NEXION TECHNOLOGIES LIMITED

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

2017
ANNUAL REPORT

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This report, for which 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. The directors of the Company, 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
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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. Tsang Tik Man, *CPA (HKICPA)*
(appointed on 29 December 2017)
Mr. Yeung Kwong Wai, *CPA (practising) (HKICPA), CPA (AICPA) and CFA* *(resigned on 29 December 2017)*

AUTHORISED REPRESENTATIVES
Mr. Tsang Tik Man, *CPA (HKICPA)*
(appointed on 29 December 2017)
Mr. Yeung Kwong Wai, *(CPA) (practising) (HKICPA), CPA (AICPA) and CFA* *(resigned on 29 December 2017)*
Mr. Foo Moo Teng

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
Mr. Park Jee Ho
Ms. Lim Joo Seng

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

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
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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
Hong Kong

Corporate Information

PRINCIPAL BANKERS

Oversea-Chinese Banking Corporation Limited
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COMPLIANCE ADVISER

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LEGAL ADVISER

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JOINT AUDITORS

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Hong Kong

Mazars LLP
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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"), I am pleased to present to our shareholders (the "Shareholders") the annual report of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 31 December 2017.

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.

For the year ended 31 December 2017, the revenue of the Group increased from approximately US$5,635,000 to approximately US$8,538,000. The increase was mainly contributed from the consulting service in the People's Republic of China (the "PRC") and the fulfillment of the remaining contract sum of the client based in Malaysia.

Despite the increase in the amount of revenue in the year of 2017, the profit and total comprehensive income decreased from approximately US$1,276,000 for the year ended 31 December 2016 to approximately US$1,194,000 for the year ended 31 December 2017. This was mainly due to the one-off Listing expenses of approximately US$1,633,000 incurred during the year.

The year of 2017 is an important milestone to the Company. The shares of the Company (the "Share") were successfully listed on GEM of the Stock Exchange on 16 June 2017 (the "Listing Date") (the "Listing"). I would like to express my sincere gratitude to all Shareholders, professional parties, customers, working partners, advisors and employees for their contributions to our success in the Listing.

The fund raised from the Listing allows the Company to embrace potential opportunities by expanding and developing the business in the PRC. The demand of the establishment and upgrade of information infrastructure system will remain strong along with The 13th Five-Year National Informatisation Plan ("十三五"國家信息化規劃) as promulgated by the State Council of the PRC in December 2016. The Company will strengthen 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.

The Listing not only raised additional fund for our future business development, but also further established a better reputation in the market, which allowed the Company to seize the growing opportunities in the future.

Foo Moo Teng
Chairman

Hong Kong, 23 March 2018

Biographical Details of Directors and Senior Management

EXECUTIVE DIRECTORS

Mr. Foo Moo Teng (符懋胜) ("Mr. Foo"), aged 52, is a founder, chairman, an executive director and chief executive officer of the Group. Mr. Foo is primarily in charge of the Group's overall corporate strategy and the daily operations of the Group, including business development and overall management.

Mr. Foo has over 29 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 the provision of word processing and repair services for the private and government sectors, the sales and servicing of computers, and the trading of computer parts and computer peripherals respectively. 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 is 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 39, is the Group's chief technology officer. 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 17 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 network 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, Cisco Certified Network Professional, and Cisco Certified Design Professional by Cisco Systems, Inc. in August 2007, April 2012 and April 2015 respectively. Mr. Gonzales was also recognised as an A10 Certified Engineer for Application Delivery by A10 Networks.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Park Jee Ho ("Mr. Park"), aged 47, 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 KOSDAQ 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, one of the largest software development company in Korea. He then joined DMX Technologies Korea Co. Ltd. (wholly owned by DMX Technologies Group Ltd. which is listed on 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.

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

Ms. Lim Joo Seng (林友欣) ("Ms. Lim"), aged 43, was appointed as an independent non-executive director on 31 May 2017. She has been involved in the finance industry for over 17 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 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. Chan Ming Kit (陳銘傑) ("Mr. Chan"), aged 38, was appointed as an independent non-executive director on 31 May 2017. He has been involved in the legal industry for over 6 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 employed at C.K. Charles Ho & Co. as a consultant solicitor.

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.

SENIOR MANAGEMENT

Ms. Tang Mei Leng Olivia (鄧美玲) ("Ms. Tang"), aged 50, 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 14 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.

Mr. Hoo Kam Choy (何錦財) ("Mr. Hoo"), aged 41, 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.

Mr. Chan Kok Liang Frankie (田國良) ("Mr. Chan"), aged 35, is a founder of Expert Team (Singapore) and is 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 9 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") till 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 50, 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 24 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 establishing the campus network with asynchronous transfer mode backbone. Then, he became the chief of network administrators at the Army Information Centre of Taiwan 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 course, and testing and application of radiocommunication equipment. 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.

Ms. Yeo Joo Ling (楊珠琳) ("Ms. Yeo"), aged 39, 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 9 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. Tsang Tik Man (曾廸文) ("Mr. Tsang"), aged 29, has been appointed as the Group's company secretary since December 2017. Mr. Tsang joined the Company from July 2017. He obtained a bachelor degree in Accounting from Hong Kong Baptist University. Before joining the Company, Mr. Tsang acted as an audit manager in Deloitte Touche Tohmatsu. Mr. Tsang has extensive experience in auditing, accounting, corporate governance and compliance issues through his previous dealings with a number of private and listed companies in Hong Kong. He is a Certified Public Accountant ("CPA") of the Hong Kong Institute of Certified Public Accountants.

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 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").

In 2017, the Group established new companies in Hong Kong and the PRC to embrace new opportunities from the increase in the demand of information infrastructure system enhancement and upgrade along with The 13th Five-Year National Informatisation Plan ("十三五"國家信息化規劃) as promulgated by the State Council of the PRC in December 2016. The Group also accepted the options to acquire two properties located in Singapore for the development of new Group's headquarter and R&D centre and such transactions were completed on 9 January 2018 and 14 February 2018 respectively. The Group will strengthen 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 2017, the reportable segment results (Adjusted EBITDA) (i.e. "adjusted earnings before interest, taxes, depreciation and amortisation") in cyber infrastructure solutions and cyber security solutions were approximately US$2,202,000 *(2016: approximately US$891,000)* and approximately US$2,168,000 *(2016: approximately US$1,985,000)* respectively. The substantial increase in the amount under cyber infrastructure solutions was due to the consulting service in the PRC. Regarding the amount under cyber security solutions, the increase in the amount was mainly due to the fulfillment of the remaining contract sum of the client based in Malaysia.

During the year of 2017, the Group's revenue from external customers based in Malaysia, Philippines and the PRC accounted for 86% of the total Group's revenue. The Group expects the demand of the Group's services and products from the clients based in these countries, especially the PRC, will remain strong in the future. In order to embrace the emerging market in the PRC, the Group leveraged on the technologies, technical skills and professionals, which are considered to be mature in Singapore, to provide consulting service in cyber infrastructure projects. The Group considered that consulting service as a stepping stone and the pilot project for further development in the PRC. The Group will continue to develop and strengthen the team as well as the sales network in the PRC for tendering cyber infrastructure projects in the future.

The Group is deeply rooted in the Southeast Asia cyber infrastructure sector with its strength lying in the provision of cyber infrastructure solutions to internet services providers and with its customers are mainly located in the Southeast Asia. The directors of the Company believe that the emerging markets in the Southeast Asia will provide the Group with vast potential business opportunities. 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. Subject to the feasibility and market study, the Group will expand its cyber security solutions business into 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 listing status along with its strong R&D capabilities in developing technologies and solutions, diversified geographical reach and established customer base would enhance its corporate profile and benefit brand image among its existing and potential customers. The Group will benefit from an increasing demand for cyber infrastructure and cyber security solutions in the 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 2017, the Group recorded the total revenue of approximately US$8,538,000 *(2016: approximately US$5,635,000)*, which were generated by cyber infrastructure solutions business of approximately US$4,839,000 *(2016: approximately US$3,567,000)* and cyber security solutions business of approximately US$3,699,000 *(2016: approximately US$2,068,000)*.

Cost of inventories sold

The Group's cost of inventories sold was increased from approximately US$2,122,000 for the year ended 31 December 2016 to approximately US$3,164,000 for the year ended 31 December 2017. The increase was attributable to the large number of hardware components sold for the delayed project in cyber security solutions during the year.

Staff costs and related expenses

For the year ended 31 December 2017, the Group recorded staff costs and related expenses of approximately US$1,195,000 *(2016: approximately US$928,000)*. The increase was mainly due to the aggregate effect of the increase in salaries and bonus of employees and directors, and the increasing number of employees in the Group.

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$428,000 for the year ended 31 December 2016 to approximately US$752,000 for the year ended 31 December 2017, which was mainly due to the additional professional fees after the Listing, including compliance adviser fee, legal fee, printing fee, as well as the extra administrative charge as a result from the expansion of Group's business in the PRC and Hong Kong.

