe for a total of 28,800,000 Shares. Details are set out in the Company's announcement dated 3 January 2018 and Note 23 to the consolidated financial statements.

Report of the Directors

Movements of the Options granted under the Scheme during the year ended 31 December 2018 are as follows:

					Number of underlying Shares comprised in Options				
Name or category of participants	Date of grant	Exercise period	Exercise price *HK$*	Closing price immediately before the date of grant *HK$*	Options outstanding as at 1 January 2018	Options granted during the year	Exercised during the year	Forfeited during the year	Outstanding as at 31 December 2018
Employee and others:									
In aggregate	3 January 2018	From 3 January 2018 to 3 January 2028 (both dates inclusive)	0.61	0.62	—	7,200,000	—	(7,200,000)	—
	3 January 2018	From 3 January 2019 to 3 January 2028 (both dates inclusive)	0.61	0.62	—	14,400,000	—	(14,400,000)	—
	3 January 2018	From 3 January 2020 to 3 January 2028 (both dates inclusive)	0.61	0.62	—	7,200,000	—	(7,200,000)	—
					—	28,800,000	—	(28,800,000)	—

Other than as disclosed above, no other option was granted, cancelled, exercised or lapsed pursuant to the Scheme during the year ended 31 December 2018 and none of the Directors or chief executive of the Company or their respective spouses or children under 18 years of age were granted or exercised any right to subscribe for any equity or debt securities of the Company or any of its associated corporations within the meaning of the Securities and Futures Ordinance.

Equity-settled share-based payment expenses of approximately HK$1,485,000 (equivalent to approximately US$190,000) was recognised for the year ended 31 December 2018 in relation to the Options granted by the Company *(2017: Nil)*. During the year ended 31 December 2018, the Options granted were all forfeited upon resignation of the Grantees.

PURCHASE, SALE OR REDEMPTION OF THE SHARES

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the shares of the Company during the year ended 31 December 2018.

RESERVE

Details of the movements in reserves of the Group and the Company during the year are set out in the consolidated statement of changes in equity on page 48 of this annual report and Note 32(a) to the consolidated financial statements respectively.

DISTRIBUTABLE RESERVES

As at 31 December 2018, the Company has share premium and capital reserve of approximately US$9,662,000 *(2017: approximately US$9,662,000)* and approximately US$3,922,000 *(2017: approximately US$3,922,000)* respectively. It is distributable to the shareholders of the Company provided that the Company is able to pay its debts as they fall due in the ordinary course of business.

ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURE

At no time during the year ended 31 December 2018 were there any rights to acquire benefits by means of the acquisition of securities of the Company granted to any director or their respective spouse or children under 18 years of age, or were there any such rights exercised by them; or was the Company, its holding company, or any of its subsidiaries or fellow subsidiaries a party to any arrangement to enable the directors to acquire such rights in any other body corporate.

BANK LOANS AND OTHER BORROWINGS

No bank loans and other borrowings were entered by the Group as at 31 December 2018.

EQUITY-LINKED AGREEMENT

Save as the share option scheme of the Company, no equity-linked agreement was entered into by the Company or subsisted during the year ended 31 December 2018 which (a) will or may result in the Company issuing shares; or (b) requires the Company to enter into an agreement that will or may result in the Company issuing shares.

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the year.

DONATION

The Group did not make any donation with the amount not less than HK$10,000 in accordance with relevant disclosure requirement under Hong Kong Companies Ordinance during the years ended 31 December 2018 and 2017.

DIRECTORS

The directors during the year ended 31 December 2018 and up to the date of this annual report were:

Executive directors

Mr. Foo Moo Teng *(Chairman)*
Mr. Edgardo Osillada Gonzales II

Independent non-executive directors

Mr. Chan Ming Kit
Ms. Lim Joo Seng
Mr. Park Jee Ho

Biographical details of the directors are set out in the section headed "Biographical Details of Directors and Senior Management" on pages 6 to 7 of this annual report.

Pursuant to article 16.18 of the Articles, at every AGM of the Company one-third of the directors for the time being (or, if their number is not three or a multiple of three, then the number nearest to but not less than, one third) shall retire from office by rotation provided that every director (including those appointed for a specific term) shall be subject to retirement by rotation at least once every three years. Any directors appointed pursuant to article 16.2 or article 16.3 of the Articles shall not be taken into account in determining which directors are to retire by rotation. A retiring director shall retain office until the close of the meeting at which he retires and shall be eligible for re-election thereat. The Company at any AGM at which any directors retire may fill the vacated office by electing a like number of persons to be directors.

Report of the Directors

DIRECTORS' SERVICE CONTRACT

Each of the executive directors has entered into a service agreement with the Company with no fixed term. Each of the independent non-executive directors has entered into an appointment letter with the Company for a fixed term of three years, all commencing from the Listing Date. The service contracts and appointment letters may be terminated in accordance with the terms of the individual service agreement, and is subject to termination provisions therein and retirement and re-election at the AGM in accordance with the Articles or any other applicable laws from time to time whereby he or she shall vacate his office.

None of the directors has entered into any service agreement with the Company or any of its subsidiaries which is not determinable by the Group within one year without payment of compensation other than statutory compensation.

CONFIRMATION OF INDEPENDENCE

The Company has received an annual confirmation of independence from each independent non-executive director pursuant to Rule 5.09 of the GEM Listing Rules. The Company considers the independent non-executive directors to meet all independence guidance in Rule 5.09 and to remain independent as at the date of this annual report.

PERMITTED INDEMNITY PROVISION

Pursuant to the article 33 of the Articles, every director shall be entitled to be indemnified out of the assets of the Company against all losses or liabilities incurred or sustained by him as a director of the Company in defending any proceedings, whether civil or criminal, in which judgment is given in his favor, or in which he is acquitted. During the year, the Company has arranged appropriate insurance cover in respect of claims and legal actions against the directors and its officers.

DISCLOSURE OF INTERESTS

Directors' and Chief Executives' Interests and Short Positions in shares, underlying shares and Debentures of the Company

As at 31 December 2018, the interests and short positions of the directors or chief executive of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (chapter 571 of the Laws of Hong Kong) (the "SFO")), which were required (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); or (b) pursuant to Section 352 of the SFO, to be entered in the register referred therein; or (c) pursuant to Rule 5.46 to 5.67 of the GEM Listing Rules to be notified to the Company and the Stock Exchange, were as follows:

Long position in the shares, underlying shares and debentures of the Company

Name of director and chief executive	Capacity/Nature	Number of shares held/interested in	Percentage of issued share capital
Mr. Foo Moo Teng (chairman, executive Director and chief executive officer) *(Note)*	Interest in a controlled corporation	194,838,000	32.5%

Note:

Alpha Sense Investments Limited ("Alpha Sense (BVI)") is an investment holding company incorporated in the British Virgin Islands ("BVI") and is held as to 100% by Mr. Foo. By virtue of the SFO, Mr. Foo is deemed to be interested in the shares held by Alpha Sense (BVI).

Save as disclosed above, as at 31 December 2018, none of the other Directors nor chief executives of the Company have registered an interest or short position in the shares, underlying shares or debentures of the Company or any of its associated corporations which were required (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); or (b) pursuant to Section 352 of the SFO, to be entered in the register referred therein; or (c) pursuant to Rule 5.46 to 5.67 of the GEM Listing Rules to be notified to the Company and the Stock Exchange.

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at 31 December 2018, so far as known to any director, the following persons (other than the directors and chief executive of the Company) had interest or short positions in the shares and underlying shares of the Company which would fall to be disclosed under the provisions of Divisions 2 and 3 of Part XV of the SFO as recorded in the register required to be kept under Section 336 of the SFO:

Long position in shares or underlying shares of the Company

Name of Shareholders	Capacity/Nature	Number of shares or underlying shares held	Percentage of issued share capital
Alpha Sense (BVI)	Beneficial owner	194,838,000	32.5%

Save as disclosed above, as at 31 December 2018, the Directors were not aware of any other persons (other than the Directors and chief executives of the Company) who had interests or short positions in the shares and underlying shares of the Company which would fall to be disclosed under the provisions of Divisions 2 and 3 of Part XV of the SFO as recorded in the register required to be kept under Section 336 of the SFO.

DIRECTORS' INTEREST IN TRANSACTION, ARRANGEMENT AND CONTRACT OF SIGNIFICANCE

Apart from the related party transactions disclosed in Note 26 to the consolidated financial statements, no transaction, arrangement and contract of significance to which the Company or any of its subsidiaries, or its holding company was a party and in which a director or an entity connected with a director had a material interest directly or indirectly subsisted at the end of the year or at any time during the year ended 31 December 2018.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed in the paragraphs headed "Share Option Scheme" and "Directors and Chief Executives' Interests and Short Positions in shares, Underlying shares and Debentures of the Company" in this annual report, at no time during the year ended 31 December 2018 was the Company, or any of its holding companies, its subsidiaries or its fellow subsidiaries a party to any arrangement to enable the Directors and chief executives of the Company (including their spouses and children under 18 years of age) to hold any interests or short positions in the shares, or underlying shares, or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO).

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the best knowledge of the Directors, the Company has maintained the public float as required by the Rule 17.38A of the GEM Listing Rules up to the date of this annual report.

Report of the Directors

DIRECTORS' EMOLUMENTS AND TOP FIVE HIGHEST PAID INDIVIDUALS

Details of the Directors' emoluments and top five highest paid individuals are set out in Notes 7 and 8 to the consolidated financial statements respectively in this annual report.

No Directors or the top five highest paid individuals have waived or agreed to waive any emoluments during the year ended 31 December 2018 *(2017: Nil)*.

HUMAN RESOURCES AND EMOLUMENT POLICY

The Group's remuneration policies are formulated based on the performance of individual employees and are reviewed in a regular basis. The Group may also provide a discretionary bonus to employees as an incentive for their contribution to the Group in accordance with the Group's performance during the year ended 31 December 2018.

A remuneration committee is set up for reviewing the Group's emolument policy and structure of all remuneration of the Directors and senior management of the Group, having regard to the Group's operating results, individual performance and comparable market practices.

The Company maintains a share option scheme to attract and retain individuals with experience and ability and/or to reward them for their past contributions. Please refer to the paragraphs headed "Share Option Scheme" in this report for details of such Scheme.

The Group recognises the importance of good relationship with employees. The Directors believe that the working environment and benefits offered to the employees have contributed to building good staff relations and retention. The Group continues to provide training for new staff and existing staff to enhance their technical knowledge, which are believed to increase the productivity and efficiency.

CONTRIBUTIONS TO THE RETIREMENT BENEFITS SCHEME

Details of contributions to the retirement benefits scheme of the Group are set out in Notes 2 and 6 to the consolidated financial statements.

CONTROLLING SHAREHOLDERS' INTERESTS IN CONTRACT OF SIGNIFICANCE

Save as otherwise disclosed, no contract of significance to which the Company, its holding companies, or any of its subsidiaries was a party, and in which the controlling shareholders of the Company or any of its subsidiaries had a material interest, either directly or indirectly, subsisted at the end of the year or at any time during the year ended 31 December 2018.

MAJOR CUSTOMERS AND SUPPLIERS

For the year ended 31 December 2018, the Group made approximately 80.9% *(2017: approximately 89.7%)* of its entire sales to Group's five largest customers and sales to the largest customer included therein amounted to approximately 25.4% *(2017: approximately 41.6%)*. Purchases from the Group's five largest suppliers accounted for approximately 74.1% *(2017: approximately 67.3%)* of the total purchases for the year and purchases from the largest supplier included therein amounted to approximately 25.4% *(2017: approximately 20.0%)*.

None of the Directors, their close associates, or any shareholder of the Company (which to the knowledge of the directors own more than 5% of the issued shares of the Company) had an interest in the Group's five largest customers and suppliers.

INTERESTS IN COMPETING BUSINESS

The controlling shareholders, namely Alpha Sense (BVI) and Mr. Foo, as covenantors had entered into a deed of non-competition ("Deed of Non-Competition") dated 31 May 2017 in favour of the Company (for itself and as trustee for the subsidiaries). Details of the Deed of Non-Competition have been disclosed in the Prospectus.

During the year ended 31 December 2018 and up to the date of this annual report, none of the controlling shareholders, Directors, substantial shareholders of the Company and their respective associates (as defined in the GEM Listing Rules) had any interest in any business that directly or indirectly competed or might compete with the business of the Group.

CORPORATE GOVERNANCE

Details of the corporate governance practices adopted by the Company are set out in the Corporate Governance Report on pages 17 to 29 of this annual report.

CODE OF CONDUCT REGARDING SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted a code of conduct regarding securities transactions by the Directors on terms no less than the required standard of dealings as set out in Rules 5.48 to 5.67 of the GEM Listing Rules as the code of conduct for securities transactions by the directors of the Company in respect of the Shares ("the Code of Conduct"). The Company also made specific enquiry with Directors and the Company was not aware of any non-compliance with the required standard as set out in the Code of Conduct from the Listing Date to 31 December 2018.

COMPLIANCE WITH LAW AND REGULATIONS

To the best of the Directors' knowledge, information and belief, and having made all reasonable enquiries, the Group has complied with all relevant laws and regulations in Singapore, Hong Kong and the PRC during the year. The Group also complies with the requirements under the Companies Law of the Cayman Islands, the GEM Listing Rules and the SFO for the disclosure of information and corporate governance.

INTERESTS OF COMPLIANCE ADVISER

In accordance with Rule 6A.19 of the GEM Listing Rules, the Group has appointed Southwest Securities (HK) Capital Limited as our compliance adviser, which will provide advice and guidance to the Group in respect of compliance with the applicable laws and the GEM Listing Rules including various requirements relating to directors' duties and internal controls. Except for the compliance adviser agreement entered into between the Company and our compliance adviser on 28 September 2016, neither our compliance advisor nor its directors, employees or close associates had any interests in relation to the Company which is required to be notified to our Group pursuant to Rule 6A.32 of the GEM Listing Rules.

Report of the Directors

AUDITORS

The consolidated financial statements for the year ended 31 December 2017 have been audited by independent joint auditors, Mazars Hong Kong and Mazars Singapore.

The consolidated financial statements for the year ended 31 December 2018 have been audited by independent auditor, Mazars Hong Kong. Mazars Hong Kong will retire, and being eligible, offer themselves for re-appointment. A resolution for Mazars Hong Kong's re-appointment as the auditor of the Company will be proposed at the forthcoming annual general meeting of the Company.