Liquidity and financial resources

At 31 December 2017, the Group had current assets of approximately US$15,455,000 *(2016: approximately US$5,452,000)* including bank balances and cash of approximately US$9,492,000 *(2016: approximately US$3,000,000)* which are principally denominated in Hong Kong dollars ("HK$"), Singapore dollars ("SG$"), Malaysian Ringgit ("RM"), Renminbi ("RMB") and US$, and the Group did not have any bank borrowings and debts. Total assets were approximately US$16,961,000 *(2016: approximately US$6,026,000)* and total liabilities were approximately US$2,089,000 *(2016: approximately US$647,000)*. The gearing ratio is not available, since the Group had no bank borrowings and no debts at 31 December 2017 and 2016.

Share capital

At 31 December 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.

Management Discussion and Analysis

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 and denominated in RM, which are 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 at 31 December 2017 *(2016: Nil)*.

Commitments
The operating lease commitments of the Group as lessee represented rentals payable by the Group for its office premises. At 31 December 2017, the Group's operating lease commitments as lessee and lessor amounted to approximately US$58,000 *(2016: approximately US$96,000)*.

At 31 December 2017, the Group had commitment, net of deposits paid of approximately US$115,000, of approximately US$2,186,000 *(2016: Nil)* principally related to the acquisition of two properties located in Singapore.

Save for the commitments mentioned above, the Group did not have any material capital commitments at 31 December 2017.

Significant investment, material acquisitions and disposals
During the year ended 31 December 2017, the Group did not have any significant investment, material acquisitions nor disposals of subsidiaries and affiliated companies save for those reorganisation activities done for the purpose of listing of the Company's shares as set out in the paragraph headed "Reorganisation" under the section headed "History, Reorganisation and Corporate Structure" in the Prospectus.

On 20 October 2017, the Group accepted the options offered by two Independent third party vendors to purchase two properties located in Singapore as the new headquarter and for the upgrade of R&D facilities at a consideration of SG$1,526,840 (approximately US$1,142,000) and SG$1,550,000 (equivalent to approximately US$1,159,000) respectively, each of which has a gross floor area of 1,862 square feet. Details of the acquisitions are set out in the announcement of the Company headed "Discloseable Transactions – Acquisition of Properties in Singapore" on 20 October 2017. The abovementioned transactions were completed on 9 January 2018 and 14 February 2018 respectively.

Final dividends
The Board did not recommend the payment of final dividend for the year ended 31 December 2017 *(2016: Nil)*.

Charges on the Group's assets
There was no charge on the Group's assets as at 31 December 2017 and 2016.

Employee information

At 31 December 2017, the Group had a total of 44 employees *(2016: 27 employees)* (including executive directors). During the year, the total staff costs amount to approximately US$1,195,000 *(2016: approximately US$928,000)*, representing an increase of approximately US$267,000 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.

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 period ended 31 December 2017.

Business objectives up to 31 December 2017 as set out in the Prospectus	Actual business development up to 31 December 2017
To acquire and renovate (including acquiring and installing new furniture, fixtures and fittings, electrical and electronic equipment such as security system, air-conditioning system, office equipment, etc.) a new property with an approximate gross floor area of 3,000 square feet that will serve as the Group's headquarter and R&D centre in Singapore by establishing a testing centre, demonstration laboratory and training centre.	The Group accepted two options offered by two independent third party vendors to purchase two properties located at 18 Howard Road #10-03 and #10-04, Novelty Bizcentre, Singapore 369585 for the consideration of SG$1,526,840 (equivalent to approximately US$1,142,000) and SG$1,550,000 (equivalent to approximately US$1,159,000) respectively on 20 October 2017. The transactions were completed on 9 January 2018 and 14 February 2018 respectively.
To recruit four senior software engineers or software programmers comprising two java/java script/java 2 Platform, Enterprise Edition ("J2EE") engineers and two C/C++, (a programming language), engineers with relevant IT qualifications and relevant experience of at least 5 to 8 years to be based in Singapore to assist in developing new products and upgrading the Group's existing products.	The Group hired four senior software engineers in 2017.
To recruit one senior international sales and marketing manager with the relevant qualifications and with approximately 5 years of relevant experience to be based in Singapore with a view to strengthening the sales force in Europe, Middle East and Africa regions and one senior marketing manager with approximately 5 years of relevant experience to be based in Singapore to assist in the strengthening of the marketing and branding of the Group's products.	The Group hired one senior international sales and marketing manager in 2017.
To acquire hardware and software for setting up as well as design and commission on the Netsis Hybrid Converge Hub, which is the cyber infrastructure planned by the Group.	The Group has acquired the necessary hardware and software and incurred preliminary design fee for the establishment of Netsis Hybrid Converge Hub in Singapore. In addition, the Group also acquired parts of the necessary hardware and software in advance for the establishment of Netsis Security Hub in Hong Kong for cost efficiency.

Management Discussion and Analysis

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 2017, the net proceeds from the Listing had been applied as follows:

	Adjusted use of net proceeds		**Actual use of net proceeds during the year ended 31 December 2017**	
	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	1,357 *(Note)*	174 *(Note)*
To develop new products, upgrade existing products and strengthen R&D team	5,585	716	382	49
To expand sales and marketing team	6,146	788	133	17
To develop Netsis Hybrid Converge Hub in Singapore	6,217	797	156	20
To develop Netsis Security Hub in Hong Kong	14,204	1,821	5,795	743
Working capital over the period	4,820	618	1,888	242
	51,995	6,666	9,711	1,245

Note: *The amount represents the deposits and related expenses for the acquisition of two properties, the remaining amounts of SG$1,450,498 (equivalent to approximately US$1,085,000) and SG$1,472,500 (equivalent to approximately US$1,101,000) were paid upon the completion of the relevant acquisition on 9 January 2018 and 14 February 2018 respectively.*

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 from the Listing Date to the period ended 31 December 2017 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 2017, 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, executive director and 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 on 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 from the Listing Date to the period ended 31 December 2017.

Corporate Governance Report

BOARD OF DIRECTORS

The Board currently consists of five directors comprising 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 from the Listing Date 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 *(appointed on 31 May 2017)*
Mr. Park Jee Ho *(appointed on 31 May 2017)*
Ms. Lim Joo Seng *(appointed on 31 May 2017)*

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

All directors have distinguished themselves in their field of expertise, and have exhibited high standards of professional ethics and integrity. 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 5 to 7 of this report.

With the various experience of the executive directors and the independent non-executive directors and having regard to the nature of the Group's business, the Company recognises the benefits of having a Board with well-balanced experience and qualification to maintain a sustainable business development of the Group in long run. 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

From the Listing Date to the period ended 31 December 2017, two Board meetings were held on 14 August 2017 and 13 November 2017 respectively. Details of the attendance record of each director are set out as follow:

Name of directors	Attendance/ Number of meetings held
Mr. Foo Moo Teng	2/2
Mr. Edgardo Osillada Gonzales II	2/2
Mr. Park Jee Ho	2/2
Ms. Lim Joo Seng	2/2
Mr. Chan Ming Kit	2/2

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 of the Company 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.

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 2017, the directors of the Company 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 of the Company 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.

Corporate Governance Report

A summary of continuous professional development of each director of the Company participated in the year, 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	✓
Mr. Park Jee Ho	✓
Ms. Lim Joo Seng	✓

BOARD COMMITTEES

The Board has established three committees, namely as the audit committee, the 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 ("Audit Committee") pursuant to a resolution of the directors passed on 31 May 2017. Its 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.

At present, the Company's Audit Committee comprises three independent non-executive directors: Ms. Lim Joo Seng, Mr. Park Jee Ho and Mr. Chan Ming Kit. Ms. Lim Joo Seng is the chairlady of the Audit Committee.

From the Listing Date to the period ended 31 December 2017, two audit committee meetings were held on 14 August 2017 and 13 November 2017 respectively. The individual attendance record of the meetings of the Audit Committee is set out as follows:

Name of directors	Attendance/ Number of meetings held
Ms. Lim Joo Seng *(Chairlady)*	2/2
Mr. Park Jee Ho	2/2
Mr. Chan Ming Kit	2/2

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

(i) reviewed the Group's unaudited consolidated interim and third quarterly financial statements, interim and third quarterly reports as well as interim and third quarterly results announcement for the six months ended 30 June 2017 and nine months ended 30 September 2017 respectively, with a recommendation to the Board for approval;

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

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

Remuneration Committee

The Company has established a remuneration committee pursuant to a resolution of the directors passed on 31 May 2017. Its 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.

At present, the Company's remuneration committee consists of three members: Mr. Chan Ming Kit, Mr. Edgardo Osillada Gonzales II and Mr. Park Jee Ho. Mr. Chan Ming Kit is the chairman of the remuneration committee.

From the Listing Date to the period ended 31 December 2017, no remuneration committee meeting was held by the Company.

The summary of the work of 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 2017 is set out below:

Remuneration Band	Number of senior management
Up to US$100,000	4
US$100,001 to US$150,000	2
US$150,001 to US$200,000	–
US$200,001 to US$300,000	1

Corporate Governance Report

Nomination Committee

The Company has established a 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.

At present, the Company's nomination committee consists of three members: Mr. Chan Ming Kit, Mr. Foo Moo Teng and Ms. Lim Joo Seng. Mr. Chan Ming Kit is the chairman of the nomination committee.

From the Listing Date to the period ended 31 December 2017, no nomination committee meeting was held by the Company.

The summary of the work of 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

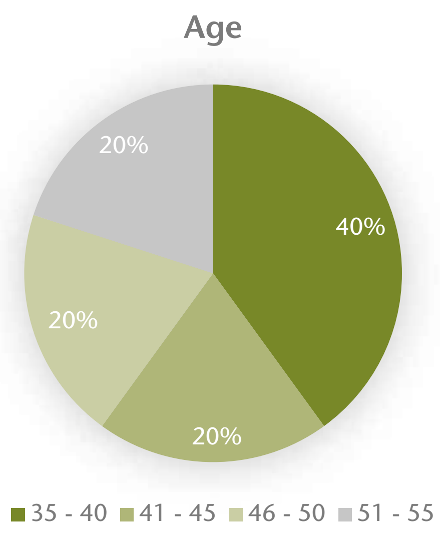
(iii) made recommendations on the retiring directors at the AGM of the Company.

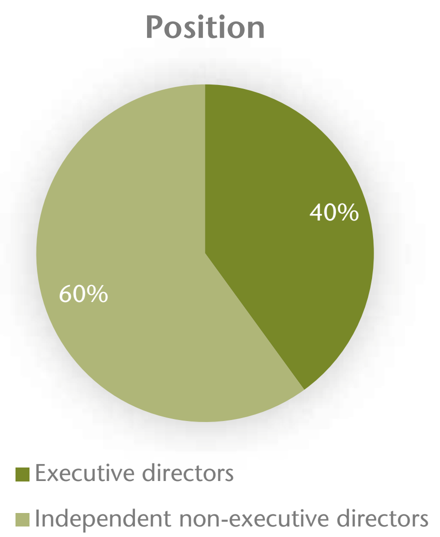
Board Diversity Policy

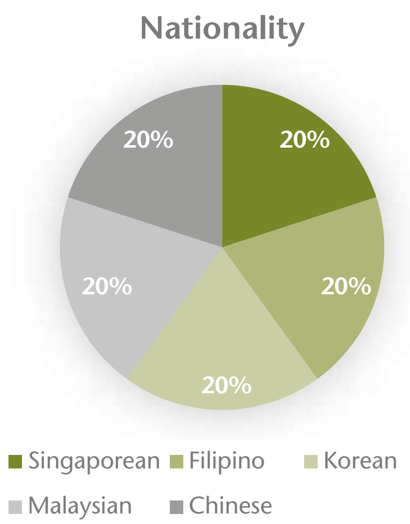
The Board adopted a board diversity policy (the "Board Diversity Policy") in accordance with the requirement set out in the CG Code. The Board Diversity Policy aims to set out the approach to maintain diversity on the Board for long term sustainable development. The Company recognises and embraces the 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.

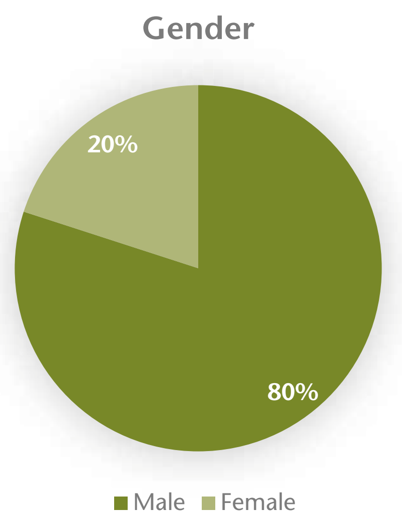
Selection of candidates shall be based on a range of diversity perspectives, including but not limited to, gender, age, cultural and educational background or professional experience. The ultimate decision shall be based on merit and contribution that the selected candidates shall bring to the Board.

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.

Corporate Governance

The Board is also responsible for the corporate governance functions under code provision D.3.1 of the CG Code. From the Listing Date to the period ended 31 December 2017, 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;

Corporate Governance Report

(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 of the Company acknowledge their responsibility for the preparation of the consolidated financial statements for the year ended 31 December 2017 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 of the Company 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.

AUDITORS' REMUNERATION

During the year ended 31 December 2017, the remuneration paid/payable to Mazars CPA Limited and Mazars LLP ("Mazars"), external auditors of the Company in respect of audit and non-audit services amounted to approximately US$93,000 *(2016: Nil)* and approximately US$18,000 *(2016: Nil)* respectively.

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

In addition, during the year ended 31 December 2017, the Group paid the professional fee of approximately US$200,000 *(2016: US$145,000)* to Mazars for acting as joint auditors and joint reporting accountants in relation to the Listing of the Company.

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

The responsibilities of the external auditors about their financial reporting are set out in the independent joint auditors' report attached to the Company's consolidated financial statements for the year ended 31 December 2017 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. Yeung Kwong Wai resigned as company secretary with effect from 29 December 2017 due to his other business commitment. Mr. Tsang Tik Man, who is also the primary corporate contact person of the Company, was appointed by the Board as the company secretary of the Company on the same date. The biographical details of Mr. Tsang are set out in the section headed "Biographical Details of Directors and Senior Management" on page 7 of this annual report. Mr. Tsang is principally responsible for supervision and compliance of the financial reporting, financial planning, treasury, financial controlling and company secretarial matters of the Company.

From the Listing Date to the period ended 31 December 2017, Mr. Tsang took no less than 15 hours of relevant professional training in accordance with Rule 5.15 of the GEM Listing Rules.

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 twenty one 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.

Corporate Governance Report

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.

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 from the Listing Date to the period ended 31 December 2017 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, 23 March 2018

Report of the Directors

The directors of the Company submit herewith their report together with the audited consolidated financial statements of the Company for the year ended 31 December 2017.

CORPORATE REORGANISATION

The Company was incorporated as an exempted company with limited liability in Cayman Islands on 22 June 2016. During the preparation of the Listing, the Group underwent the corporate reorganisation arrangements as set out in the paragraph headed "Reorganisation" under the section headed "History, Reorganisation and Corporate Structure" in the Prospectus (the "Reorganisation"), the Company became the holding company of the companies comprising the Group upon the completion on 30 June 2016. Further details are set out in the abovementioned section of the Prospectus and Note 1 of the accountants' report of the Group for the years ended 31 December 2014, 2015 and 2016 prepared by Mazars CPA Limited and Mazars LLP as set out in Appendix I to the Prospectus ("Accountants' Report"). The shares of the Company were listed on GEM of the Stock Exchange on 16 June 2017.

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 14 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 2017 is set out in the section headed "Chairman's Statement" and "Management, Discussion and Analysis" in page 4 and pages 8 to 12 respectively in this annual report.

PRINCIPAL RISKS AND UNCERTAINITIES

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 and 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 and liquidity risk) management objectives and policies are set out in Note 23 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 81 to 82 and pages 8 to 12 respectively.

Particulars of the significant events of the Group that after the end of reporting period and up to the date of this annual report have been summarised in the Note 28 to the consolidated financial statements.

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, Malaysia 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 the 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.

Report of the Directors

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 2017 and the financial position of the Group as at 31 December 2017 are set out in the consolidated financial statements on pages 41 to 42 of this annual report.

The Board does not recommend the payment of a final dividend for the year ended 31 December 2017.

FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the last four years is set out on pages 81 to 82 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 18 May 2018, the register of members of the Company will be closed from 15 May 2018 to 18 May 2018 (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 2018.

CONNECTED/RELATED PARTIES TRANSACTIONS

The Company had not entered into any connected transaction during the year ended 31 December 2017 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 2017, which constitute fully exempt connected transactions or continuing connected transactions under Chapter 20 of the GEM Listing Rules are disclosed in Note 22 to the consolidated financial statements.

SHARE CAPITAL

Details of the movements in the share capital of the Company during the year ended 31 December 2017 are set out in Note 19 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 which 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, 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.

Subsequent to 31 December 2017, the total number of 28,800,000 share options was granted on 3 January 2018 (the "Date of Grant"). The share options entitle the Grantees to subscribe a total number of 28,800,000 shares, representing approximately 4.8% of the 600,000,000 shares in issue at the date of this annual report. The remaining number of shares which is available for issue under the Scheme is 31,200,000, representing 5.2% of the issued shares of the Company.

Report of the Directors

Saved as disclosed above, there is no option outstanding, granted, exercised, cancelled and lapsed during the year ended 31 December 2017 and up to the date of this annual report.