On behalf of the Board
Foo Moo Teng
Chairman

Hong Kong, 26 March 2019

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Website 網址: www.mazars.hk

To the members of
Nexion Technologies Limited
(incorporated in the Cayman Islands with limited liability)

OPINION

We have audited the consolidated financial statements of Nexion Technologies Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 46 to 100, which comprise the consolidated statement of financial position of the Group as at 31 December 2018, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows of the Group for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2018, and of its consolidated financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Board (the "IASB") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"). Our responsibilities under those standards are further described in the "Auditor's Responsibilities for the Audit of the Consolidated Financial Statements" section of our report. We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTERS

Key Audit Matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Independent Auditor's Report

KEY AUDIT MATTERS *(Continued)*

Key Audit Matter	How our audit addressed the Key Audit Matter
Recognition of revenue from cyber infrastructure solutions and cyber security solutions	
The Group's revenue is principally generated through the Group's cyber infrastructure solutions and cyber security solutions which include hardware, software and/or service components. Generally, engagements of this nature are negotiated, priced and concluded as one integrated solution because the provision of consulting, installation and configuration forms an integral part of completing the engagement and therefore, such revenue is recognised at point in time at which the customer obtain the control of the promised asset, which generally coincides with the time when the customers' acceptance of the integrated solution is signed and the risks and rewards of the ownership transferred. The Group's revenue for the year ended 31 December 2018 amounted to approximately US$8,573,000 of which approximately US$4,313,000 and approximately US$4,260,000 was generated from cyber infrastructure solutions and cyber security solutions, respectively. There is an inherent risk that revenue may be inappropriately recognised when the performance obligation for revenue recognitions have not yet been satisfied. We identified revenue recognition as a Key Audit Matter because revenue is a key performance indicator of the Group and it is significant to the consolidated financial statements as a whole.	Our procedures, among others, included: a) assessing the design, implementation and operating effectiveness of the Group's key internal controls over the accuracy and timing of revenue recognition; b) inspecting key contract terms, including the payment terms, as stipulated in sales contracts, on a sample basis, to assess the appropriateness of the Group's revenue recognition accounting policies, with reference to the requirements of the prevailing accounting standards; c) comparing, on a sample basis, sales transactions recorded during the year with underlying documents, including sales contracts, sales invoices, goods delivery notes and user acceptance test (if applicable) signed by customers in assessing the business substance of the underlying transactions and whether the related revenue has been recognised in accordance with the Group's revenue recognition accounting policies; d) comparing, on a sample basis, sales transactions recorded just before and after the reporting date with underlying documents as evidence of acceptance to assess whether the related revenue was recorded in the appropriate financial period; and e) inspecting underlying documents for journal entries which considered to be material or have met other specified risk-based criteria so as to assess the risks of management override of controls.

KEY AUDIT MATTERS *(Continued)*

Key Audit Matter	How our audit addressed the Key Audit Matter
Valuation of investment properties	
During the year ended 31 December 2018, the Group acquired and recognised investment properties at purchase price and directly attributable costs to the purchase amounted to approximately US$2,313,000. They were subsequently stated at fair value at the end of the reporting period. The fair value was determined by the Group with reference to the valuations performed by an independent professional valuer engaged by the Group. We considered this matter to be a Key Audit Matter because of its significance to the consolidated financial statements, and the significant judgements and estimates involved in the valuation including the determination of valuation techniques and different inputs in the models.	Our procedures, among others, included: a) evaluating the competence, capabilities and objectivity of the independent professional valuer; b) understanding the valuation processes and methodologies, the performance of the property market, significant assumptions adopted, critical judgemental area used in the valuation of investment properties; and c) evaluating the reasonableness of the methodologies and assumptions.

OTHER INFORMATION

The directors of the Company are responsible for the other information. The other information comprises the information included in the 2018 annual report of the Company, but does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Independent Auditor's Report

RESPONSIBILITIES OF DIRECTORS AND THOSE CHARGED WITH GOVERNANCE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with IFRSs issued by the IASB and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. This report is made solely to you, as a body, in accordance with our agreed terms of engagement and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAs, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the Key Audit Matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Mazars CPA Limited
Certified Public Accountants
Hong Kong, 26 March 2019

The engagement director on the audit resulting in this independent auditor's report is:

She Shing Pang
Practising Certificate number: P05510

Consolidated Statement of Profit or Loss and Other Comprehensive Income

Year ended 31 December 2018

	Notes	2018 US$'000	2017 US$'000
Revenue	*4*	**8,573**	8,538
Other income	*5*	**149**	209
Cost of inventories sold		**(3,134)**	(3,164)
Staff costs and related expenses	*6*	**(1,705)**	(1,195)
Depreciation and amortisation		**(681)**	(277)
Other operating expenses		**(861)**	(752)
Listing expenses		**–**	(1,633)
Profit before income tax	*6*	**2,341**	1,726
Income tax expenses	*9*	**(808)**	(546)
Profit for the year attributable to owners of the Company		**1,533**	1,180
Other comprehensive (loss) income:			
Item that will not be reclassified to profit or loss:			
Change in fair value of financial assets at Designated FVOCI		**(615)**	–
Item that may be subsequently reclassified to profit or loss:			
Exchange difference arising on translation of foreign operations		**(86)**	14
Other comprehensive (loss) income for the year		**(701)**	14
Total comprehensive income for the year attributable to owners of the Company		**832**	1,194
Earnings per share, basic and diluted (US cents)	*10*	**0.26**	0.22

Consolidated Statement of Financial Position

At 31 December 2018

	Notes	2018 US$'000	2017 US$'000
Non-current assets			
Property, plant and equipment	12	**1,027**	774
Investment properties	13	**2,313**	–
Intangible assets	14	**614**	617
Financial assets at Designated FVOCI	16	**98**	–
Deposits paid for acquisition of investment properties		**–**	115
		4,052	1,506
Current assets			
Inventories	17	**109**	78
Trade and other receivables	18	**5,962**	5,885
Bank balances and cash		**7,818**	9,492
		13,889	15,455
Current liabilities			
Trade and other payables	19	**1,153**	1,406
Income tax payable		**744**	582
		1,897	1,988
Net current assets		**11,992**	13,467
Total assets less current liabilities		**16,044**	14,973
Non-current liabilities			
Deferred tax liabilities	20	**150**	101
NET ASSETS		**15,894**	14,872
Capital and reserves			
Share capital	21	**769**	769
Reserves		**15,125**	14,103
TOTAL EQUITY		**15,894**	14,872

These consolidated financial statements on pages 46 to 100 were approved and authorised for issue by the Board of Directors on 26 March 2019 and signed on its behalf by

Foo Moo Teng
Director

Edgardo Osillada Gonzales II
Director

Consolidated Statement of Changes in Equity

Year ended 31 December 2018

		Reserves							
	Share capital US$'000 (Note 21)	Share premium US$'000 (Note 22)	Capital reserve US$'000 (Note 22)	Statutory reserve US$'000 (Note 22)	Fair value reserve US$'000 (Note 22)	Exchange reserve US$'000 (Note 22)	Share options reserve US$'000 (Note 23)	Accumulated profits US$'000	Total US$'000
At 1 January 2017	–	1,200	650	–	–	–	–	3,529	5,379
Profit for the year	–	–	–	–	–	–	–	1,180	1,180
Other comprehensive income:									
Item that may be subsequently reclassified to profit or loss									
Exchange difference arising on translation of foreign operations	–	–	–	–	–	14	–	–	14
Total comprehensive income for the year	–	–	–	–	–	14	–	1,180	1,194
Transactions with owners:									
Contributions and distributions									
Capitalisation Issue	577	(577)	–	–	–	–	–	–	–
Issue of new shares by way of public offer	192	9,039	–	–	–	–	–	–	9,231
Transaction costs attributable to issue of new shares	–	(932)	–	–	–	–	–	–	(932)
Appropriation of statutory reserve	–	–	–	121	–	–	–	(121)	–
Total transactions with owners	769	7,530	–	121	–	–	–	(121)	8,299
At 31 December 2017	**769**	**8,730**	**650**	**121**	**–**	**14**	**–**	**4,588**	**14,872**
At 1 January 2018	**769**	**8,730**	**650**	**121**	**–**	**14**	**–**	**4,588**	**14,872**
Profit for the year	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**1,533**	**1,533**
Other comprehensive loss:									
Item that will not be reclassified to profit or loss									
Change in fair value of financial assets at Designated FVOCI	**–**	**–**	**–**	**–**	**(615)**	**–**	**–**	**–**	**(615)**
Item that may be subsequently reclassified to profit or loss									
Exchange difference arising on translation of foreign operations	**–**	**–**	**–**	**–**	**–**	**(86)**	**–**	**–**	**(86)**
Total comprehensive (loss) income for the year	**–**	**–**	**–**	**–**	**(615)**	**(86)**	**–**	**1,533**	**832**
Transactions with owners:									
Contributions and distributions									
Recognition of equity-settled share-based payment expenses	**–**	**–**	**–**	**–**	**–**	**–**	**190**	**–**	**190**
Forfeiture of share options *(Note 23)*	**–**	**–**	**–**	**–**	**–**	**–**	**(190)**	**190**	**–**
Total transaction with owners	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**190**	**190**
At 31 December 2018	**769**	**8,730**	**650**	**121**	**(615)**	**(72)**	**–**	**6,311**	**15,894**

Consolidated Statement of Cash Flows

Year ended 31 December 2018

	Notes	2018 US$'000	2017 US$'000
OPERATING ACTIVITIES			
Cash generated from (used in) operations	*24*	**2,734**	(580)
Income tax paid		**(555)**	(19)
Net cash from (used in) operating activities		**2,179**	(599)
INVESTING ACTIVITIES			
Interest received		**18**	1
Acquisition of property, plant and equipment		**(689)**	(771)
Acquisition of investment properties		**(2,198)**	–
Deposits paid for acquisition of investment properties		**–**	(115)
Additions to intangible assets		**(425)**	(323)
Purchases of financial assets at Designated FVOCI		**(713)**	–
Purchases of financial assets at FVPL		**(25)**	–
Net cash inflow on disposal of subsidiaries	*25*	**152**	–
Proceeds from disposal of property, plant and equipment		**2**	–
Proceeds from disposal of financial assets at FVPL		**25**	–
Net cash used in investing activities		**(3,853)**	(1,208)
FINANCING ACTIVITIES			
Proceeds from issuance of new shares in connection with the listing of the Company's shares		**–**	9,231
Payments of share issuance expenses		**–**	(932)
Net cash from financing activities		**–**	8,299
Net (decrease) increase in cash and cash equivalents		**(1,674)**	6,492
Cash and cash equivalents at the beginning of the reporting period		**9,492**	3,000
Cash and cash equivalents at the end of the reporting period, represented by bank balances and cash		**7,818**	9,492

Notes to the Consolidated Financial Statements

Year ended 31 December 2018

1. CORPORATE INFORMATION

Nexion Technologies Limited (the "Company") was incorporated as an exempted company with limited liability in the Cayman Islands on 22 June 2016. The Company's shares were listed on GEM of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The address of the Company's registered office is PO Box 309, Ugland House, Grand Cayman, KY1-1104, Cayman Islands and its principal place of business is situated at Unit #08–03, HB Centre I, 12 Tannery Road, Singapore 347722.

The principal activity of the Company is investment holding. The Company together with its subsidiaries (the "Group") are principally engaged in provision of cyber infrastructure solutions services, and provision of cyber security solutions services.

2. PRINCIPAL ACCOUNTING POLICIES

Statement of compliance

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Board (the "IASB"), which collective term includes all applicable individual IFRSs, International Accounting Standards ("IASs") and Interpretations issued by the IASB and the disclosure requirements of the Hong Kong Companies Ordinance. These consolidated financial statements also comply with the applicable disclosure requirements of the Rules Governing the Listing of Securities on GEM of the Stock Exchange (the "GEM Listing Rules").

All amounts have been rounded to the nearest thousand, unless otherwise indicated.

These consolidated financial statements have been prepared on a basis consistent with the accounting policies adopted in the 2017 consolidated financial statements except for the adoption of the following new/revised IFRSs that are relevant to the Group and effective from the current year.

Adoption of new/revised IFRSs

The Group has applied, for the first time, the following new/revised IFRSs:

Amendments to IAS 40	Transfers of Investment Property
Amendments to IFRS 2	Classification and Measurement of Share-based Payment Transactions
IFRIC – INT 22	Foreign Currency Transactions and Advance Consideration
IFRS 9	Financial Instruments
IFRS 15	Revenue from Contracts with Customers

Amendments to IAS 40: Transfers of Investment Property

The amendments clarify that, to transfer to or from, investment properties, there must be a change in use. A change in use would involve (a) an assessment of whether a property meets, or has ceased to meet, the definition of investment property; and (b) supporting evidence that a change in use has occurred.

The adoption of the amendments does not have any significant impact on the consolidated financial statements.

Amendments to IFRS 2: Classification and Measurement of Share-based Payment Transactions

The amendments provide requirements on the accounting for the effects of vesting and non-vesting conditions on the measurement of cash-settled share-based payments; share-based payment transactions with a net settlement feature for withholding tax obligations; and a modification to the terms and conditions of a share-based payment that changes the classification of the transaction from cash-settled to equity-settled.

The adoption of the amendments does not have any significant impact on the consolidated financial statements.

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

Adoption of new/revised IFRSs *(Continued)*

IFRIC – Int 22: Foreign Currency Transactions and Advance Consideration

The Interpretation clarifies that, in determining the spot exchange rate to use on initial recognition of the related asset, expense or income (or part of it) on the derecognition of a non-monetary asset or non-monetary liability relating to advance consideration, the date of the transaction is the date on which an entity initially recognised the non-monetary asset or non-monetary liability arising from the advance consideration.

The adoption of the Interpretation does not have any significant impact on the consolidated financial statements.

IFRS 9: Financial Instruments

The following terms are used in these consolidated financial statements:

- FVPL: fair value through profit or loss
- FVOCI: fair value through other comprehensive income
- Designated FVOCI: equity instruments measured at FVOCI
- Mandatory FVOCI: debt instruments measured at FVOCI

IFRS 9 replaces IAS 39 "*Financial Instruments: Recognition and Measurement*" for annual periods beginning on or after 1 January 2018. It introduces new requirements for the classification and measurement of financial assets and financial liabilities, impairment for financial assets and hedge accounting.

In accordance with the transitional provisions in IFRS 9, comparative information has not been restated and the Group has applied IFRS 9 retrospectively to financial instruments that existed at 1 January 2018 (i.e. the date of initial application), except as described below (if applicable):

(a) The following assessments are made on the basis of facts and circumstances that existed at the date of initial application:

    (i) the determination of the business model within which a financial asset is held;

    (ii) the designation of financial assets or financial liabilities at FVPL or, in case of financial assets, at Designated FVOCI; and

    (iii) the de-designation of financial assets or financial liabilities at FVPL.

    The above resulting classification shall be applied retrospectively.

(b) If, at the date of initial application, determining whether there has been a significant increase in credit risk since initial recognition would require undue cost or effort, a loss allowance is recognised at an amount equal to lifetime expected credit losses at each reporting date until the financial instrument is derecognised unless that financial instrument has low credit risk at a reporting date.

(c) For investments in equity instruments that were measured at cost under IAS 39, the instruments are measured at fair value at the date of initial application.

Classification and measurement of financial assets and financial liabilities

The adoption of IFRS 9 has no significant effect on the classification and measurement of the Group's financial liabilities.

Notes to the Consolidated Financial Statements

Year ended 31 December 2018

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

Adoption of new/revised IFRSs *(Continued)*

IFRS 9: Financial Instruments *(Continued)*

The following table reconciles the original measurement categories and carrying amounts IAS 39 to the new measurement categories and carrying amounts under IFRS 9 for each class of the Group's financial assets as at 1 January 2018.

	Measurement category under IAS 39	Carrying amount under IAS 39 at 31 December 2017 *US$'000*	Measurement category under IFRS 9	Carrying amount under IFRS 9 at 1 January 2018 *US$'000*
Amortised cost				
Bank balances and cash	Loans and receivable	9,492	Amortised cost	9,492
Trade and other receivables	Loans and receivable	5,512	Amortised cost	5,512
		15,004		15,004

In addition, there were no effects of transition to IFRS 9 on the carrying amounts of financial assets under IAS 39 based on the measurement category under IFRS 9 on 1 January 2018.

IFRS 15: Revenue from Contracts with Customers

IFRS 15 replaces, among others, IAS 18 and IAS 11 which specified the revenue recognition arising from sale of goods and rendering of services and the accounting for construction contracts respectively. The standard establishes a comprehensive framework for revenue recognition and certain costs from contracts with customers within its scope. It also introduces a cohesive set of disclosure requirements that would result in an entity providing users of financial statements with comprehensive information about the nature, amount, timing and uncertainty of revenue and cash flows arising from the entity's contracts with customers.

The Group has elected to apply the cumulative effect transition method and recognised the cumulative effect of initial adoption as an adjustment to the opening balance of components of equity at 1 January 2018 (i.e. the date of initial application). Therefore, the comparative information has not been restated for the effect of IFRS 15.

In addition, the Group has applied IFRS 15 retrospectively only to contracts that were not completed at 1 January 2018 in accordance with the transitional provisions therein.

Timing of revenue recognition

Before the adoption of IFRS 15, the Group recognised revenue arising from cyber infrastructure solutions and cyber security solutions upon transfer of risks and rewards of ownership, which generally coincided with the time when the customers' acceptance of the integrated solution is signed. These service contracts do not satisfy the criteria in IFRS 15 in order to recognise revenue over time. Therefore, under IFRS 15, the Group recognise the revenue of these contracts at a point in time.

Before the adoption of IFRS 15, the Group recognised revenue arising from maintenance and support service over time on a straight-line basis over the life of the related agreement. Under IFRS 15, the revenue remains to be recognised over time because the customers simultaneously receives and consumes the benefits provided by the Group's services and performance.

The adoption of the IFRS 15 does not have any significant impact on the consolidated financial statements.

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

A summary of the principal accounting policies adopted by the Group is set out below.

Basis of measurement

The measurement basis used in the preparation of these consolidated financial statements is historical cost, except for investment properties and financial assets at Designated FVOCI, which are measured at fair value as explained in the accounting policies set out below.

Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and all of its subsidiaries. The financial statements of the subsidiaries are prepared for the same reporting period as that of the Company using consistent accounting policies.

All intra-group balances, transactions, incomes and expenses and profits and losses resulting from intra-group transactions are eliminated in full. The results of subsidiaries are consolidated from the date on which the Group obtains control and continue to be consolidated until the date that such control ceases.

Non-controlling interests are presented, separately from owners of the Company, in the consolidated statement of profit or loss and other comprehensive income and within equity in the consolidated statement of financial position. The non-controlling interests in the acquiree, that are present ownership interests and entitle their holders to a proportionate share of the acquiree's net assets in the event of liquidation, are measured initially either at fair value or at the present ownership instruments' proportionate share in the recognised amounts of the acquiree's identifiable net assets. This choice of measurement is made on an acquisition-by-acquisition basis. Other types of non-controlling interests are initially measured at fair value, unless another measurement basis is required by IFRSs.

Allocation of total comprehensive income

Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income is attributed to the owners of the Company and the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Changes in ownership interests

Changes in the Group's ownership interests in a subsidiary that do not result in a loss of control are accounted for as equity transactions. The carrying amounts of the controlling and non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiary. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to the owners of the Company.

When the Group loses control of a subsidiary, the gain or loss on disposal is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest determined at the date when control is lost and (ii) the carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests at the date when control is lost. The amounts previously recognised in other comprehensive income in relation to the disposed subsidiary are accounted for on the same basis as would be required if the holding company had directly disposed of the related assets or liabilities. Any investment retained in the former subsidiary and any amounts owed by or to the former subsidiary are accounted for as a financial asset, an associate, a joint venture or others, as appropriate, from the date when control is lost.

Notes to the Consolidated Financial Statements

Year ended 31 December 2018

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

Subsidiaries

A subsidiary is an entity that is controlled by the Group. The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The Group reassesses whether it controls an investee if facts and circumstances indicate that there are changes to one or more of the elements of control.

In the Company's statement of financial position as set out in Note 32 to the consolidated financial statements, an investment in a subsidiary is stated at cost less impairment loss, if any. The carrying amount of the investment is reduced to its recoverable amount on an individual basis, if it is higher than the recoverable amount. The results of the subsidiary are accounted for by the Company on the basis of dividends received and receivable.

Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Repairs and maintenance are charged to profit or loss during the period in which they are incurred.

Depreciation is provided to write off the cost less accumulated impairment losses of property, plant and equipment over their estimated useful lives as set out below from the date on which they are available for use and after taking into account their estimated residual values, using the straight-line method. Where parts of an item of property, plant and equipment have different useful lives, the cost of the item is allocated on a reasonable basis and depreciated separately:

Leasehold improvements	3 years
Furniture, fixtures and office equipment	3 years
Computer equipment	3 years

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in profit or loss in the period in which the item is derecognised.

Investment properties

Investment properties are held by owner or lessee under finance lease, to earn rental income and/or for capital appreciation. These include properties held for a currently undetermined future use and properties that are held under operating lease, which satisfy the definition of investment property and carry at fair value.

Investment properties are stated at fair value at the end of the reporting period. Any gain or loss arising from a change in fair value is recognised in profit or loss. The fair value of investment property is based on a valuation by an independent valuer who holds a recognised professional qualification and has recent experience in the location and category of property being valued. The fair value is based on market value, being the estimated amount for which a property could be exchanged on the date of valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties have each acted knowledgeably, prudently and without compulsion.

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

Investment properties *(Continued)*

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from its disposals. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the year in which the item is derecognised.

Intangible assets

Research and development costs

Research costs are expensed as incurred. Costs incurred on development activities, which involve the application of research findings to a plan or design for the production of new or substantially improved products and processes, are capitalised if the product or process is technically and commercially feasible and the Group has sufficient resources to complete the development. The expenditure capitalised includes the cost of materials, direct labour and an appropriate proportion of overheads. Other development expenditure is recognised in profit or loss as an expense as incurred. When the asset is available for use, the capitalised development costs are amortised on a straight-line basis over a period of 3 years. For intangible assets yet to be available for use, they are stated at cost less any accumulated impairment losses.

Financial instruments

Financial assets

Recognition and derecognition

Financial assets are recognised when and only when the Group becomes a party to the contractual provisions of the instruments and on a trade date basis.

A financial asset is derecognised when and only when (i) the Group's contractual rights to future cash flows from the financial asset expire or (ii) the Group transfers the financial asset and either (a) it transfers substantially all the risks and rewards of ownership of the financial asset, or (b) it neither transfers nor retains substantially all the risks and rewards of ownership of the financial asset but it does not retain control of the financial asset.

Classification and measurement — application from 1 January 2018

Financial assets (except for trade receivables without a significant financing component) are initially recognised at their fair value plus, in the case of financial assets not carried at FVPL, transaction costs that are directly attributable to the acquisition of the financial assets. Such trade receivables are initially measured at their transaction price.

On initial recognition, a financial asset is classified as (i) measured at amortised cost; (ii) Mandatory FVOCI; (iii) Designated FVOCI; or (iv) measured at FVPL.

The classification of financial assets at initial recognition depends on the Group's business model for managing the financial assets and the financial asset's contractual cash flow characteristics. Financial assets are not reclassified subsequent to their initial recognition unless the Group changes its business model for managing them, in which case all affected financial assets are reclassified on the first day of the first annual reporting period following the change in the business model (the "reclassification date").

Notes to the Consolidated Financial Statements

Year ended 31 December 2018

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial assets *(Continued)*

Classification and measurement — application from 1 January 2018 (Continued)

1) *Financial assets measured at amortised cost*

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVPL:

(i) it is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and

(ii) its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at amortised cost are subsequently measured using the effective interest rate method and are subject to impairment. Gains and losses arising from impairment, derecognition or through the amortisation process are recognised in profit or loss.

2) *Financial assets at Mandatory FVOCI*

A financial asset is measured at Mandatory FVOCI if both of the following conditions are met and is not designated as at FVPL:

(i) it is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows and for sale; and

(ii) its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

The financial asset is subsequently measured at fair value. Interest calculated using the effective interest method, impairment gains or losses and foreign exchange gains and losses are recognised in profit or loss. Other gains or losses are recognised in other comprehensive income until the financial asset is derecognised. When the financial asset is derecognised, the cumulative gain or loss previously recognised in other comprehensive income is reclassified to profit or loss as a reclassification adjustment.

3) *Financial assets at Designated FVOCI*

Upon initial recognition, the Group may make an irrevocable election to present subsequent changes in the fair value of an investment in an equity instrument that is neither held for trading nor contingent consideration recognised by an acquirer in a business combination to which IFRS 3 applies in other comprehensive income. The classification is determined on an instrument-by-instrument basis.

These equity investments are subsequently measured at fair value and are not subject to impairment. Dividends are recognised in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other gains or losses are recognised in other comprehensive income and shall not be subsequently reclassified to profit or loss.

4) *Financial assets at FVPL*

These investments include financial assets that are not measured at amortised cost or FVOCI, including financial assets held for trading, financial assets designated upon initial recognition as at FVPL, and financial assets resulting from a contingent consideration arrangement in a business combination to which IFRS 3 applies and financial assets that are otherwise required to be measured at FVPL. They are carried at fair value, with any resultant gain and loss recognised in profit or loss, which does not include any dividend or interest earned on the financial assets. Dividend or interest income is presented separately from fair value gain or loss.

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial assets *(Continued)*

Classification and measurement — application from 1 January 2018 (Continued)

4) Financial assets at FVPL (Continued)

A financial asset is classified as held for trading if it is:

(i) acquired principally for the purpose of selling it in the near term;

(ii) part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking on initial recognition; or

(iii) a derivative that is not a financial guarantee contract or not a designated and effective hedging instrument.

Derivatives embedded in a hybrid contract in which a host is an asset within the scope of IFRS 9 are not separated from the host. Instead, the entire hybrid contract is assessed for classification.

Financial assets are designated at initial recognition as at FVPL only if doing so eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise from measuring assets or liabilities or recognising the gains or losses on them on different bases.

Classification and measurement — applicable before 1 January 2018

Financial assets are initially recognised at their fair value plus, in the case of financial assets not carried at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial assets or financial liabilities.

1) Loans and receivables

Loans and receivables including trade and other receivables and bank balances and cash are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are not held for trading. They are measured at amortised cost using the effective interest method, except where receivables are interest-free loans and without any fixed repayment term or the effect of discounting would be insignificant. In such case, the receivables are stated at cost less impairment loss. Amortised cost is calculated by taking into account any discount or premium on acquisition over the period to maturity. Gains and losses arising from derecognition, impairment or through the amortisation process are recognised in profit or loss.

Financial liabilities

Recognition and derecognition

Financial liabilities are recognised when and only when the Group becomes a party to the contractual provisions of the instruments and on a trade date basis.

A financial liability is derecognised when and only when the liability is extinguished, that is, when the obligation specified in the relevant contract is discharged, cancelled or expires.

Classification and measurement

Financial liabilities are initially recognised at their fair value plus, in the case of financial liabilities not carried at FVPL, transaction costs that are direct attributable to the issue of the financial liabilities.

The Group's financial liabilities include trade and other payables. All financial liabilities, except for financial liabilities at FVPL, are recognised initially at their fair value and subsequently measured at amortised cost, using the effective interest method, unless the effect of discounting would be insignificant, in which case they are stated at cost.

Notes to the Consolidated Financial Statements

Year ended 31 December 2018

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial liabilities *(Continued)*

Classification and measurement (Continued)

Financial liabilities at FVPL include financial liabilities held for trading, financial liabilities designated upon initial recognition as at FVPL and financial liabilities that are contingent consideration of an acquirer in a business combination to which IFRS 3 applies. They are carried at fair value, with any resultant gain and loss (excluding interest expenses) recognised in profit or loss, except for the portion of fair value changes of financial liabilities designated at FVPL that are attributable to the credit risk of the liabilities which is presented in other comprehensive income unless such treatment would create or enlarge an accounting mismatch in profit or loss. The amounts presented in other comprehensive income shall not be subsequently transferred to profit or loss. Interest expenses are presented separately from fair value gain or loss. Before the adoption of IFRS 9, all the fair value gain or loss of financial liabilities at FVPL is recognised in profit or loss.