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 from the Listing Date to the period ended 31 December 2017.

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 43 of this annual report and Note 20 to the consolidated financial statements respectively.

DISTRIBUTABLE RESERVES

The Company was incorporated on 22 June 2016. As at 31 December 2017, the Company has share premium and capital reserve of approximately US$9,662,000 *(2016: approximately US$1,200,000)* and approximately US$3,922,000 *(2016: 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 2017 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 2017.

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 2017 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 in both years.

DIRECTORS

The directors during the year ended 31 December 2017 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. Park Jee Ho *(appointed on 31 May 2017)*
Ms. Lim Joo Seng *(appointed on 31 May 2017)*
Mr. Chan Ming Kit *(appointed on 31 May 2017)*

Biographical details of the directors are set out in the section headed "Biographical Details of Directors and Senior Management" on pages 5 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.

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.

Report of the Directors

DISCLOSURE OF INTERESTS

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

As at 31 December 2017, 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	272,686,500	45.4%

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 2017, 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 5.47 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 2017, 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	272,686,500	45.4%
Future Way Investments Limited ("Future Way (BVI)")	Beneficial owner	67,662,000	11.3%
Mr. Hoo Kam Choy *(Note 1)*	Interest in a controlled corporation	67,662,000	11.3%
Vantage Network Global Limited ("Vantage Network (BVI)")	Beneficial owner	67,500,000	11.3%
Vast Mega Limited *(Note 2)*	Interest in a controlled corporation	67,500,000	11.3%
China Smartpay Group Holdings Limited *(Note 2)*	Interest in a controlled corporation	67,500,000	11.3%
Cyber Pioneer Investments Limited ("Cyber Pioneer (BVI)")	Beneficial owner	42,151,500	7.0%
Mr. Chan Kok Liang, Frankie *(Note 3)*	Interest in a controlled corporation	42,151,500	7.0%

Notes:

1. Future Way (BVI) is an investment holding company incorporated in the BVI and is held as to 100% by Mr. Hoo. By virtue of the SFO, Mr. Hoo is deemed to be interested in the shares held by Future Way (BVI).

2. Vantage Network (BVI) is an investment holding company incorporated in the BVI and is held as to 100% by Vast Mega Limited, an investment holding company incorporated in the BVI which is in turn held as to 100% by China Smartpay Group Holdings Limited (Stock Code: 8325), a company listed on the GEM of the Exchange since 28 August 2009. By virtue of the SFO, China Smartpay Group Holdings Limited and Vast Mega Limited are deemed to be interested in the shares held by Vantage Network (BVI).

3. Cyber Pioneer (BVI) is an investment holding company incorporated in the BVI and is held as to 100% by Mr. Chan. By virtue of the SFO, Mr. Chan is deemed to be interested in the shares held by Cyber Pioneer (BVI).

Save as disclosed above, as at 31 December 2017, 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.

Report of the Directors

DIRECTORS' INTEREST IN TRANSACTION, ARRANGEMENT AND CONTRACT OF SIGNIFICANCE

Apart from the contracts relating to the Reorganisation of the Group in relation to the Listing and save for the related party transactions disclosed in Note 22 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 2017.

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 since the Listing Date 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.

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 both years.

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.

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 of the Company 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 REITREMENT BENEFITS SCHEME

Details of contributions to the retirement benefits scheme of the Group are set out in Note 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 2017.

MAJOR CUSTOMERS AND SUPPLIERS

For the year ended 31 December 2017, the Group made 89.7% of its entire sales to Group's five largest customers and sales to the largest customer included therein amounted to approximately 41.6%. Purchases from the Group's five largest suppliers accounted for approximately 67.3% of the total purchases for the year and purchases from the largest supplier included therein amounted to approximately 20%.

Save as disclosed above, 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 and (ii) two of the substantial shareholders, namely Future Way (BVI) and Mr. Hoo, 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.

Since the Listing Date 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 13 to 23 of this annual report.

CODE OF CONDUCT REGARDING SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted a code of conduct regarding securities transactions by directors of the Company 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 all directors of the Company, 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 2017.

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, Malaysia, 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.

Report of the Directors

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.

EVENTS AFTER THE REPORTING PERIOD

On 20 October 2017, the Group accepted options offered by two independent third party vendors in relation to the acquisition of two properties located in Singapore at a consideration of SG$1,526,840 (equivalent to approximately US$1,142,000) and SG$1,550,000 (equivalent to approximately US$1,159,000), respectively. The transactions were completed on 9 January 2018 and 14 February 2018, respectively. Details are set out in the Company's announcements dated 20 October 2017 and 14 February 2018.

On 3 January 2018, the Company offered to grant a total of 28,800,000 share options at an exercise price of HK$0.6 per share of the Company to certain eligible participant(s) (the "Grantees"), subject to acceptance of the Grantees and 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. Details are set out in the Company's announcement dated 3 January 2018.

AUDITORS

The consolidated financial statements for the year ended 31 December 2017 have been audited by Mazars CPA Limited, *Certified Public Accountants*, Hong Kong and Mazars LLP, *Public Accountants and Chartered Accountants of Singapore* ("Mazars"). Mazars will retire, and being eligible, offer themselves for re-appointment. A resolution for their re-appointment as the auditors of the Company will be proposed at the forthcoming annual general meeting of the Company.

From the incorporation of the Company and up to the date of this annual report, there has been no change in the Company's auditors.

On behalf of the Board
Foo Moo Teng
Chairman

Hong Kong, 23 March 2018

MAZARS

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 41 to 80, which comprise the consolidated statement of financial position of the Group as at 31 December 2017, 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 2017, 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 "Joint Auditors' 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 Joint Auditors' 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 service, installation and configuration forms an integral part of completing the engagement and therefore, such revenue is recognised upon the customers' acceptance of the integrated solution when the risks and rewards of the ownership transferred. In addition, the Group also generated maintenance and support service income from its cyber infrastructure solutions business. The Group's revenue for the year ended 31 December 2017 amounted to approximately US$8,538,000 of which approximately US$4,839,000 and approximately US$3,699,000 was generated from cyber infrastructure solutions and cyber security solutions, respectively. There is an inherent risk that revenue may be inappropriately recognised when the conditions for revenue recognition have not yet been met. 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, where significant judgement required in determining the appropriate point at which revenue is recognised.	Our procedures to assess the recognition of revenue include: 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 as stipulated in sales contracts in respect of the transfer of risks and rewards of ownership and/or the performance of service, and analysing the duration for the Group to deliver the products and/or service, 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 period with underlying documents, including sales contracts, sales invoices, goods delivery notes and acceptance forms 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 evidencing the date of delivery and acceptance of the goods and services 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
Recognition of expenses for the initial listing of the Group	
Total costs incurred for the initial listing of the shares of the Company amounted to approximately US$2,565,000 *(2016: US$514,000)* for the year ended 31 December 2017. Significant judgement is applied by the management to classify and allocate the costs incurred among (i) incremental costs for the Company to raise additional funds from the issue of new shares and (ii) costs for the Company to obtain the listing status. Accordingly, costs attributable to issue of new shares of approximately US$932,000 *(2016: Nil)* were recognised in equity as a reduction of share premium and costs attributable to obtaining the listing status of approximately US$1,633,000 *(2016: US$514,000)* were charged to profit or loss during the year ended December 2017, respectively. We have identified the above matter as a key audit matter because the classification and allocation of relevant costs incurred involves a significant degree of management judgement and therefore is subject to an inherent risk of error.	Our procedures to assess the recognition of expenses include: a) enquiring of the management on the bases of classification and allocation for the relevant costs and assessing the reasonableness of these bases with reference to the applicable accounting standards and guidelines; and b) checking samples of expenses items that made up the total costs incurred for the initial listing of the shares of the Company to invoices and agreements to confirm the natures of the items and checking whether these items have been correctly classified and allocated accordingly to the bases determined by the management.

Independent Joint Auditors' Report

OTHER INFORMATION

The directors of the Company are responsible for the other information. The other information comprises the information included in the 2017 annual report of the Company, but does not include the consolidated financial statements and our joint auditors' 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.

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.

JOINT AUDITORS' 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 a joint 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.

JOINT AUDITORS' RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

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;

- 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 joint auditors' 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; and

- 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.

We communicate with the Audit Committee 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 Audit Committee 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.