A financial liability is classified as held for trading if it is:

(i) incurred principally for the purpose of repurchasing it in the near term;

(ii) part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking on initial recognition; or

(iii) a derivative that is not a financial guarantee contract or not a designated and effective hedging instrument.

Financial liabilities are designated at initial recognition as at FVPL only if:

(i) the designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise from measuring assets or liabilities or recognising the gains or losses on them on different bases;

(ii) they are part of a group of financial liabilities or financial assets and financial liabilities that are managed and their performance evaluated on a fair value basis, in accordance with a documented risk management strategy; or

(iii) they contain one or more embedded derivatives, in which case the entire hybrid contract may be designated as a financial liability at FVPL, except where the embedded derivatives do not significantly modify the cash flows or it is clear that separation of the embedded derivatives is prohibited.

Derivatives embedded in a hybrid contract with a host that is not an asset within the scope of IFRS 9 are treated as separate derivatives when they meet the definition of a derivative, their economic characteristics and risks are not closely related to those of the host, and the hybrid contract is not measured at FVPL.

Impairment of financial assets and other items under IFRS 9

<u>Applicable from 1 January 2018</u>

The Group recognises loss allowances for expected credit losses ("ECL") on financial assets that are measured at amortised cost, Mandatory FVOCI, lease receivables, contract assets, loan commitments and financial guarantee contracts issued to which the impairment requirements apply in accordance with IFRS 9. Except for the specific treatments as detailed below, at each reporting date, the Group measures a loss allowance for a financial asset at an amount equal to the lifetime ECL if the credit risk on that financial asset has increased significantly since initial recognition. If the credit risk on a financial asset has not increased significantly since initial recognition, the Group measures the loss allowance for that financial asset at an amount equal to 12-month ECL.

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Impairment of financial assets and other items under IFRS 9 *(Continued)*

Applicable from 1 January 2018 (Continued)

Measurement of ECL

ECL is a probability-weighted estimate of credit losses (i.e. the present value of all cash shortfalls) over the expected life of the financial instrument. A cash shortfall is the difference between the cash flows that are due to an entity in accordance with the contract and the cash flows that the entity expects to receive.

For financial assets, a credit loss is the present value of the difference between the contractual cash flows that are due to an entity under the contract and the cash flows that the entity expects to receive. For a lease receivable, the cash flows used for determining the ECL should be consistent with the cash flows used in measuring the lease receivable in accordance with IAS 17.

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of a financial instrument while 12-month ECL represents the portion of lifetime ECL that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

Where ECL is measured on a collective basis, the financial instruments are grouped based on the following one or more shared credit risk characteristics:

(i) past due information

(ii) nature of instrument

(iii) nature of collateral

(iv) industry of debtors

(v) geographical location of debtors

Definition of default

The Group considers the following as constituting an event of default for internal credit risk management purposes as historical experience indicates that the Group may not receive the outstanding contractual amounts in full if the financial instrument that meets any of the following criteria.

(i) information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collaterals held by the Group); or

(ii) there is a breach of financial covenants by the counterparty.

Irrespective of the above analysis, the Group considers that default has occurred when a financial asset is more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

Assessment of significant increase in credit risk

In assessing whether the credit risk on a financial instrument has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument at the reporting date with the risk of a default occurring on the financial instrument at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort. Irrespective of the outcome of the above assessment, the Group presumes that the credit risk on a financial instrument has increased significantly since initial recognition when contractual payments are more than 30 days past due.

Notes to the Consolidated Financial Statements

Year ended 31 December 2018

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Impairment of financial assets and other items under IFRS 9 *(Continued)*

Applicable from 1 January 2018 (Continued)

Low credit risk

A financial instrument is determined to have low credit risk if:

(i) it has a low risk of default;

(ii) the borrower has a strong capacity to meet its contractual cash flow obligations in the near term; and

(iii) adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations.

As detailed in Note 27 to the consolidated financial statements, the other receivables are determined to have low credit risk.

Simplified approach of ECL

For trade receivables and contract assets without a significant financing components or otherwise for which the Group applies the practical expedient not to account for the significant financing components, and operating lease receivables, the Group applies a simplified approach in calculating ECL. The Group recognises a loss allowance based on lifetime ECL at each reporting date and has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

Credit-impaired financial asset

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired include observable data about the following events:

(a) significant financial difficulty of the issuer or the borrower.

(b) a breach of contract, such as a default or past due event.

(c) the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider.

(d) it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation.

(e) the disappearance of an active market for that financial asset because of financial difficulties.

(f) the purchase or origination of a financial asset at a deep discount that reflects the incurred credit losses.

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Impairment of financial assets and other items under IFRS 9 *(Continued)*

Applicable from 1 January 2018 (Continued)

Write-off

The Group writes off a financial asset when the Group has no reasonable expectations of recovering the contractual cash flows on a financial asset in its entirety or a portion thereof. The Group has a policy of writing off the gross carrying amount when based on historical experience of recoveries of similar assets. The Group expects no significant recovery from the amount written off. However, financial assets that are written off could still be subject to enforcement activities under the Group's procedures for recovery of amounts due, taking into account legal advice if appropriate. Any subsequent recovery is recognised in profit or loss.

Applicable before 1 January 2018

At the end of each reporting period, the Group assesses whether there is objective evidence that financial assets are impaired. The impairment loss of financial assets carried at amortised cost is measured as the difference between the assets' carrying amount and the present value of estimated future cash flow discounted at the financial asset's original effective interest rate. Such impairment loss is reversed in subsequent periods through profit or loss when an increase in the asset's recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to a restriction that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Cash equivalents

For the purpose of the consolidated statements of cash flows, cash equivalents represent short-term highly liquid investments which are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value.

Revenue recognition

Revenue from contracts with customers within IFRS 15

Nature of goods or services

The nature of the goods or services provided by the Group is as follows:

- Cyber infrastructure solutions and cyber security solutions
- Consulting service in the cyber infrastructure solutions
- Maintenance and support service

Identification of performance obligations

At contract inception, the Group assesses the goods or services promised in a contract with a customer and identifies as a performance obligation each promise to transfer to the customer either:

(a) a good or service (or a bundle of goods or services) that is distinct; or

(b) a series of distinct goods or services that are substantially the same and that have the same pattern of transfer to the customer.

Notes to the Consolidated Financial Statements

Year ended 31 December 2018

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

Revenue recognition *(Continued)*

Revenue from contracts with customers within IFRS 15 *(Continued)*

A good or service that is promised to a customer is distinct if both of the following criteria are met:

(a) the customer can benefit from the good or service either on its own or together with other resources that are readily available to the customer (i.e. the good or service is capable of being distinct); and

(b) the Group's promise to transfer the good or service to the customer is separately identifiable from other promises in the contract (i.e. the promise to transfer the good or service is distinct within the context of the contract).

Timing of revenue recognition

Revenue is recognised when (or as) the Group satisfies a performance obligation by transferring a promised good or service (i.e. an asset) to a customer. An asset is transferred when (or as) the customer obtains control of that asset.

The Group transfers control of a good or service over time and, therefore, satisfies a performance obligation and recognises revenue over time, if one of the following criteria is met:

(a) the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs;

(b) the Group's performance creates or enhances an asset (for example, work in progress) that the customer controls as the asset is created or enhanced; or

(c) the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

If a performance obligation is not satisfied over time, the Group satisfies the performance obligation at a point in time when the customer obtains control of the promised asset. In determining when the transfer of control occurs, the Group considers the concept of control and such indicators as legal title, physical possession, right to payment, significant risks and rewards of ownership of the asset, and customer acceptance.

Revenue from cyber infrastructure solutions and cyber security solutions include hardware, software and/or service components. Generally, engagements of this nature are negotiated, priced and concluded as one integrated solution because the provision of consulting, installation and configuration forms an integral part of completing the engagement and therefore, such revenue is recognised at a point in time at which the customer obtains the control of the promised asset, which generally coincides with the time when the customers' acceptance of the integrated solution is signed and the risks and rewards of the ownership transferred.

Maintenance and support service income is recognised over time on a straight-line basis over the life of the related agreement.

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

Revenue recognition *(Continued)*

Revenue from contracts with customers within IFRS 15 *(Continued)*

For revenue recognised over time under IFRS 15, provided the outcome of the performance obligation can be reasonably measured, the Group applies the output method (i.e. based on the direct measurements of the value to the customer of the goods or services transferred to date relative to the remaining goods or services promised under the contract) to measure the progress towards complete satisfaction of the performance obligation because the method provides a faithful depiction of the Group's performance and reliable information is available to the Group to apply the method. Otherwise, revenue is recognised only to the extent of the costs incurred until such time that it can reasonably measure the outcome of the performance obligation.

Transaction price: significant financing components

When the contract contains a significant financing component (i.e. the customer or the Group is provided with a significant benefit of financing the transfer of goods or services to the customer), in determining the transaction price, the Group adjusts the promised consideration for the effects of the time value of money. The effect of the significant financing component is recognised as an interest income or interest expense separately from revenue from contracts with customers in profit or loss.

The Group determines the interest rate that is commensurate with the rate that would be reflected in a separate financing transaction between the Group and its customer at contract inception by reference to, where appropriate, the interest rate implicit in the contract (i.e. the interest rate that discounts the cash selling price of the goods or services to the amount paid in advance or arrears), the prevailing market interest rates, the Group's borrowing rates and other relevant creditworthiness information of the customer of the Group.

The Group has applied the practical expedient in paragraph 63 of IFRS 15 and does not adjust the consideration for the effect of the significant financing component if the period of financing is one year or less.

Performance obligation: warranties

Sales-related warranties associated with cyber infrastructure solutions and cyber security solutions cannot be purchased separately and they serve as an assurance that the products sold comply with agreed-upon specifications. Accordingly, the Group accounts for the warranties in accordance with IAS 37.

Foreign currency translation

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The Company's functional currency is Hong Kong dollars ("HK$"), while the consolidated financial statements are presented in United States dollars ("US$") because the Group's transactions are mainly conducted in US$, which is the functional currency of the major subsidiaries of the Group. The management considers it is more appropriate to adopt US$ as the Group's and the Company's presentation currency.

Notes to the Consolidated Financial Statements

Year ended 31 December 2018

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

Foreign currency translation *(Continued)*

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss. Foreign exchange gains and losses resulting from the retranslation of non-monetary items carried at fair value are recognised in profit or loss except for those arising on the retranslation of non-monetary items in respect of which gains and losses are recognised directly in equity, in which cases, the gains or losses are also recognised directly in equity.

The results and financial position of all the group entities that have a functional currency different from the presentation currency ("foreign operations") are translated into the presentation currency as follows:

- assets and liabilities for each statement of financial position presented are translated at the closing rate at the end of the reporting period.

- income and expenses for each statement of profit or loss and other comprehensive income are translated at average exchange rate.

- all resulting exchange differences arising from the above translation and exchange differences arising from a monetary item that forms part of the Group's net investment in a foreign operation are recognised as a separate component of equity.

- on the disposal of a foreign operation, which includes a disposal of the Group's entire interest in a foreign operation and a disposal involving the loss of control over a subsidiary that includes a foreign operation, the cumulative amount of the exchange differences relating to the foreign operation that is recognised in other comprehensive income and accumulated in the separate component of equity is reclassified from equity to profit or loss when the gain or loss on disposal is recognised.

- on the partial disposal of the Group's interest in a subsidiary that includes a foreign operation which does not result in the Group losing control over the subsidiary, the proportionate share of the cumulative amount of the exchange differences recognised in the separate component of equity is re-attributed to the non-controlling interests in that foreign operation and are not reclassified to profit or loss.

- on all other partial disposals, the proportionate share of the cumulative amount of exchange differences recognised in the separate component of equity is reclassified to profit or loss.

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost, which comprises all costs of purchase and, where applicable, other costs that have been incurred in bringing the inventories to their present location and condition, is calculated using the first in, first out method. Net realisable value represents the estimated selling price in the ordinary course of business less the estimated costs necessary to make the sale.

When inventories are sold, the carrying amount of those inventories is recognised as an expense in the period in which the related revenue is recognised. The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period of the write-down or loss occurs. The amount of any reversal of any write-down of inventories is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

Impairment of other assets

At the end of each reporting period, the Group reviews internal and external sources of information to assess whether there is any indication that the Group's property, plant and equipment and intangible assets and the Company's investment in a subsidiary may be impaired or impairment loss previously recognised no longer exists or may be reduced. If any such indication exists, the recoverable amount of the asset is estimated, based on the higher of its fair value less costs of disposal and value in use. In addition, the Group tests its intangible assets that are yet to be available for use for impairment by estimating their recoverable amount on an annual basis and whenever there is an indication that those assets may be impaired. If any such indication exists, the recoverable amount of intangible assets not yet available for use is estimated, based on the higher of its fair value less costs of disposal and value in use. Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the smallest group of assets that generates cash flows independently (i.e. a cash-generating unit).

If the recoverable amount of an asset or a cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or cash-generating unit is reduced to its recoverable amount. Impairment losses are recognised as an expense in profit or loss immediately.

A reversal of impairment loss is limited to the carrying amount of the asset or cash-generating unit that would have been determined had no impairment loss been recognised in prior periods. Reversal of impairment loss is recognised as an income in profit or loss immediately.

Government grants

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognised as income over the years necessary to match the grant on a systematic basis to the costs that it is intended to compensate. Where the grant relates to an asset, the fair value is recognised as a deduction from the carrying amount of the relevant asset and is released to profit or loss over the expected useful life of the relevant asset by equal annual instalments.

Notes to the Consolidated Financial Statements

Year ended 31 December 2018

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

As lessor

Amounts due from lessees under finance leases are recorded as receivables at the amount of the Group's net investment in the leases. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Group's net investment outstanding in respect of the leases.

As lessee

Rentals payable under operating leases are charged to profit or loss on a straight-line basis over the term of the relevant lease.

Employee benefits

Short term employee benefits

Salaries, annual bonuses, paid annual leave, contributions to defined contribution retirement plans and the cost of non-monetary benefits are accrued in the period in which the associated services are rendered by employees.

Defined contribution plans

The obligations for contributions to defined contribution retirement scheme are recognised as an expense in profit or loss as incurred. The assets of the scheme are held separately from those of the Group in an independently administered fund.

Share-based payment transactions

Equity-settled transactions

The Group's employees, including directors, receive remuneration in the form of share-based payment transactions, whereby the employees rendered services in exchange for shares or rights over shares. The cost of such transactions with employees is measured by reference to the fair value of the equity instruments at the grant date. The fair value of share options granted to employees is recognised as an employee cost with a corresponding increase in a reserve within equity. The fair value is determined using the Binominal Option Pricing model, taking into account any market conditions and non-vesting conditions.