Independent Joint Auditors' Report

JOINT AUDITORS' RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

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
42nd Floor, Central Plaza
18 Harbour Road, Wanchai
Hong Kong
23 March 2018

The engagement director of Mazars CPA Limited on the audit resulting in this independent joint auditors' report is:

She Shing Pang
Practising Certificate number: P05510

Mazars LLP
Public Accountants and Chartered Accountants of Singapore
135 Cecil Street
#10-01 MYP Plaza
Singapore 069536
23 March 2018

The engagement partner of Mazars LLP on the audit resulting in this independent joint auditors' report is:

Chan Hock Leong

Consolidated Statement of Profit or Loss and Other Comprehensive Income

Year ended 31 December 2017

	Note	2017 US$'000	2016 US$'000
Revenue	*4*	**8,538**	5,635
Other income	*5*	**209**	84
Cost of inventories sold		**(3,164)**	(2,122)
Staff costs and related expenses	*6*	**(1,195)**	(928)
Depreciation and amortisation		**(277)**	(316)
Other operating expenses		**(752)**	(428)
Listing expenses		**(1,633)**	(514)
Profit before income tax	*6*	**1,726**	1,411
Income tax expenses	*9*	**(546)**	(135)
Profit for the year attributable to owners of the Company		**1,180**	1,276
Other comprehensive income			
Item that may be subsequently reclassified to profit or loss:			
Exchange difference on consolidation		**14**	–
Total comprehensive income for the year attributable to owners of the Company		**1,194**	1,276
Earnings per share, basic and diluted (US cents)	*10*	**0.225**	0.306

Consolidated Statement of Financial Position

At 31 December 2017

	Note	2017 US$'000	2016 US$'000
Non-current assets			
Property, plant and equipment	12	**774**	103
Intangible assets	13	**617**	471
Deposits paid for acquisition of property, plant and equipment		**115**	–
		1,506	574
Current assets			
Inventories	15	**78**	63
Trade and other receivables	16	**5,885**	2,389
Bank balances and cash		**9,492**	3,000
		15,455	5,452
Current liabilities			
Trade and other payables	17	**1,406**	494
Income tax payable		**582**	71
		1,988	565
Net current assets		**13,467**	4,887
Total assets less current liabilities		**14,973**	5,461
Non-current liabilities			
Deferred tax liabilities	18	**101**	82
NET ASSETS		**14,872**	5,379
Capital and reserves			
Share capital	19	**769**	–
Reserves		**14,103**	5,379
TOTAL EQUITY		**14,872**	5,379

The consolidated financial statements on pages 41 to 80 were approved and authorised for issue by the Board on 23 March 2018 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 2017

		Reserves					
	Share capital *US$'000* (Note 19)	**Share premium** *US$'000* (Note 21)	**Capital reserve** *US$'000* (Note 21)	**Statutory reserve** *US$'000* (Note 21)	**Exchange reserve** *US$'000* (Note 21)	**Accumulated profits** *US$'000*	**Total** *US$'000*
At 1 January 2016	–	–	627	–	–	2,253	2,880
Profit for the year and total comprehensive income for the year	–	–	–	–	–	1,276	1,276
Transactions with owners:							
Contributions and distributions							
Issue of share capital *(Note 19(v))*	–	1,200	–	–	–	–	1,200
Additional capital contribution made by the then shareholders of a subsidiary	–	–	23	–	–	–	23
Total transactions with owners	–	1,200	23	–	–	–	1,223
At 31 December 2016	–	1,200	650	–	–	3,529	5,379
At 1 January 2017	–	**1,200**	**650**	–	–	**3,529**	**5,379**
Profit for the year	–	–	–	–	–	**1,180**	**1,180**
Other comprehensive income							
Exchange difference on consolidation	–	–	–	–	**14**	–	**14**
Total comprehensive income for the year	–	–	–	–	**14**	**1,180**	**1,194**
Transactions with owners:							
Contributions and distributions							
Capitalisation Issue *(Note 19(vi))*	**577**	**(577)**	–	–	–	–	–
Issue of new shares by way of public offer *(Note 19(vii))*	**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**

Consolidated Statement of Cash Flows

Year ended 31 December 2017

	2017 US$'000	2016 US$'000
OPERATING ACTIVITIES		
Profit before income tax	**1,726**	1,411
Adjustments for:		
Amortisation	**177**	252
Depreciation	**100**	64
Cash flows from operations before movements in working capital	**2,003**	1,727
Inventories	**(15)**	(19)
Trade and other receivables	**(3,479)**	(781)
Due from a related company	**–**	76
Trade and other payables	**912**	62
Cash (used in) generated from operations	**(579)**	1,065
Income tax paid	**(19)**	(14)
Net cash (used in) from operating activities	**(598)**	1,051
INVESTING ACTIVITIES		
Acquisition of property, plant and equipment	**(771)**	(19)
Deposits paid for acquisition of property, plant and equipment	**(115)**	–
Additions to intangible assets	**(323)**	(306)
Net cash used in investing activities	**(1,209)**	(325)
FINANCING ACTIVITIES		
Issue of share capital	**–**	1,200
Additional capital contribution made by the then shareholders of a subsidiary	**–**	23
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**	1,223
Net increase in cash and cash equivalents	**6,492**	1,949
Cash and cash equivalents at the beginning of the reporting period	**3,000**	1,051
Cash and cash equivalents at the end of the reporting period, represented by bank balances and cash	**9,492**	3,000

1. CORPORATE INFORMATION AND BASIS OF PREPARATION

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") on 16 June 2017 (the "Listing"). 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 an investment holding company. The Company together with its subsidiaries (the "Group") are principally engaged in provision of cyber infrastructure solutions services and research and development, and provision of cyber security solutions services.

Pursuant to a group reorgainisation (the "Reorganisation") carried out by the Group in preparation for the listing of shares of the Company on GEM of the Stock Exchange, the Company became the holding company of the subsidiaries now comprising the Group on 30 June 2016. Details of the Reorganisation are as set out in the paragraph headed "Reorganisation" of the section headed "History, Reorganisation and Corporate Structure" to the prospectus issued by the Company dated 6 June 2017 (the "Prospectus").

The Reorganisation involved the combination of a number of entities under common control before and after the Reorganisation. The Group is therefore regarded as a continuing entity resulting from the Reorganisation, as there has been a continuation of the risks and benefits to the then ultimate controlling party (i.e. Mr. Foo Moo Teng, the single largest shareholder of the Company) that existed immediately prior to and after the Reorganisation. Accordingly, 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 ended 31 December 2016 have been prepared using the principles of the merger accounting as if the current group structure had been in existence throughout the relevant year, or since their respective dates of incorporation or establishment of the combining entities, or since the date when the combining entities first came under the common control, whichever was shorter.

2. PRINCIPAL ACCOUNTING POLICIES

Statement of compliance

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRSs") issued by 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 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.

The Group has consistently applied all IFRSs which are effective for the Group's financial year beginning on 1 January 2016 for the consolidated financial statements. The adoption of the new/revised IFRSs that are relevant to the Group and effective from the current year had no significant effects on the financial performance and financial position of the Group for the current and prior years. A summary of the principal accounting policies adopted by the Group is set out below.

Notes to the Consolidated Financial Statements

Year ended 31 December 2017

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

Basis of measurement

The measurement basis used in the preparation of these consolidated financial statements is historical cost.

Basis of consolidation/combinations

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. Unrealised losses are also eliminated unless the transactions provide evidence of an impairment of the asset transferred.

(i) Business combination not under common control

The Group applies the acquisition method to account for business combinations not under common control. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interest issued by the Group, as appropriate. The consideration transferred also includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination not under common control is measured initially at their fair values at the acquisition date.

Acquisition-related costs are expensed as incurred.

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.

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

Basis of consolidation/combinations *(Continued)*

(i) Business combination not under common control *(Continued)*

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.

(ii) Merger accounting for common control combinations

The consolidated financial statements incorporate the financial statements of the combining entities or businesses in which the common control combination occurs as if they had been combined from the date when the combining entities or businesses first came under the control of the ultimate controlling party.

The net assets of the combining entities or businesses are combined using the existing carrying values from the ultimate controlling party's perspective. No amount is recognised in respect of goodwill or excess of acquirer's interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over cost at the time of common control combination, to the extent of the continuation of the ultimate controlling party's interest. All differences between the cost of acquisition (fair value of consideration paid) and the amounts at which the assets and liabilities, arising from the Reorganisation, are recorded have been recognised directly in equity as part of the capital reserve. The consolidated financial statements include the results of each of the combining entities or businesses from the date of incorporation/establishment or since the date when the combining entities or businesses first came under the common control, where this is a shorter period, regardless of the date of the common control combination.

Transaction costs, including professional fees, registration fees, costs of furnishing information to shareholders, costs or losses incurred in combining operations of the previously separate businesses, etc., incurred in relation to the common control combination that is to be accounted for by using merger accounting, are recognised as an expense in the period in which they are incurred.

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 20 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.

Notes to the Consolidated Financial Statements

Year ended 31 December 2017

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

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.

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

Recognition and derecognition

Financial assets and 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 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.

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 assets or financial liabilities are initially recognised at their fair value plus, in the case of financial assets or financial liabilities 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.

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Classification and measurement *(Continued)*

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.

2) *Financial liabilities*

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

Impairment of financial assets

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 is recognised when it is probable that the economic benefits will flow to the Group and when the revenue and costs, if applicable, can be measured reliably and on the following bases:

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 upon the customers' acceptance of the integrated solution when the risks and rewards of the ownership transferred.