The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the vesting conditions are to be fulfilled, ending on the date on which the entitlement of relevant employees to the award is no longer conditional on the satisfaction of any non-market vesting conditions ("vesting date"). During the vesting period, the number of share options that is expected to vest ultimately is reviewed. Any adjustment to the cumulative fair value recognised in prior periods is charged/credited to profit or loss for the year of review, with a corresponding adjustment to the reserve within equity.

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

Share-based payment transactions *(Continued)*

Equity-settled transactions *(Continued)*

When the share options are forfeited after the vesting date or are still not exercised at the expiry date, the amount previously recognised in share options reserve will be transferred to accumulated profits or losses.

No expense is recognised for awards that do not ultimately vest, except for awards that are conditional on a market condition or non-vesting condition, which are treated as vested irrespective of whether or not the market condition or non-vesting condition is satisfied, provided that all non-market vesting conditions are satisfied. Where the terms of an equity-settled award are modified, an additional expense is recognised for any increase in the value of the transaction as a result of the modification, as measured at the date of modification. Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. However, if a new award is substituted for the cancelled award, and designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described above.

Equity-settled share-based payment transactions with parties other than employees are measured at fair value of the goods or services received, except where the fair value cannot be reliably estimated, in which case they are measured at the fair value of the equity instruments granted. In all cases, the fair value is measured at the date the Group obtains the goods or the counterparty renders the services.

Taxation

The charge for current income tax is based on the results for the period as adjusted for items that are non-assessable or disallowed. It is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is provided, using the liability method, on all temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, any deferred tax arising from initial recognition of goodwill, or other asset or liability in a transaction other than a business combination that at the time of the transaction affects neither the accounting profit nor taxable profit or loss is not recognised.

The deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is recovered or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted at the end of the reporting period.

Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences, tax losses and credits can be utilised.

Deferred tax is provided on temporary differences arising on investment in subsidiaries, except where the timing of the reversal of the temporary differences is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

Notes to the Consolidated Financial Statements

Year ended 31 December 2018

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

Related parties

A related party is a person or entity that is related to the Group.

(a) A person or a close member of that person's family is related to the Group if that person:

(i) has control or joint control over the Group;

(ii) has significant influence over the Group; or

(iii) is a member of the key management personnel of the Group or of the holding company of the Group.

(b) An entity is related to the Group if any of the following conditions applies:

(i) the entity and the Group are members of the same group (which means that each holding company, subsidiary and fellow subsidiary is related to the others).

(ii) one entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

(iii) both entities are joint ventures of the same third party.

(iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

(v) The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group. If the Group is itself such a plan, the sponsoring employers are also related to the Group.

(vi) The entity is controlled or jointly controlled by a person identified in (a).

(vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a holding company of the entity).

(viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the holding company of the Group.

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity and include:

(a) that person's children and spouse or domestic partner;

(b) children of that person's spouse or domestic partner; and

(c) dependants of that person or that person's spouse or domestic partner.

In the definition of a related party, an associate includes subsidiaries of the associate and a joint venture includes subsidiaries of the joint venture.

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

Segment reporting

Operating segments, and the amounts of each segment item reported in the consolidated financial statements, are identified from the consolidated financial statements provided regularly to the Group's most senior executive management for the purpose of allocating resources to, and assessing the performance of, the Group's various lines of business and geographical locations.

Individual material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the type or class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

Critical accounting estimates and judgements

Estimates and assumptions concerning the future and judgements are made by the management in the preparation of the consolidated financial statements. They affect the application of the Group's accounting policies, reported amounts of assets, liabilities, income and expenses, and disclosures made. They are assessed on an on-going basis and are based on experience and relevant factors, including expectations of future events that are believed to be reasonable under the circumstances. Where appropriate, revisions to accounting estimates are recognised in the period of revision and future periods, in case the revision also affects future periods.

Key sources of estimation uncertainty

Useful lives of property, plant and equipment and intangible assets

The management determines the estimated useful lives of the Group's property, plant and equipment and intangible assets based on the historical experience of the actual useful lives of assets of similar nature and functions. The estimated useful lives could be different as a result of technical innovations which could affect the related depreciation and amortisation charges included in profit or loss.

Impairment of property, plant and equipment and intangible assets

The management determines whether the Group's property, plant and equipment and intangible assets are impaired when an indication of impairment exists or when annual impairment testing is required. This requires an estimation of the recoverable amount of the property, plant and equipment and intangible assets, which is equal to the higher of fair value less costs of disposal or the value in use. Estimating the value in use requires the management to make an estimate of the expected future cash flows from the property, plant and equipment and intangible assets and also to choose a suitable discount rate in order to calculate the present value of those cash flows. Any impairment will be charged to profit or loss.

Valuation of investment properties

The Group's investment properties are stated at fair value based on the valuation carried out by an independent firm of qualified professional valuer on an open market basis by the direct comparison approach assuming sale with the benefit of vacant possession or by making reference to comparable sale evidence as available in the relevant market.

In determining the fair value of investment properties, the valuer has based on a method of valuation which involves, inter alia, sales price of comparable properties in close proximity adjusted for differences in key valuation attributes, such as size and age. In relying on the valuation report, management has exercised their judgement and is satisfied that the method of valuation is reflective of the current market conditions as at the end of the reporting period.

Notes to the Consolidated Financial Statements

Year ended 31 December 2018

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

Critical accounting estimates and judgements *(Continued)*

Key sources of estimation uncertainty *(Continued)*

Loss allowance for ECL

The Group's management estimates the loss allowance for trade receivables by using various inputs and assumptions including risk of a default and expected loss rate. The estimation involves high degree of uncertainty which is based on the Group's historical information, existing market conditions as well as forward-looking estimates at the end of each reporting period. Where the expectation is different from the original estimate, such difference will impact the carrying amount of trade receivables.

Income taxes

The Group is subject to income taxes in several jurisdictions. Significant estimates are required in determining the provision for income taxes. There are transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business, where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impair the current income tax and deferred tax provision in the period in which such determination is made.

Future changes in IFRSs

At the date of authorisation of these consolidated financial statements, the IASB has issued the following new/revised IFRSs that are not yet effective for the current year, which the Group has not early adopted.

Annual Improvements to IFRSs	2015–2017 Cycle [1]
IFRS 16	Leases [1]
IFRIC 23	Uncertainty over Income Tax Treatments [1]
Amendments to IAS 19	Employee benefits [1]
Amendments to IAS 28	Investments in Associates and Joint Ventures [1]
Amendments to IFRS 9	Prepayment Features with Negative Compensation [1]
Amendments to IFRS 3	Definition of a Business [2]
Amendments to IASs 1 and 8	Definition of Material [2]
Amendments to References	Conceptual Framework in IFRS Standards [2]
IFRS 17	Insurance Contracts [3]
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture [4]

1 Effective for annual periods beginning on or after 1 January 2019
2 Effective for annual periods beginning on or after 1 January 2020
3 Effective for annual periods beginning on or after 1 January 2021
4 The effective date to be determined

Save for IFRS 16 as set out below, the management of the Group does not anticipate that the adoption of the new/revised IFRSs in future periods will have any material impact on the Group's consolidated financial statements.

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

Future changes in IFRSs *(Continued)*

IFRS 16: Leases

IFRS 16 significantly changes the lessee accounting by replacing the dual model under IAS 17 with a single model which requires a lessee to recognise assets and liabilities for the rights and obligations created by leases unless the exemptions apply. Besides, among other changes, it requires enhanced disclosures to be provided by lessees and lessors. Based on the preliminary assessment, the management is of the opinion that the leases of certain properties by the Group which are currently classified as operating leases under IAS 17 will trigger the recognition of right-of-use assets and lease liabilities in accordance with IFRS 16. In subsequent measurement, depreciation (and, if applicable, impairment loss) and interest will be recognised on the right-of-use assets and the lease liabilities respectively, of which the amount in total for each reporting period is not expected to be significantly different from the periodic operating lease expenses recognised under IAS 17. Apart from the effects as outlined above, it is not expected that IFRS 16 will have a material impact on the future financial position, financial performance and cash flows of the Group upon adoption.

As set out in Note 30 to the consolidated financial statements, at 31 December 2018, the total future minimum lease receivables and payables under non-cancellable operating leases of the Group in respect of office premises amounted to approximately US$17,000 and approximately US$29,000, respectively. The management of the Company does not expect the adoption of IFRS 16 as compared with the current accounting policy would result in significant impact on the Group's financial performance but it is expected that the Group has to separately recognise the interest expenses on the lease liabilities and the depreciation expense on the right-of-use assets, and that certain portion of the future minimum lease payments under the Group's operating leases will be required to be recognised in the Group's consolidated statements of financial position as right-of-use assets and lease liabilities. The Group will also be required to remeasure the lease liabilities upon the occurrence of certain events such as a change in the lease term and recognise the amount of the remeasurement of the lease liabilities as an adjustment to the right-of-use assets. In addition, payments for the principal portion of the lease liabilities will be presented within financing activities in the Group's consolidated statements of cash flows.

3. SEGMENT INFORMATION

The executive directors of the Company have been identified as the chief operating decision-makers. The executive directors of the Company review the Group's internal reports in order to assess performance and allocate resources. Management has determined the operating segments based on these reports.

Based on the products, solutions and services offered by the Group to the customers, the executive directors of the Company consider that the operating segments of the Group comprise (i) cyber infrastructure solutions including maintenance and support service income; and (ii) cyber security solutions.

The measure used for reporting segment results is "Adjusted EBITDA" (i.e. "adjusted earnings before interest, taxes, depreciation and amortisation"). To arrive at the Adjusted EBITDA, the Group's earnings before interest, taxes, depreciation and amortisation are further adjusted for items not specifically attributed to individual segments, such as listing expenses, directors' and auditors' remuneration and other head office or corporate administrative costs.

No analysis of the Group's assets and liabilities by operating segments is presented as it is not regularly provided to the chief operating decision makers for review.

In addition, the Group's place of domicile is Singapore, where the central management and control is located.

Notes to the Consolidated Financial Statements

Year ended 31 December 2018

3. SEGMENT INFORMATION *(Continued)*

The segment information provided to the executive directors of the Company for the reportable segments for the years ended 31 December 2018 and 2017 is as follows:

	Cyber infrastructure solutions *US$'000*	**Cyber security solutions** *US$'000*	**Total** *US$'000*
Year ended 31 December 2018			
Revenue from external customers and reportable segment revenue	**4,313**	**4,260**	**8,573**
Reportable segment results (Adjusted EBITDA)	**362**	**4,161**	**4,523**
Depreciation and amortisation *(Note)*	**418**	**261**	**679**
Year ended 31 December 2017			
Revenue from external customers and reportable segment revenue	4,839	3,699	8,538
Reportable segment results (Adjusted EBITDA)	2,202	2,168	4,370
Depreciation and amortisation *(Note)*	84	192	276

Reconciliation of reportable segment results

	2018 *US$'000*	2017 *US$'000*
Reportable segment results (Adjusted EBITDA)	**4,523**	4,370
Interest income	**18**	1
Depreciation and amortisation	**(681)**	(277)
Unallocated expenses	**(1,519)**	(2,368)
Profit before income tax	**2,341**	1,726
Income tax expenses	**(808)**	(546)
Profit for the year	**1,533**	1,180

Note: Unallocated depreciation to reportable segment results amounted to approximately US$2,000 for the year ended 31 December 2018 *(2017: approximately US$1,000)*.

3. SEGMENT INFORMATION *(Continued)*

Information about geographical areas

The following table sets out information about the geographical location of (i) the Group's revenue from external customers; and (ii) the Group's property, plant and equipment, investment properties, intangible assets and deposits paid for acquisition of investment properties ("Specified Non-current Assets"). The geographical location of revenue is based on the location of end users. The geographical location of the Specified Non-current Assets is based on the physical location of the assets (in the case of property, plant and equipment and investment properties: the location of operation to which they are located; in the case of intangible assets: the location of operations).

(a) Revenue from external customers

	2018	2017
	US$'000	*US$'000*
Hong Kong	**14**	20
Indonesia	**75**	42
Laos	**6**	30
Malaysia	**2,152**	3,586
Myanmar	**3,207**	149
People's Republic of China (the "PRC")	**391**	1,678
Philippines	**231**	2,109
Singapore	**461**	913
South Korea	**1,501**	–
Taiwan	**40**	–
Thailand	**494**	5
Vietnam	**1**	6
	8,573	8,538

(b) Specified Non-current Assets

	2018	2017
	US$'000	*US$'000*
Hong Kong	**2**	3
Malaysia	**–**	202
Singapore	**3,920**	1,301
The PRC	**32**	–
	3,954	1,506

Notes to the Consolidated Financial Statements

Year ended 31 December 2018

3. SEGMENT INFORMATION *(Continued)*

Information about major customers

Revenue from customers individually contributing over 10% of the total revenue of the Group for the years ended 31 December 2018 and 2017 is as follows:

	2018 **US$'000**	2017 US$'000
Customer A	**2,176**	–
Customer B	**1,760**	–
Customer C	**1,501**	–
Customer D	**1,008**	*Note*
Customer E	***Note***	3,550
Customer F	***Note***	1,726
Customer G	***Note***	1,678

Note: The customer did not contribute over 10% of the total revenue of the Group for the respective year.