In addition, revenue from provision of consulting service in the cyber infrastructure solutions is recognised when services are rendered.

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

Notes to the Consolidated Financial Statements

Year ended 31 December 2017

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

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.

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 period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

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 each 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; and

- 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 its property, plant and equipment, 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 periods necessary to match the grant on a systematic basis to the costs that it is intended to compensate unless there is no future service or other conditions attached to the grants which would recognised in the profit or loss when they are approved by and the cash are received from the relevant authorities. 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 2017

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 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 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.

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.

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

Share-based payment transactions *(Continued)*

Equity-settled transactions *(Continued)*

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 each reporting period.

Deferred tax is provided, using the liability method, on all temporary differences at the end of each 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 each 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 reversal of the temporary differences is controlled by the Group and if is probable that the temporary difference will not reverse in the foreseeable future.

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.

Notes to the Consolidated Financial Statements

Year ended 31 December 2017

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

Related parties *(Continued)*

(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.

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 nature of production processes, 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.

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

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.

Impairment of trade and other receivables

The provisioning policy for bad and doubtful debts of the Group is based on the evaluation by management of the collectability of the trade and other receivables. A considerable amount of judgement is required in assessing the ultimate realisation of these receivables, including assessing the current creditworthiness and the past collection history of each debtor. If the financial conditions of these customers were to deteriorate, resulting in an impairment of their ability to make payments, allowance will be required.

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.

Notes to the Consolidated Financial Statements
Year ended 31 December 2017

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

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.

Amendments to IAS 40	*Transfers of Investment Property* [1]
Amendments to IFRS 2	*Classification and Measurement of Share-based Payment Transactions* [1]
Amendments to IFRS 4	*Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts* [1]
Annual Improvements to IFRSs	*2014 – 2016 Cycle: IAS 28* [1]
IFRIC Interpretation 22	*Foreign Currency Transactions and Advance Consideration* [1]
IFRS 9	*Financial Instruments* [1]
IFRS 15	*Revenue from Contracts with Customers* [1]
Amendments to IAS 28	*Long-term Interests in Associates and Joint Ventures* [2]
Amendments to IFRS 9	*Prepayment Features with Negative Compensation* [2]
Annual Improvements to IFRSs	*2015 – 2017 Cycle* [2]
IFRIC Interpretation 23	*Uncertainty over Income Tax Treatments* [2]
IFRS 16	*Leases* [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 2018

[2] Effective for annual periods beginning on or after 1 January 2019

[3] Effective for annual periods beginning on or after 1 January 2021

[4] The effective date of the amendments to be determined

Save for IFRS 9, IFRS 15 and 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.

IFRS 9: Financial Instruments

IFRS 9 introduces new requirements for the classification and measurement of financial assets, financial liabilities, general hedge accounting and impairment requirements for financial assets.

Key requirement of IFRS 9 which is relevant to the Group is in relation to the impairment of financial assets, of which IFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under IAS 39. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.

Based on the Group's financial instruments and risk management policies at 31 December 2017, the management of the Group preliminarily anticipate that the application of IFRS 9 in the future may have an impact of the Group's financial assets. In particular, the expected credit loss model may result in early provision of credit losses which are not yet incurred in relation to the Group's financial assets measured at amortised cost. The Group will perform a more detailed analysis which considers all reasonable and supportable information, including forward-looking elements, for estimation of expected credit losses on it financial assets measured at amortised cost upon the adoption of IFRS 9.

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

Future changes in IFRSs *(Continued)*

IFRS 15: Revenue from Contracts with Customers

IFRS 15 establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. IFRS 15 will supersede the current revenue recognition guidance including IAS 18 "Revenue", IAS 11 "Construction contracts" and the related interpretations when it becomes effective. The core principle of IFRS 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.

Specifically, IFRS 15 introduces a 5-step approach to revenue recognition:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation

Under IFRS 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added in IFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by IFRS 15.

The management of the Group preliminarily considers that the performance obligations that may be identified under IFRS 15 are similar to the current identification of revenue components under the Group's existing revenue recognition policy developed under IAS 18 and therefore, the adoption of IFRS 15 in the future will have no significant impact on recognition of revenue. However, the application of IFRS 15 in future may result in more disclosures.

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.

Notes to the Consolidated Financial Statements

Year ended 31 December 2017

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

Future changes in IFRSs *(Continued)*

IFRS 16: Leases *(Continued)*

As set out in Note 25 to the consolidated financial statements, at 31 December 2017, the total future minimum lease payments under non-cancellable operating leases of the Group in respect of office premises amounted to approximately US$58,000. 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.

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 2017 and 2016 is as follows:

	Cyber infrastructure solutions *US$'000*	Cyber security solutions *US$'000*	Total *US$'000*
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**
Year ended 31 December 2016			
Revenue from external customers and reportable segment revenue	3,567	2,068	5,635
Reportable segment results (Adjusted EBITDA)	891	1,985	2,876
Depreciation and amortisation *(Note)*	39	277	316

Reconciliation of reportable segment results

	2017 ***US$'000***	2016 *US$'000*
Reportable segment results (Adjusted EBITDA)	**4,370**	2,876
Interest income	**1**	3
Depreciation and amortisation	**(277)**	(316)
Unallocated expenses	**(2,368)**	(1,152)
Profit before income tax	**1,726**	1,411
Income tax expenses	**(546)**	(135)
Profit for the year	**1,180**	1,276

Note: Depreciation not included in the measurement of reportable segment results (Adjusted EBITDA) amounted to approximately US$1,000 *(2016: Nil)* during the year ended 31 December 2017.

Notes to the Consolidated Financial Statements

Year ended 31 December 2017

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, intangible assets and deposit paid for acquisition of property, plant and equipment ("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, the location of operation to which they are located; in the case of intangible assets, the location of operations).

(a) Revenue from external customers

	2017	2016
	US$'000	*US$'000*
Hong Kong	**20**	5
Indonesia	**42**	66
Laos	**30**	20
Malaysia	**3,586**	676
Myanmar	**149**	221
People's Republic of China ("PRC")	**1,678**	–
Philippines	**2,109**	1,830
Romania	**–**	2
Singapore	**913**	1,280
South Korea	**–**	176
Taiwan	**–**	578
Thailand	**5**	732
United States	**–**	3
Vietnam	**6**	46
	8,538	5,635

(b) Specified Non-current Assets

	2017	2016
	US$'000	*US$'000*
Hong Kong	**3**	–
Malaysia	**202**	144
Singapore	**1,301**	430
	1,506	574

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 2017 and 2016 is as follows:

	2017	2016
	US$'000	*US$'000*
Customer A	**3,550**	*Note*
Customer B	**1,726**	1,815
Customer C	**–**	578
Customer D	**1,678**	–

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

4. REVENUE

	2017	2016
	US$'000	*US$'000*
Cyber infrastructure solutions	**4,673**	3,199
Cyber security solutions	**3,699**	2,068
Maintenance and support service income	**166**	368
	8,538	5,635

5. OTHER INCOME

	2017	2016
	US$'000	*US$'000*
Interest income	**1**	3
Government grants	**16**	74
Exchange gain, net	**180**	6
Others	**12**	1
	209	84

Notes to the Consolidated Financial Statements

Year ended 31 December 2017

6. PROFIT BEFORE INCOME TAX

This is stated after charging (crediting):

	2017 US$'000	2016 US$'000
Staff costs and related expenses (including directors' remuneration):		
Salaries and other benefits	1,378	1,106
Contributions to defined contribution plans	111	91
	1,489	1,197
Less: Staff costs capitalised as "Intangible Assets"	(294)	(269)
	1,195	928
Other items		
Auditors' remuneration	111	16
Amortisation of intangible assets	177	252
Depreciation of property, plant and equipment	100	64
Operating lease payments on premises *(Note)*	94	57
Research and development expenses	92	102

Note: The operating lease payments capitalised as "Intangible Assets" amounted to approximately US$21,000 *(2016: approximately US$24,000)*.

7. DIRECTORS' EMOLUMENTS

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

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 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

7. DIRECTORS' EMOLUMENTS *(Continued)*

Year ended 31 December 2016

	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)	–	96	158	16	270
Mr. Edgardo Gonzales II	–	60	31	–	91
Independent non-executive directors:					
Mr. Chan Ming Kit	–	–	–	–	–
Ms. Lim Joo Seng	–	–	–	–	–
Mr. Park Jee Ho	–	–	–	–	–
	–	156	189	16	361

During the years ended 31 December 2017 and 2016, 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 2017 and 2016.

8. FIVE HIGHEST PAID INDIVIDUALS

An analysis of the five highest paid individuals during the years ended 31 December 2017 and 2016 is as follows:

	Number of individuals	
	2017	2016
Director	**2**	2
Non-director	**3**	3
	5	5

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

	2017 ***US$'000***	2016 *US$'000*
Salaries and allowances	**124**	175
Discretionary bonus	**93**	9
Contributions to defined contribution plans	**32**	18
	249	202

Notes to the Consolidated Financial Statements

Year ended 31 December 2017

8. FIVE HIGHEST PAID INDIVIDUALS *(Continued)*

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

	2017	2016
Nil to HK$1,000,000	**3**	3

During the years ended 31 December 2017 and 2016, 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 2017 and 2016.

9. INCOME TAX EXPENSES

	2017	2016
	US$'000	*US$'000*
Current tax		
Singapore corporate income tax		
Current year	**105**	70
Under provision in prior year	**19**	–
	124	70
PRC enterprise income tax		
Current year	**403**	–
	527	70
Deferred tax	**19**	65
Total income tax expenses for the year	**546**	135

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.

Hong Kong profits tax is calculated at 16.5% *(2016: 16.5%)* of the estimated assessable profits arising in or derived from Hong Kong. The Group's subsidiaries established in the PRC are subject to enterprise income tax of the PRC at 25% *(2016: 25%)* of the estimated assessable profits for the year based on the existing legislation, interpretations and practices in respect thereof.

Singapore corporate income tax ("CIT") is calculated at 17% *(2016: 17%)* of the estimated assessable profits with CIT rebate of 40% *(2016: 50%)*, capped at Singapore Dollars ("SG$")15,000 *(2016: SG$25,000)* for the year ended 31 December 2017. 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 2017 and 2016.

9. INCOME TAX EXPENSES *(Continued)*

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 each of the years ended 31 December 2017 and 2016.

Malaysia CIT is calculated at 24% of the estimated assessable profits for the years ended 31 December 2017 and 2016. Global Expert Team Sdn. Bhd ("GET (Malaysia)") enjoys tax rate of 19% and 18% on the first RM500,000 and remaining balance of the estimated assessable profits at tax rate of 24% for the years ended 31 December 2017 and 2016, respectively.

GET (Malaysia) has obtained the pioneer status effective from November 2015. A pioneer status company is 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) has 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

	2017 ***US$'000***	2016 *US$'000*
Profit before income tax	**1,726**	1,411
Tax calculated at domestic tax rates applicable to profit in the respective tax jurisdictions	**425**	312
Non-deductible expenses	**350**	110
Tax exempt revenue	**(64)**	(26)
Tax rebates	**(11)**	(14)
Tax incentives		
– Pioneer status	**(36)**	(162)
– Research and development expenditures and computer equipment	**(145)**	(104)
Others	**27**	19
Income tax expenses	**546**	135

Notes to the Consolidated Financial Statements

Year ended 31 December 2017

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:

	2017	2016
	US$'000	*US$'000*
Profit for the year attributable to the owners of the Company, used in basic and diluted earnings per share calculation	**1,194**	1,276
	Number of shares ('000)	
Weighted average number of ordinary shares for basic and diluted earnings per share calculation	**531,781**	416,619

The calculation of the weighted average number of ordinary shares for the purpose of calculating basis and diluted earnings per share during each year has been determined based on the assumption that the Capitalisation Issue (as defined in the Prospectus) to the shareholders other than Strategic Investor (as defined in the Prospectus) had occurred on 1 January 2016 and having adjusted the effect of the shares subscribed by the Strategic Investor on 30 June 2016.

Diluted earnings per share are same as the basic earnings per share as there are no dilutive potential ordinary shares in existence in both years.

11. DIVIDENDS

The directors of the Company did not recommend a payment of a final dividend for the year ended 31 December 2017 *(2016: Nil)*.

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 2016				
At 1 January 2016	14	9	125	148
Additions	–	1	18	19
Depreciation	(5)	(3)	(56)	(64)
At 31 December 2016	9	7	87	103
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**
At 31 December 2016				
Cost	20	15	259	294
Accumulated depreciation	(11)	(8)	(172)	(191)
Net book value	9	7	87	103
At 31 December 2017				
Cost	**20**	**15**	**1,030**	**1,065**
Accumulated depreciation	**(17)**	**(12)**	**(262)**	**(291)**
Net book value	**3**	**3**	**768**	**774**

Notes to the Consolidated Financial Statements

Year ended 31 December 2017

13. INTANGIBLE ASSETS

	Internally developed technologies *US$'000*
Reconciliation of carrying amount – Year ended 31 December 2016	
At 1 January 2016	417
Additions	306
Amortisation	(252)
At 31 December 2016	471
Reconciliation of carrying amount – Year ended 31 December 2017	
At 1 January 2017	**471**
Additions	**323**
Amortisation	**(177)**
At 31 December 2017	**617**
At 31 December 2016	
Cost	1,026
Accumulated amortisation	(555)
Net book value	471
At 31 December 2017	
Cost	**1,349**
Accumulated amortisation	**(732)**
Net book value	**617**

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.

The carrying amounts of intangible assets yet to be available for use at 31 December 2017 were approximately US$278,000 *(2016: approximately US$142,000).*

The Group carried 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 carried 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 each reporting period.

The recoverable amount of intangible assets yet to be available for use was assessed on the basis of 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.

13. INTANGIBLE ASSETS *(Continued)*

At 31 December 2017 and 2016, 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.

14. 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 2017	2016	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 providing administrative and secretarial services and developing of cyber infrastructure solutions services to group companies, Hong Kong
Netsis (Singapore)	Singapore	SG$500,000	**100%**	100%	Provision of cyber infrastructure solutions, Singapore
Expert Team (Singapore)	Singapore	SG$300,000	**100%**	100%	Provision of cyber security solutions, Singapore
GET (Malaysia)	Malaysia	Malaysian Ringgit ("RM") 100,000	**100%**	100%	Provision of cyber security solutions, Malaysia
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%**	N/A	Provision of cyber infrastructure solutions and consulting services, The PRC
Nexion Investment Pte. Ltd.	Singapore	SG$100	**100%**	N/A	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.

Notes to the Consolidated Financial Statements

Year ended 31 December 2017

15. INVENTORIES

	2017 US$'000	2016 US$'000
Computer hardware for reselling	**78**	63

16. TRADE AND OTHER RECEIVABLES

	Note	2017 US$'000	2016 US$'000
Trade receivables from third parties	*16(a)*	**5,388**	1,715
Other receivables			
Prepayments	*(i)*	**373**	643
Deposits and other receivables		**124**	31
		497	674
		5,885	2,389

(i) It included prepaid Listing expenses of nil at 31 December 2017 *(2016: approximately US$559,000)*.

16(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:

	2017 US$'000	2016 US$'000
Within 30 days	**5,083**	1,227
31 to 60 days	**182**	460
61 to 90 days	**2**	13
Over 90 days	**121**	15
	5,388	1,715

16. TRADE AND OTHER RECEIVABLES *(Continued)*

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

	2017	2016
	US$'000	*US$'000*
Not yet due	**5,151**	1,607
Past due:		
With 30 days	**115**	80
31 to 60 days	**1**	13
61 to 90 days	**98**	–
Over 90 days	**23**	15
	237	108
	5,388	1,715

Before accepting any new customer, the Group assesses the potential customer's credit quality and defines credit limits for the customer. The majority of the Group's trade receivables that are past due but not impaired have good credit quality with reference to respective settlement history.

The Group's trade receivables which are past due at the end of each reporting period but which the Group has not impaired as there has not been any significant changes in credit quality of customers and the management believes that the amounts are fully recoverable.

Receivables that were neither past due nor impaired relate to a wide range of customers for whom there was no history of default. The Group does not hold any collateral over the trade receivables.

17. TRADE AND OTHER PAYABLES

	2017	2016
	US$'000	*US$'000*
Trade payables to third parties	**539**	265
Other payables		
Accruals and other payables	**346**	48
Receipt in advance	**521**	181
	867	229
	1,406	494

Notes to the Consolidated Financial Statements

Year ended 31 December 2017

17. TRADE AND OTHER PAYABLES *(Continued)*

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:

	2017	2016
	US$'000	*US$'000*
Within 30 days	**537**	261
31 to 60 days	**–**	–
61 to 90 days	**1**	1
Over 90 days	**1**	3
	539	265

18. DEFERRED TAX

The movement for the year in the Group's deferred tax liabilities was as follows:

	2017	2016
	US$'000	*US$'000*
At the beginning of the reporting period	**82**	17
Charge to profit or loss	**19**	65
At the end of the reporting period	**101**	82

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

	Assets		**Liabilities**	
	2017	2016	**2017**	2016
	US$'000	*US$'000*	***US$'000***	*US$'000*
Depreciation allowance	**–**	–	**(35)**	(16)
Intangible assets	**–**	–	**(92)**	(92)
Tax losses	**26**	26	**–**	–
	26	26	**(127)**	(108)
Offsetting	**(26)**	(26)	**26**	26
Net deferred tax liabilities	**–**	–	**(101)**	(82)

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

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$61,000 *(2016: Nil)* 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.