4. REVENUE

	2018 **US$'000**	2017 US$'000
Cyber infrastructure solutions	**3,862**	4,673
Cyber security solutions	**4,260**	3,699
Maintenance and support service income	**451**	166
	8,573	8,538

5. OTHER INCOME

	2018 **US$'000**	2017 US$'000
Exchange gain, net	**33**	180
Government grants	**57**	16
Interest income	**18**	1
Rental income	**39**	–
Others	**2**	12
	149	209

6. PROFIT BEFORE INCOME TAX

This is stated after charging:

	2018	2017
	US$'000	*US$'000*
Staff costs and related expenses (including directors' remuneration):		
Salaries, allowances and other benefits	**1,848**	1,378
Contributions to defined contribution plans	**76**	111
Equity-settled share-based payment expenses	**190**	–
	2,114	1,489
Less: Staff costs capitalised as "Intangible Assets"	**(409)**	(294)
	1,705	1,195
Other items		
Auditors' remuneration	**115**	111
Amortisation of intangible assets	**250**	177
Depreciation of property, plant and equipment	**431**	100
Loss on disposal of subsidiaries	**19**	–
Operating lease payments on premises *(Note)*	**44**	94
Research and development expenses	**100**	92

Note: The operating lease payments capitalised as "Intangible assets" amounted to approximately US$4,000 *(2017: approximately US$21,000).*

7. DIRECTORS' EMOLUMENTS

The emoluments paid or payable to each of the following directors were as follows:

Year ended 31 December 2018

	Directors' fees	**Salaries and allowances**	**Discretionary bonus**	**Contributions to defined contribution plans**	**Total**
	US$'000	***US$'000***	***US$'000***	***US$'000***	***US$'000***
Executive directors:					
Mr. Foo Moo Teng (Chairman and chief executive officer)	**–**	**89**	**22**	**13**	**124**
Mr. Edgardo Osillada Gonzales II	**–**	**123**	**24**	**–**	**147**
Independent non-executive directors:					
Mr. Chan Ming Kit	**21**	**–**	**–**	**–**	**21**
Ms. Lim Joo Seng	**21**	**–**	**–**	**–**	**21**
Mr. Park Jee Ho	**21**	**–**	**–**	**–**	**21**
	63	**212**	**46**	**13**	**334**

Notes to the Consolidated Financial Statements

Year ended 31 December 2018

7. DIRECTORS' EMOLUMENTS *(Continued)*

Year ended 31 December 2017

	Directors' fees US$'000	Salaries and allowances US$'000	Discretionary bonus US$'000	Contributions to defined contribution plans US$'000	Total US$'000
Executive directors:					
Mr. Foo Moo Teng (Chairman and chief executive officer)	–	47	154	15	216
Mr. Edgardo Osillada Gonzales II	–	90	25	–	115
Independent non-executive directors:					
Mr. Chan Ming Kit	10	–	–	–	10
Ms. Lim Joo Seng	10	–	–	–	10
Mr. Park Jee Ho	10	–	–	–	10
	30	137	179	15	361

During the years ended 31 December 2018 and 2017, no emoluments were paid by the Group to any of these directors as an inducement to join or upon joining the Group or as a compensation for loss of office. No directors waived or agreed to waive any emoluments during the years ended 31 December 2018 and 2017.

8. FIVE HIGHEST PAID INDIVIDUALS

An analysis of the five highest paid individuals during the years ended 31 December 2018 and 2017 is as follows:

	Number of individuals 2018	Number of individuals 2017
Director	**2**	2
Non-director	**3**	3
	5	5

Details of the remuneration of the above highest paid non-director individuals are as follows:

	2018 US$'000	2017 US$'000
Salaries and allowances	**241**	124
Discretionary bonus	**40**	93
Contributions to defined contribution plans	**13**	32
	294	249

8. FIVE HIGHEST PAID INDIVIDUALS *(Continued)*

The number of these non-director individuals whose emoluments fell within the following emoluments band is as follows:

	2018	2017
Nil to HK$1,000,000	**3**	3

During the years ended 31 December 2018 and 2017, no remuneration was paid by the Group to any of these highest paid non-director individuals as an inducement to join or upon joining the Group or as a compensation for loss of office. None of these highest paid non-director individuals waived or has agreed to waive any emoluments during the years ended 31 December 2018 and 2017.

9. INCOME TAX EXPENSES

	2018	2017
	US$'000	*US$'000*
Current tax		
Singapore corporate income tax		
Current year	**588**	105
Under provision in prior year	**76**	19
	664	124
PRC enterprise income tax		
Current year	**75**	403
	739	527
Deferred tax	**69**	19
Total income tax expenses for the year	**808**	546

The group entities established in the Cayman Islands and the British Virgin Islands (the "BVI") are exempted from income tax. No provision for Hong Kong profits tax has been made as the Group had no assessable profits arising in or derived from Hong Kong during the years ended 31 December 2018 and 2017.

The Group's subsidiaries established in the PRC are subject to enterprise income tax at 25% *(2017: 25%)* of the estimated assessable profits for the year based on the existing legislation, interpretations and practices in respect thereof.

Notes to the Consolidated Financial Statements

Year ended 31 December 2018

9. INCOME TAX EXPENSES *(Continued)*

Singapore corporate income tax ("CIT") is calculated at 17% *(2017: 17%)* of the estimated assessable profits with CIT rebate of 20% *(2017: 40%)*, capped at Singapore Dollars ("SG$") 10,000 *(2017: SG$15,000)* for the year ended 31 December 2018. Singapore incorporated companies can also enjoy 75% tax exemption on the first SG$10,000 of normal chargeable income and a further 50% tax exemption on the next SG$290,000 of normal chargeable income during the years ended 31 December 2018 and 2017.

In addition, the Singapore incorporated companies can enjoy tax deductions/allowances of 400% (comprising a 300% "enhanced allowance", subject to a cap, and a 100% "base allowance") on their capital expenditure incurred on qualifying research and development activities and acquisition of qualifying information technology equipment under the "Productivity and Innovation Credit" scheme launched by the Singapore government for the year ended 31 December 2017. The scheme lapsed during the year ended 31 December 2018.

Malaysia CIT was calculated at 24% of the estimated assessable profits for the years ended 31 December 2018 and 2017. Global Expert Team Sdn. Bhd ("GET (Malaysia)"), which was disposed of during the year ended 31 December 2018, enjoyed tax rate of 18% on the first Malaysian Ringgit ("RM") 500,000 and remaining balance of the estimated assessable profits at tax rate of 24% for the years ended 31 December 2018 and 2017, respectively.

GET (Malaysia) had obtained the pioneer status effective from November 2015. A pioneer status company was eligible for exemption from income tax on eligible activities and products for five years and subject to submitting a formal request to the Malaysia Investment Development Authority on or prior to 17 October 2020 and upon the Ministry of International Trade and Industry confirming that GET (Malaysia) had been complying with all the applicable conditions as imposed, the tax relief period shall be extended for a further five years after the initial five-year tax relief period ends.

Reconciliation of income tax expenses

	2018 ***US$'000***	2017 *US$'000*
Profit before income tax	**2,341**	1,726
Tax calculated at domestic tax rates applicable to profit in the respective tax jurisdictions	**341**	425
Non-deductible expenses	**457**	350
Tax exempt revenue	**(19)**	(64)
Tax rebates	**(7)**	(11)
Tax incentives		
– Pioneer status	**–**	(36)
– Research and development expenditures and computer equipment	**–**	(145)
Under provision in prior year	**76**	19
Others	**(40)**	8
Income tax expenses	**808**	546

10. EARNINGS PER SHARE

The calculation of basic and diluted earnings per share attributable to owners of the Company is based on the following information:

	2018	2017
	US$'000	*US$'000*
Profit for the year attributable to the owners of the Company, used in basic and diluted earnings per share calculation	**1,533**	1,180
	Number of shares ('000)	
Weighted average number of ordinary shares for basic and diluted earnings per share calculation	**600,000**	531,781
	US cents	*US cents*
Basic and diluted earnings per share	**0.26**	0.22

Diluted earnings per share are same as the basis earning per share as the effect of potential ordinary shares are anti-dilutive during the year ended 31 December 2018.

Diluted earnings per share are same as the basic earnings per share as there are no dilutive potential ordinary shares in existence during the year ended 31 December 2017.

11. DIVIDENDS

The directors of the Company did not recommend a payment of a final dividend for the year ended 31 December 2018 *(2017: Nil)*.

Notes to the Consolidated Financial Statements

Year ended 31 December 2018

12. PROPERTY, PLANT AND EQUIPMENT

	Leasehold improvements *US$'000*	Furniture, fixtures and office equipment *US$'000*	Computer equipment *US$'000*	Total *US$'000*
Reconciliation of carrying amount – Year ended 31 December 2017				
At 1 January 2017	9	7	87	103
Additions	–	–	771	771
Depreciation	(6)	(4)	(90)	(100)
At 31 December 2017	3	3	768	774
Reconciliation of carrying amount – Year ended 31 December 2018				
At 1 January 2018	**3**	**3**	**768**	**774**
Additions	**–**	**2**	**687**	**689**
Depreciation	**(2)**	**(3)**	**(426)**	**(431)**
Disposals	**–**	**–**	**(2)**	**(2)**
Disposal of subsidiaries *(Note 25)*	**(1)**	**(1)**	**(1)**	**(3)**
At 31 December 2018	**–**	**1**	**1,026**	**1,027**
At 31 December 2017				
Cost	20	15	1,030	1,065
Accumulated depreciation	(17)	(12)	(262)	(291)
Net book value	3	3	768	774
At 31 December 2018				
Cost	**8**	**14**	**1,598**	**1,620**
Accumulated depreciation	**(8)**	**(13)**	**(572)**	**(593)**
Net book value	**–**	**1**	**1,026**	**1,027**

13. INVESTMENT PROPERTIES

	2018 ***US$'000***	2017 *US$'000*
At 1 January	–	–
Additions	**2,313**	–
Fair value at 31 December	**2,313**	–

13. INVESTMENT PROPERTIES *(Continued)*

At the end of the reporting period, the investment properties located in Singapore with fair value of approximately US$2,313,000 *(2017: Nil)* was valued by SRX Valuations, an independent professional qualified valuer with appropriate qualification and rent experience in the valuation of similar properties in the relevant location. The valuation, which conforms to the International Valuation Standards, was conducted using direct comparison approach by making reference to comparable sales evidences as available in the relevant market. Sales prices of comparable properties in close proximity adjusted for differences in key valuation attributes, such as size, was used to value the properties. The most significant input into this valuation approach is price per square foot.

All of the Group's property interests held under operating leases to earn rental or for capital appreciation purposes are measured using the fair value model and are classified and accounted for as investment properties.

14. INTANGIBLE ASSETS

	Internally developed technologies *US$'000*
Reconciliation of carrying amount – Year ended 31 December 2017	
At 1 January 2017	471
Additions	323
Amortisation	(177)
At 31 December 2017	617
Reconciliation of carrying amount – Year ended 31 December 2018	
At 1 January 2018	**617**
Additions	**425**
Amortisation	**(250)**
Disposal of subsidiaries *(Note 25)*	**(178)**
At 31 December 2018	**614**
At 31 December 2017	
Cost	1,349
Accumulated amortisation	(732)
Net book value	617
At 31 December 2018	
Cost	**1,505**
Accumulated amortisation	**(891)**
Net book value	**614**

Notes to the Consolidated Financial Statements

Year ended 31 December 2018

14. INTANGIBLE ASSETS *(Continued)*

Development costs represented costs incurred at the development phase of certain new technologies, which are capitalised and amortised (if applicable) in accordance with the accounting policies set out in Note 2 to the consolidated financial statements.

The carrying amounts of intangible assets yet to be available for use at 31 December 2018 were approximately US$226,000 *(2017: approximately US$278,000)*.

The Group carries out annual impairment test for intangible assets already in use where an indicator of impairment appears by comparing their recoverable amounts to their carrying amounts at the end of each reporting period. The Group carries out annual impairment test for intangible assets yet to be available for use by comparing their recoverable amounts to their carrying amounts at the end of the reporting period.

The recoverable amount of intangible assets yet to be available for use was assessed on the value in use. These assessments used pre-tax cash flow projections based on a three-year financial budget approved by the management. The estimated revenue and costs for each individual intangible asset yet to be available for use within the three-year period were based on management expectation. Projected cash flows are discounted at a suitable pre-tax discount rate to reflect the specific risks involved over the forecasted period.

At 31 December 2018 and 2017, the management is of the view that (i) there is no impairment indication for the intangible assets already in use and (ii) the intangible assets yet to be available for use were not impaired as their recoverable amounts exceed their carrying amounts.

15. SUBSIDIARIES

Details of principal subsidiaries at the end of the reporting period are as follows:

Name of subsidiary	Place of incorporation	Paid-up/registered share capital	Attributable equity interest held by the Company 2018	2017	Principal activities and place of operation
Directly held by the Company					
Nexion Global Investments Limited ("Nexion Global (BVI)")	The BVI	US$10,000	**100%**	100%	Investment holding, Hong Kong
Indirectly held by the Company					
Nexion (Hong Kong) Limited	Hong Kong	HK$100	**100%**	100%	Provision of administrative and secretarial services and development of cyber infrastructure solutions services to the Group's companies, Hong Kong
Nex Investment HK Limited	Hong Kong	HK$100	**100%**	100%	Investment holding, Hong Kong
Netsis Technology (S) Pte. Ltd.	Singapore	SG$500,000	**100%**	100%	Provision of cyber infrastructure solutions services, Singapore
Expert Team Pte. Ltd.	Singapore	SG$300,000	**100%**	100%	Provision of cyber security solutions services, Singapore
GET (Malaysia)	Malaysia	RM100,000	**N/A** *(Note 25)*	100%	Provision of cyber security solutions services, Malaysia

15. SUBSIDIARIES *(Continued)*

Name of subsidiary	Place of incorporation	Paid-up/registered share capital	Attributable equity interest held by the Company		Principal activities and place of operation
			2018	2017	
蘇州訊科易通訊技術有限公司 (Suzhou Xun Keyi Communication Technology Co., Ltd.)*	The PRC	Renminbi ("RMB") 1,000,000	**100%**	100%	Provision of cyber infrastructure solutions and consulting services, The PRC
Nexion Investment Pte. Ltd.	Singapore	SG$100	**100%**	100%	Property holding, Singapore

* English name is for identification purpose only.

The above table lists the subsidiaries of the Company which, in the opinion of the management, principally affected the results or formed a substantial portion of the net assets of the Group. To give details of other subsidiaries would, in the opinion of the management, result in particulars of excessive length.

16. FINANCIAL ASSETS AT DESIGNATED FVOCI

	2018 *US$'000*	2017 *US$'000*
Equity securities		
Listed in Hong Kong	**98**	–

During the year ended 31 December 2018, the Group acquired certain equity securities listed in Hong Kong and the Group irrevocably designated those investments in equity securities as financial assets at Designated FVOCI because these equity securities represent investments that the Group intends to hold for long term for strategic purposes.

At 31 December 2018, the fair value of financial assets at Designated FVOCI is determined on the basis of quoted market price.

No investments in financial assets at Designated FVOCI have been disposed of during the year ended 31 December 2018. There were no transfers of any cumulative gain or loss arising from financial assets at Designated FVOCI within equity during the year ended 31 December 2018.