19. SHARE CAPITAL

	Note	Number of shares	*HK$*	Equivalent to *US$*
Ordinary share of HK$0.01 each				
Authorised:				
At 22 June 2016 (date of incorporation), 31 December 2016 and 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		**6,000,000,000**	**60,000,000**	**7,692,308**
Issued and fully paid:				
At incorporation	*(ii)*	1	0.01	–
Issuance of shares on 28 June 2016	*(iii)*	4,999	49.99	6
Issuance of shares on 30 June 2016	*(iv)*	80,000	800.00	103
Issuance of shares on 30 June 2016	*(v)*	15,000	150.00	19
At 31 December 2016 and 1 January 2017		100,000	1,000	128
Capitalisation Issue	*(vi)*	449,900,000	4,499,000	576,795
Issuance of new shares by way of public offer	*(vii)*	150,000,000	1,500,000	192,308
At 31 December 2017		**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) Upon incorporation, one share was issued and allotted to the initial subscriber at par value which was subsequently transferred to Alpha Sense Investments Limited ("Alpha Sense (BVI)") on the same day.

(iii) On 28 June 2016, 4,999 new shares were issued and allotted at par value with a total consideration of HK$49.99. Among the 4,999 new shares, 3,564 shares were issued and allotted to Alpha Sense (BVI), 551 shares were issued and allotted to Cyber Pioneer (BVI) and 884 shares were issued and allotted to Future Way (BVI).

(iv) On 30 June 2016, 80,000 new shares were issued and allotted at a total consideration of approximately US$5,400,000 under a share swap agreement in exchange of 10,000 shares of Nexion Global (BVI). Among the 80,000 new shares, 57,032 shares were issued and allotted to Alpha Sense (BVI), 8,816 shares were issued and allotted to Cyber Pioneer Investments Limited ("Cyber Pioneer (BVI)") and 14,152 shares were issued and allotted to Future Way Investments Limited ("Future Way (BVI)"). Due to the fact that the share swap is only a step of the Reorganisation, the shares of the Company as issued were recorded at par value.

(v) On 30 June 2016, 15,000 new shares were issued and allotted at HK$624 per share to Vantage Network Global Limited at a total consideration of HK$9,360,000 (equivalent to approximately US$1,200,000).

(vi) 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").

(vii) 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.

Notes to the Consolidated Financial Statements

Year ended 31 December 2017

20. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

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

	Note	2017 US$'000	2016 US$'000
Non-current asset			
Investment in a subsidiary		**3,922**	3,922
Current assets			
Due from subsidiaries		**8,495**	1,200
Cash and bank balances		**1,936**	–
Net current assets		**10,431**	1,200
NET ASSETS		**14,353**	5,122
Capital and reserves			
Share capital	*19*	**769**	–
Reserves	*20(a)*	**13,584**	5,122
TOTAL EQUITY		**14,353**	5,122

The financial statements were approved and authorised for issue by the Board on 23 March 2018 and signed on its behalf by

Foo Moo Teng
Director

Edgardo Osillada Gonzales II
Director

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

(a) Movements of the reserves

	Note	Share premium US$'000 (Note 21)	Capital reserve US$'000 (Note 21)	Total US$'000
At 22 June 2016 (date of incorporation)		–	–	–
Transactions with owners:				
Contributions and distributions				
Share premium arising from issue of share capital	19(v)	1,200	–	1,200
Capital reserve arising from issue of share capital under a share swap agreement	19(iv)	–	3,922	3,922
Total transactions with owners		1,200	3,922	5,122
At 31 December 2016		1,200	3,922	5,122
At 1 January 2017		1,200	3,922	5,122
Transactions with owners:				
Contributions and distributions				
Capitalisation Issue	19(vi)	(577)	–	(577)
Issue of new shares by way of public offer	19(vii)	9,039	–	9,039
Total transactions with owners		8,462	–	8,462
At 31 December 2017		9,662	3,922	13,584

Corporate administrative costs of the Company and Listing expenses were borne by the subsidiaries of the Company without recharge.

Notes to the Consolidated Financial Statements

Year ended 31 December 2017

21. 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 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.

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.

22. 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

	2017	2016
	US$'000	*US$'000*
Salaries and allowances	**575**	515
Contributions to defined contribution retirement schemes	**45**	36
	620	551

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

23. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments comprise 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 main risks arising from the Group's financial instruments are credit risk, currency 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 and bank balances and cash. 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:

	2017 ***US$'000***	2016 *US$'000*
Trade and other receivables	**5,512**	1,746
Bank balances and cash	**9,492**	3,000
	15,004	4,746

The Group trades with recognised and creditworthy third parties. The receivable balances are monitored on an ongoing basis by senior management and the Group's exposure to bad debts is not significant.

In order to minimise the credit risk, the management of the Group closely monitors the credit limits granted to individual customers and implements appropriate monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual debtors at the end of each reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the management of the Group considers that the Group's credit risk is significantly reduced.

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.

At 31 December 2017, the Group had a concentration of credit risk as approximately 46% *(2016: approximately 42%)* of the total trade receivables was due from the Group's largest trade debtor and approximately 95% *(2016: approximately 86%)* of the total trade receivables was due from the Group's five largest trade debtors.

Notes to the Consolidated Financial Statements

Year ended 31 December 2017

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

Foreign currency risk

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

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 2017 are analysed as follows:

	Financial assets *US$'000*	Financial liabilities *US$'000*
SG$	**380**	**(119)**
RM	**2,007**	**–**

The following table indicates the approximate changes in the Group's profit before income tax if exchange rates of the SG$ and RM 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:

	US$'000
SG$	
+10%	**26**
-10%	**(26)**
RM	
+10%	**201**
-10%	**(201)**

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.

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.

At 31 December 2016, the Group had a minimal exposure to foreign currency risk as most of its business transactions, assets and liabilities were principally denominated in the functional currency of the major operating subsidiaries of the Group, i.e. US$.

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.

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

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.

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.

24. 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, call for additional capital from equity owners or sale of assets to reduce debts. No changes were made in the objectives, policies or processes during the years ended 31 December 2017 and 2016.

25. OPERATING LEASE COMMITMENTS

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:

	2017	2016
	US$'000	*US$'000*
Within one year	**58**	81
In the second to fifth years inclusive	**–**	15
	58	96

26. CAPITAL COMMITMENTS

At 31 December 2017, the Group had commitment, net of deposits paid of approximately US$115,000, of approximately US$2,186,000 *(2016: Nil)* principally related to the acquisition of two properties located in Singapore.

Notes to the Consolidated Financial Statements

Year ended 31 December 2017

27. 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.

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.

No share options had been granted, exercised or lapsed during the year ended 31 December 2017 and there were no outstanding share options at 31 December 2017.

28. EVENTS AFTER THE REPORTING PERIOD

Subsequent to 31 December 2017, the Group has the following subsequent events:

(1) On 20 October 2017, the Group accepted options offered by two independent third party vendors in relation to the acquisition of two properties located in Singapore at a consideration of SG$1,526,840 (equivalent to approximately US$1,142,000) and SG$1,550,000 (equivalent to approximately US$1,159,000), respectively. The transactions were completed on 9 January 2018 and 14 February 2018 respectively. Details are set out in the Company's announcements dated 20 October 2017 and 14 February 2018.

(2) On 3 January 2018, the Company offered to grant a total of 28,800,000 share options at an exercise price of HK$0.6 per share of the Company to certain eligible participant(s) (the "Grantees"), subject to acceptance of the Grantees and 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. Details are set out in the Company's announcement dated 3 January 2018.

Financial Summary

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

RESULTS

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

ASSETS AND LIABILITIES

	As at 31 December			
	2017	2016	2015	2014
	US$'000	*US$'000*	*US$'000*	*US$'000*
	Note (a)	*Note (b)*	*Note (b)*	*Note (b)*
Total Assets	**16,961**	6,026	3,344	2,330
Total Liabilities	**(2,089)**	(647)	(464)	(320)
Total Equity	**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			
		2017	2016	2015	2014
Financial performance		***US$'000***	*US$'000*	*US$'000*	*US$'000*
Revenue		**8,538**	5,635	3,715	2,443
Net Profit		**1,180**	1,276	1,350	1,363
Net profit margin	*Note 1*	**13.8%**	22.6%	36.3%	55.8%
Financial position					
Current ratio	*Note 2*	**7.8%**	9.6	6.2	6.4
Quick ratio	*Note 3*	**7.7%**	9.5	6.1	6.3
Gearing ratio	*Note 4*	**N/A**	N/A	N/A	N/A
Net debt-to-equity ratio	*Note 5*	**Net cash**	Net cash	Net cash	Net cash
Return on equity	*Note 6*	**7.9%**	23.7%	46.9%	67.8%
Return on assets	*Note 7*	**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.

The financial information for the year ended 31 December 2013 was not disclosed as the consolidated financial statements for the Group have not been prepared. The summary above does not form part of the audited consolidated financial statements in the annual report.