17. INVENTORIES

	2018 *US$'000*	2017 *US$'000*
Computer hardware for reselling	**109**	78

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Year ended 31 December 2018

18. TRADE AND OTHER RECEIVABLES

	Notes	2018 US$'000	2017 US$'000
Trade receivables from third parties	*(a)*	**3,136**	5,388
Other receivables			
Prepayments		**1,112**	373
Deposits and other receivables		**35**	124
Deposits on investments	*(b)*	**1,166**	–
Loan to a third party	*(c)*	**513**	–
		2,826	497
		5,962	5,885

Information about the Group's exposure to credit risks and loss allowance for trade and other receivables is included in Note 27 to the consolidated financial statements.

(a) The Group normally grants credit terms up to 30 days, from the date of issuance of invoices, to its customers and specific progress billing arrangement with the last instalment paid up to 6 months after delivery may be agreed with individual customers as approved by the management on a case by case basis. The ageing analysis of trade receivables based on invoice date at the end of each reporting period is as follows:

	2018 US$'000	2017 US$'000
Within 30 days	**1,796**	5,083
31 to 60 days	**245**	182
61 to 90 days	**46**	2
Over 90 days	**1,049**	121
	3,136	5,388

At the end of each reporting period, the ageing analysis of the trade receivables by due date is as follows:

	2018 US$'000	2017 US$'000
Not yet due	**1,884**	5,151
Past due:		
Within 30 days	**255**	115
31 to 60 days	**46**	1
61 to 90 days	**16**	98
Over 90 days	**935**	23
	1,252	237
	3,136	5,388

18. TRADE AND OTHER RECEIVABLES *(Continued)*

(b) The amounts represented the refundable deposits paid to two independent third parties on potential investments in joint ventures in the PRC and Southeast Asia Region at amount of HK$4,550,000 (equivalent to approximately US$583,000) and HK$4,550,000 (equivalent to approximately US$583,000) respectively. The Group is yet to enter into any formal agreements for the potential investments.

(c) At the end of the reporting period, loan to a third party is unsecured, carries fixed interest rates at 4% per annum, and is repayable within one year. The loan to a third party is not yet past due at 31 December 2018.

19. TRADE AND OTHER PAYABLES

	Notes	**2018** **US$'000**	2017 US$'000
Trade payables to third parties	*(a)*	**243**	539
Other payables			
Accruals and other payables		**216**	346
Receipt in advance	*(b)*	**694**	521
		910	867
		1,153	1,406

(a) The trade payables are non-interest bearing and the Group is normally granted with a credit term up to 30 days. At the end of each reporting period, the ageing analysis of the trade payables based on invoice date is as follows:

	2018 **US$'000**	2017 US$'000
Within 30 days	**188**	537
31 to 60 days	**7**	–
61 to 90 days	**6**	1
Over 90 days	**42**	1
	243	539

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19. TRADE AND OTHER PAYABLES *(Continued)*

(b) The movements (excluding those arising from increases and decreases both occurred within the same year) of receipt in advance from contracts with customer within IFRS 15 during the year ended 31 December 2018 are as follows:

	US$'000
At the beginning of the reporting period	521
Recognised as revenue	(929)
Receipt of advances or recognition of receivables	1,102
At the end of the reporting period	**694**

20. DEFERRED TAX

The movements for the year in the Group's deferred tax liabilities are as follows:

	2018	2017
	US$'000	*US$'000*
At the beginning of the reporting period	**101**	82
Charge to profit or loss	**69**	19
Disposal of subsidiaries *(Note 25)*	**(20)**	–
At the end of the reporting period	**150**	101

Recognised deferred tax assets and liabilities at the end of each reporting period represent the following:

	Assets		**Liabilities**	
	2018	2017	**2018**	2017
	US$'000	*US$'000*	***US$'000***	*US$'000*
Depreciation allowance	–	–	**(44)**	(35)
Intangible assets	–	–	**(106)**	(92)
Tax losses	–	26	–	–
	–	26	**(150)**	(127)
Offsetting	–	(26)	–	26
Net deferred tax liabilities	–	–	**(150)**	(101)

The unused tax losses have no expiry date under current tax legislation.

20. DEFERRED TAX *(Continued)*

Under the Enterprise Income Tax Law of PRC, withholding tax is imposed on dividends declared in respect of profits earned by the PRC subsidiaries. Deferred taxation has not been provided for in the consolidated financial statements in respect of temporary differences attributable to accumulated profits of the PRC subsidiaries amounting to approximately US$37,000 *(2017: approximately US$61,000)* as the Group is able to control the timing of the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future for the year ended 31 December 2018.

21. SHARE CAPITAL

	Notes	Number of shares	*HK$*	Equivalent to *US$*
Ordinary share of HK$0.01 each				
Authorised:				
At 1 January 2017		38,000,000	380,000	48,718
Increase	*(i)*	5,962,000,000	59,620,000	7,643,590
At 31 December 2017 and **31 December 2018**		**6,000,000,000**	**60,000,000**	**7,692,308**
Issued and fully paid:				
At 1 January 2017		100,000	1,000	128
Capitalisation Issue	*(ii)*	449,900,000	4,499,000	576,795
Issuance of new shares by way of public offer	*(iii)*	150,000,000	1,500,000	192,308
At 31 December 2017 and **31 December 2018**		**600,000,000**	**6,000,000**	**769,231**

Notes:

(i) On 31 May 2017, the authorised share capital of the Company was increased from HK$380,000 to HK$60,000,000 by the creation of additional 5,962,000,000 shares of HK$0.01 each.

(ii) On 16 June 2017, 449,900,000 shares of HK$0.01 each were issued and allotted to the existing shareholders, credited as fully paid at par by way of capitalisation of the sum of HK$4,499,000 standing to be credit of the share premium account of the Company (the "Capitalisation Issue").

(iii) On 16 June 2017, the public offer of 150,000,000 shares of the Company of HK$0.01 each at the offer price of HK$0.48 per public offer share were issued and allotted.

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22. RESERVES

Share premium

It represents the excess of the net proceeds from issuance of the Company's shares over its par value. Under the law of the Cayman Islands and the Company's Articles of Association, it is distributable to the Company's shareholders provided that the Company is able to pay its debts as they fall due in the ordinary course of business.

Capital reserve

For the consolidated statement of financial position of the Group, it represents the aggregate amount of the issued and paid-up share capital of the entities now comprising the Group before completion of the reorganisation, which carried out in preparation for the listing of the Company's shares, less consideration paid to acquire the relevant interests (if any) upon completion of the reorganisation.

For the statement of financial position of the Company, it represents the combined net assets value of Nexion Global (BVI) and its subsidiaries upon the execution of share swap, which was acquired by the Company by way of allotment of the Company's share through share swap, less the nominal value of the Company's share issued.

Statutory reserve

As stipulated by the relevant laws and regulations for enterprises incorporated/established in the PRC, the subsidiaries of the Group in the PRC are required to set up certain statutory reserves. The transfer of these reserves is at discretion of the directors of the respective subsidiaries. The statutory reserves can only be utilised for predetermined means upon approval by the relevant authority.

Fair value reserve

The reserve comprises the cumulative net change in the fair value of financial assets at Designated FVOCI at the end of the reporting period and is dealt with in accordance with the accounting policies adopted.

Exchange reserve

Exchange reserve has been set up and is dealt with in accordance with the accounting policies adopted for foreign currency translation as set out in Note 2 to the consolidated financial statements.

23. SHARE OPTION SCHEME

On 31 May 2017, the Company adopted a share option scheme (the "Scheme") for the purpose of recognising and motivating the contribution of the eligible persons to the Company and/or any of its subsidiaries and invested entities.

The total number of shares which may be issued upon exercise of all options to be granted under the Scheme and any other schemes must not exceed 10% of the shares in issue at the date of adoption of the Scheme (the 10% Limit") or the date of any shareholders' meeting in refreshing the 10% Limit, if applicable. The total number of the shares issued and to be issued upon exercise of the options granted to a participant under the Scheme (including both exercised and outstanding options) in any 12-month period must not exceed 1% of the shares in issue on the last day of such 12-month period unless approval from the shareholders of the Company in general meeting is obtained with such participant and his/her associates abstaining from voting.

23. SHARE OPTION SCHEME *(Continued)*

The offer of a grant of share options may be accepted upon payment of a nominal consideration of HK$1 in total by the grantee. The exercise period of the share options granted is determinable by the directors and ends on a date which is not later than 10 years from the date of the offer of the share options or the expiry date of the Scheme, if earlier.

The exercise price of share options is determinable by the directors, but may not be less than the highest of (i) the Stock Exchange closing price of the Company's shares on the date of the offer of the share options; (ii) the average Stock Exchange closing price of the Company's shares for the five trading days immediately preceding the date of offer; and (iii) the nominal value of the Company's shares.

Share options do not confer rights on the holders to dividends or to vote at shareholders' meetings.

Movements on share options during the year ended 31 December 2018 are as follows.

	Number of share options
At 1 January 2018	–
Granted during the year *(Note i)*	28,800,000
Forfeited during the year *(Note ii)*	(28,800,000)
At 31 December 2018	–

Note:

(i) On 3 January 2018 (the "Date of Grant"), the Company offered to grant a total of 28,800,000 share options at an exercise price of HK$0.61 per share of the Company to certain eligible participants (the "Grantees") pursuant to the Scheme. The Grantees are entitled, subject to the terms and conditions of the grant and upon exercise, to subscribe a total of 28,800,000 ordinary shares in the share capital of the Company.

The validity period of the share options is ten years from 3 January 2018, subject to various vesting conditions range from vesting immediately to vesting by two years.

The fair values of share options granted on 3 January 2018 ranges from approximately HK$0.21 to HK$0.25 per option, which are calculated using a Binominal Option Pricing Model by an independent valuer, Asset Appraisal Limited, with the following key inputs:

Share price at the date of grant	HK$0.60
Exercise price	HK$0.61
Expected volatility	48.16%
Risk-free interest rate	1.75%
Expected dividends	Nil
Voluntary exercise boundary multiple	N/A

(ii) During the year ended 31 December 2018, the share options granted were all forfeited upon resignation of the Grantees as staff of the Group (the "Resignation"). None of the share options was exercised and all the Grantees were no longer eligible to the share option scheme upon the Resignation. There was no outstanding share options at 31 December 2018.

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23. SHARE OPTION SCHEME *(Continued)*

(ii) *(Continued)*

During the year ended 31 December 2018, with reference to the fair value of the share options granted, the Group recognised approximately HK$1,485,000 (equivalent to approximately US$190,000) *(2017: Nil)* as equity-settled share-based payment expenses. The equity-settled share-based payment expenses recognised in share options reserve was transferred to accumulated profits upon forfeiture. The movements are set out as follow:

	Number of share options	*US$'000*
Total expenses recognised up to the Resignation	28,800,000	669
Less: Forfeiture of share options granted but not vested	(21,600,000)	(479)
Forfeiture of share options granted and vested which recognised in profit or loss	**7,200,000**	**190**

24 CASH GENERATED FROM (USED IN) OPERATIONS

	2018 **US$'000**	2017 US$'000
Profit before income tax	**2,341**	1,726
Amortisation	**250**	177
Depreciation	**431**	100
Equity-settled share-based payment expenses	**190**	–
Loss on disposal of subsidiaries	**19**	–
Interest income	**(18)**	(1)
Changes in working capital:		
Inventories	**(33)**	(15)
Trade and other receivables	**(190)**	(3,479)
Trade and other payables	**(256)**	912
Cash generated from (used in) operations	**2,734**	(580)

25. DISPOSAL OF SUBSIDIARIES

On 28 March 2018, the Group disposed the entire equity interests in Global Expert Team (BVI) Limited and its subsidiary, GET (Malaysia) (collectively, the "GET Group") to an independent third party at a consideration of HK$2,000,000 (equivalent to approximately US$256,000). The details of the disposal are as follows:

	US$'000
Net assets disposed of	
Property, plant and equipment	3
Intangible assets	178
Inventories	2
Other receivables	11
Bank balances and cash	104
Trade and other payables	(3)
Deferred tax liabilities	(20)
	275

	US$'000
Cash consideration	256
Less: net assets disposed of	(275)
Loss on disposal of subsidiaries	(19)

Analysis of net inflow of cash and cash equivalents in respect of disposal of subsidiaries is as follows:

	US$'000
Cash consideration	256
Cash and cash equivalents disposed of	(104)
Net inflow of cash and cash equivalents	152

Notes to the Consolidated Financial Statements

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26. RELATED PARTIES TRANSACTIONS

In addition to the transactions/information disclosed elsewhere in the consolidated financial statements, the Group had the following transactions with related parties:

Key management personnel (including directors) remuneration

	2018 US$'000	2017 US$'000
Salaries, allowances and other benefits	572	575
Contributions to defined contribution retirement schemes	40	45
	612	620

Further details of the directors' remuneration are set out in Note 7 to the consolidated financial statements.

27. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments comprise financial assets at Designated FVOCI and bank balances and cash. The main purpose of these financial instruments is to raise and maintain finance for the Group's operations. The Group has various other financial instruments such as trade and other receivables/payables which arise directly from its business activities.

The accounting policies for financial instruments have been applied to the line items below:

At 31 December 2018	Financial assets at amortised cost US$'000	Financial assets at Designated FVOCI US$'000	Total US$'000
Assets as per consolidated statement of financial position			
Financial assets at Designated FVOCI	–	98	98
Trade and other receivables	4,850	–	4,850
Bank balances and cash	7,818	–	7,818
Total	12,668	98	12,766

	Financial liabilities at amortised cost US$'000	Total US$'000
Liabilities as per consolidated statement of financial position		
Trade and other payables	459	459

27. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

At 31 December 2017	Loans and receivables *US$'000*	Total *US$'000*
Assets as per consolidated statement of financial position		
Trade and other receivables	5,512	5,512
Bank balances and cash	9,492	9,492
Total	15,004	15,004

	Financial liabilities at amortised cost *US$'000*	Total *US$'000*
Liabilities as per consolidated statement of financial position		
Trade and other payables	885	885

The main risks arising from the Group's financial instruments are credit risk, currency risk, equity price risk and liquidity risk. The Group does not have any written risk management policies and guidelines. However, the management generally adopts conservative strategies on its risk management and limits the Group's exposure to these risks to a minimum level as follows:

Credit risk

Credit risk refers to the risk that debtors will default on their obligations to repay the amounts due to the Group, resulting in a loss to the Group. The Group's credit risk is mainly attributable to trade and other receivables. The Group limits its exposure to credit risk by selecting the counterparties with reference to their past credit history and/or market reputation. The Group's maximum exposure to the credit risk is summarised as follows:

	2018 ***US$'000***	2017 *US$'000*
Trade and other receivables	**4,850**	5,512
Bank balances and cash	**7,818**	9,492
	12,668	15,004

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27. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

Credit risk *(Continued)*

Trade receivables

The Group trades with recognised and creditworthy third parties. Before accepting any new customer, the Group assesses the potential customer's credit quality and defines credit limits for the customer. The receivable balances are monitored on an ongoing basis by senior management and the Group's exposure to bad debts is not significant.

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. The default risk of the industry and country in which customers operate also has an influence on credit risk but to a lesser extent. Credit quality of a customer is assessed based on an extensive credit rating and individual credit limit assessment which is mainly based on the Group's own trading records.

At 31 December 2018, the Group had a concentration of credit risk as approximately 49% *(2017: approximately 46%)* of the total trade receivables was due from the Group's largest trade debtor and approximately 99% *(2017: approximately 95%)* of the total trade receivables was due from the Group's five largest trade debtors.

The Group's customer base consists of a wide range of customers and the trade receivables are categorised by common risk characteristics that are representative of the customers' abilities to pay all amounts due in accordance with the contractual terms. The Group applies a simplified approach in calculating ECL for trade receivables and recognises a loss allowance based on lifetime ECL at each reporting date and specifically estimated the ECL for each debtor by reference to its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment. No loss allowance was recognised at 31 December 2018. There was no change in the estimation techniques or significant assumptions made during the year.

Included in the Group's trade receivables at 31 December 2017 were trade receivables with a carrying amount at approximately US$237,000 which were past due at 31 December 2017 but which the Group had not impaired as there has not been any significant changes in credit quality of customers and the management believed that the amounts would be fully recoverable.

Receivables that were neither past due nor impaired at 31 December 2017 related to a wide range of customers for whom there was no history of default. No provision on impairment was made for the year ended 31 December 2017.

The Group does not hold any collateral over the trade receivables at 31 December 2018 *(2017: Nil)*.

27. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

Credit risk *(Continued)*

Other receivables

The Group considers that the other receivables, including deposits and other receivables, deposits on investments and loan to a third party, have low credit risk based on the borrower's strong capacity to meet its contractual cash flow obligations in the near term and low risk of default. No impairment on the other receivables is recognised based on the measurement on 12-month ECL.

In estimating the ECL, the Group has taken into account the financial position of the counterparties by reference to, among others, its management or audited accounts and available press information, adjusted for forward-looking factors that are specific to the counterparties and general economic conditions of the industry in which the counterparties operate, in estimating the probability of default of the financial asset, as well as the loss upon default. The management of the Group considers the ECL of the other receivables to be insignificant after taking into account the financial position and credit quality of the counterparties.

Bank balances and cash

The management considers the credit risk in respect of bank balances and cash is minimal because the counter-parties are authorised financial institutions with high credit ratings.

Foreign currency risk

The Group's transactions are mainly denominated in HK$, SG$, RMB and US$.

At 31 December 2018 and 2017, the Group had a minimal exposure to foreign currency risk as most of its business transactions, assets and liabilities were principally denominated in the respective functional currencies used by the respective group entities, except for certain financial assets and financial liabilities of the Group are denominated in currencies other than the functional currency of the respective group entities and therefore, exposed to foreign currency risk. The carrying amounts of those financial assets and liabilities at 31 December 2018 and 2017 are analysed as follows:

	2018		2017	
	Financial assets	**Financial liabilities**	Financial assets	Financial liabilities
	US$'000	***US$'000***	*US$'000*	*US$'000*
SG$	**287**	**(93)**	380	(119)

The following table indicates the approximate changes in the Group's profit before income tax if exchange rates of the SG$ had changed against the functional currencies of the respective group entities by 10% and all other variables were held constant at the end of the reporting period:

	2018	2017
	US'000	*US$'000*
SG$		
+10%	**19**	26
-10%	**(19)**	(26)

The sensitivity analysis has been determined assuming that the changes in foreign exchange rates had occurred at the end of each reporting period and had been applied to the Group's exposure to currency risk for financial instruments in existence at that date, and that all other variables, in particular interest rates, remain constant.

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27. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

Foreign currency risk *(Continued)*

The stated changes represent management's assessment of reasonably possible changes in foreign exchange rates over the year until the end of the next reporting period.

In the opinion of the management, the sensitivity analysis is unrepresentative of the inherent foreign exchange risk because the exposure at the end of the reporting period does not reflect the exposure during the reporting period.

The Group does not have a foreign currency hedging policy in respect of its foreign currency assets and liabilities. The Group will closely monitor its foreign currency exposure and will consider using hedging instruments in respect of significant foreign currency exposure as and when appropriate.

Equity price risk

The Group is exposed to price risks arising from equity investments held under financial assets at Designated FVOCI amounted to approximately US$98,000 *(2017: Nil)*. Equity investments are held for strategic rather than trading purposes. The Group does not actively trade these investments. The sensitivity analysis has been determined based on the exposure to equity price risk. At the end of the reporting period, if the equity price to the valuation model had been 10% *(2017: Nil)* higher/lower while all other variables were held constant, the Group's net profit would have been unaffected since all the equity investments are classified as financial assets at Designated FVOCI *(2017: Nil)* and no investments were disposed of or impaired. Fair value reserves would be increased/decreased by approximately US$10,000 *(2017: Nil)* as a result of changes in fair value of financial assets at Designated FVOCI *(2017: Nil)*.

The sensitivity analysis has been determined assuming that the reasonably possible changes in the stock prices had occurred at the end of the reporting period and had been applied to the exposure to equity price risk in existence at that date. It is also assumed that the fair values of the Group's investments would change in accordance with the stock prices and that all other variables remain constant. The stated changes represent management's assessment of reasonably possible changes in the relevant stock prices over the period until the next annual end of the reporting period.

Liquidity risk

The Group's objective is to maintain a balance between continuity of funding and flexibility. The Group has no specific policy for managing its liquidity. The remaining undiscounted contractual maturity profile of the Group's non-derivative financial liabilities, which are all interest-free at the end of each reporting period, based on the earliest date on which the Group is required to settle, is within one year or repayable on demand.

28. CAPITAL MANAGEMENT

The objectives of the Group's capital management are to safeguard the Group's ability to continue as a going concern and to provide returns for equity owners. The Group manages its capital structure and makes adjustments, including payment of dividends to equity owners, issue of new shares or sale of assets to reduce debts. No changes were made in the objectives, policies or processes during the years ended 31 December 2018 and 2017.

29. FAIR VALUE MEASUREMENT

The following presents the assets and liabilities measured at fair value or required to disclose their fair value in these financial statements on a recurring basis across the three levels of the fair value hierarchy defined in IFRS 13, Fair Value Measurement, with the fair value measurement categorised in its entirety based on the lowest level input that is significant to the entire measurement. The levels of inputs are defined as follows:

- Level 1 (highest level): quoted prices (unadjusted) in active markets for identical assets or liabilities that the Group 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;

- Level 3 (lowest level): unobservable inputs for the asset or liability.

a) Assets measured at fair value

	Level 1	**Level 2**
	US$'000	*US$'000*
2018		
Financial assets at Designated FVOCI		
Equity securities listed in Hong Kong	98	–
Investment properties		
Located in Singapore	–	2,313

During the year ended 31 December 2018, there were no transfers between Level 1 and Level 2 fair value measurements *(2017: Nil)*, and no transfers into and out of Level 3 fair value measurements *(2017: Nil)*.

b) Financial assets and liabilities not measured at fair value

The carrying amount of the financial assets and liability carried at amortised cost in the consolidated financial statements approximate their fair values due to the relative short-term maturity of these financial instruments.

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30. OPERATING LEASE COMMITMENTS

As a lessor

The Group leases out all its investment properties under operating leases with average lease terms of 1 to 2 years. The future aggregate minimum rental receivables under non-cancellable operating leases are as follows:

	2018	2017
	US$'000	*US$'000*
Within one year	**17**	–

As a lessee

The Group leases a number of properties under operating leases, which typically run for an initial period of 1 to 2 years. None of the leases includes contingent rentals.

At the end of each reporting period, the Group had total future minimum lease payments under non-cancellable operating leases, which are payable as follows:

	2018	2017
	US$'000	*US$'000*
Within one year	**29**	58

31. CAPITAL COMMITMENTS

At 31 December 2018, the Group had no significant capital commitment.

At 31 December 2017, the Group had commitment, net of deposits paid of approximately US$115,000, of approximately US$2,186,000 principally related to the acquisition of two properties located in Singapore. The transactions were completed during the year ended 31 December 2018.

32. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

Pursuant to the disclosure requirements of Hong Kong Companies Ordinance, the statement of financial position of the Company and the movements in its reserves is set out below:

	Notes	**2018** **US$'000**	2017 US$'000
Non-current assets			
Investment in a subsidiary		**3,922**	3,922
Current assets			
Amounts due from subsidiaries	*32(b)*	**10,577**	8,495
Bank balances and cash		**813**	1,936
		11,390	10,431
Current liabilities			
Amounts due to subsidiaries	*32(b)*	**957**	–
Net current assets		**10,433**	10,431
NET ASSETS		**14,355**	14,353
Capital and reserves			
Share capital	*21*	**769**	769
Reserves	*32(a)*	**13,586**	13,584
TOTAL EQUITY		**14,355**	14,353

This statement of financial position was approved and authorised for issue by the Board of Directors on 26 March 2019 and signed on its behalf by

Foo Moo Teng
Director

Edgardo Osillada Gonzales II
Director

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32. STATEMENT OF FINANCIAL POSITION OF THE COMPANY *(Continued)*

(a) Movements of the reserves

	Share premium US$'000 (Note 22)	Capital reserve US$'000 (Note 22)	Accumulated profits US$'000	Total US$'000
At 1 January 2017	1,200	3,922	–	5,122
Transactions with owners:				
Contributions and distributions				
Capitalisation Issue	(577)	–	–	(577)
Issue of new shares by way of public offer	9,039	–	–	9,039
Total transactions with owners	8,462	–	–	8,462
At 31 December 2017	9,662	3,922	–	13,584
At 1 January 2018	**9,662**	**3,922**	**–**	**13,584**
Profit and total comprehensive income for the year	**–**	**–**	**2**	**2**
At 31 December 2018	**9,662**	**3,922**	**2**	**13,586**

Certain corporate administrative costs and listing expenses of the Company were borne by the subsidiaries of the Company without recharge.

(b) Amounts due from (to) subsidiaries

The amounts due are unsecured, interest-free and have no fixed repayment term.

Financial Summary

The summary of the published results and of the assets and liabilities of the Group for the last five years is as follows:

RESULTS

	For the year ended 31 December				
	2018	2017	2016	2015	2014
	US$'000	*US$'000*	*US$'000*	*US$'000*	*US$'000*
	Note (a)	*Note (a)*	*Note (b)*	*Note (b)*	*Note (b)*
Revenue	**8,573**	8,538	5,635	3,715	2,443
Other income	**149**	209	84	13	24
Cost of inventories sold	**(3,134)**	(3,164)	(2,122)	(1,423)	(495)
Staff costs and related expenses	**(1,705)**	(1,195)	(928)	(452)	(273)
Depreciation and amortisation	**(681)**	(277)	(316)	(212)	(115)
Other operating expenses	**(861)**	(752)	(428)	(266)	(213)
Listing expenses	**–**	(1,633)	(514)	–	–
Profit before income tax	**2,341**	1,726	1,411	1,375	1,371
Income tax expenses	**(808)**	(546)	(135)	(25)	(8)
Profit for the year attributable to owners of the Company	**1,533**	1,180	1,276	1,350	1,363

ASSETS AND LIABILITIES

	As at 31 December				
	2018	2017	2016	2015	2014
	US$'000	*US$'000*	*US$'000*	*US$'000*	*US$'000*
	Note (a)	*Note (a)*	*Note (b)*	*Note (b)*	*Note (b)*
Total assets	**17,941**	16,961	6,026	3,344	2,330
Total liabilities	**(2,047)**	(2,089)	(647)	(464)	(320)
Total equity	**15,894**	14,872	5,379	2,880	2,010

Notes

(a) The financial figures were extracted from the consolidated financial statements in the annual report.

(b) The financial figures were extracted from the Prospectus.

Financial Summary

FINANCIAL HIGHLIGHTS

		For the year ended 31 December				
		2018	2017	2016	2015	2014
Financial performance		***US$'000***	*US$'000*	*US$'000*	*US$'000*	*US$'000*
Revenue		**8,573**	8,538	5,635	3,715	2,443
Net Profit		**1,533**	1,180	1,276	1,350	1,363
Net profit margin	*Note 1*	**17.9%**	13.8%	22.6%	36.3%	55.8%
Financial position						
Current ratio	*Note 2*	**7.3**	7.8	9.6	6.2	6.4
Quick ratio	*Note 3*	**7.3**	7.7	9.5	6.1	6.3
Gearing ratio	*Note 4*	**N/A**	N/A	N/A	N/A	N/A
Net debt-to-equity ratio	*Note 5*	**Net cash**	Net cash	Net cash	Net cash	Net cash
Return on equity	*Note 6*	**9.6%**	7.9%	23.7%	46.9%	67.8%
Return on assets	*Note 7*	**8.5%**	7.0%	21.2%	40.4%	58.5%

Notes

1. Net profit margin is derived by dividing revenue by net profit as at the end of the relevant financial year.

2. Current ratio is derived by dividing the current assets by current liabilities as at the end of the relevant financial year.

3. Quick ratio is derived by dividing the current assets less inventories by current liabilities as at the end of the relevant financial year.

4. Gearing ratio is the total amount of bank borrowings as a percentage of total equity as at the end of the relevant financial year.

5. Net debt-to-equity ratio is the total amount of bank borrowings less bank balances and cash as a percentage of total equity as at the end of the relevant financial year.

6. Return on equity is the net profit for the year as a percentage of total equity as at the end of the relevant financial year.

7. Return on assets is derived by dividing net profit for the year by total assets as at the end of the relevant financial year.