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NEXION TECHNOLOGIES LIMITED

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 8420)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2018

CHARACTERISTICS OF GEM OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE "STOCK EXCHANGE")

GEM has been positioned as a market designed to accommodate small and mid-sized companies to which a higher investment risk may be attached than other companies listed on the Stock Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration.

Given that the companies listed on GEM are generally small and mid-sized companies, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board and no assurance is given that there will be a liquid market in the securities traded on GEM.

This announcement, 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 and its subsidiaries (collectively referred to as the "Group"). 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 announcement 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 announcement misleading.

RESULTS

The board of directors (the "Board") of Nexion Technologies Limited hereby announces the consolidated financial results of the Group for the year ended 31 December 2018, together with the comparative figures of the previous corresponding year are as follow:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Year ended 31 December 2018

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2018

	Notes	2018 US$'000	2017 US$'000
Non-current assets			
Property, plant and equipment		**1,027**	774
Investment properties	*8*	**2,313**	—
Intangible assets		**614**	617
Financial assets at Designated FVOCI		**98**	—
Deposits paid for acquisition of investment properties		**—**	115
		4,052	1,506
Current assets			
Inventories		**109**	78
Trade and other receivables	*9*	**5,962**	5,885
Bank balances and cash		**7,818**	9,492
		13,889	15,455
Current liabilities			
Trade and other payables	*10*	**1,153**	1,406
Income tax payable		**744**	582
		1,897	1,988
Net current assets		**11,992**	13,467
Total assets less current liabilities		**16,044**	14,973
Non-current liabilities			
Deferred tax liabilities		**150**	101
NET ASSETS		**15,894**	14,872
Capital and reserves			
Share capital	*11*	**769**	769
Reserves		**15,125**	14,103
TOTAL EQUITY		**15,894**	14,872

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2018

		Reserves							
	Share capital US$'000 (Note 11)	Share premium US$'000	Capital reserve US$'000	Statutory reserve US$'000	Fair value reserve US$'000	Exchange reserve US$'000	Share options reserve US$'000	Accumulated profits US$'000	Total US$'000
At 1 January 2017	—	1,200	650	—	—	—	—	3,529	5,379
Profit for the year	—	—	—	—	—	—	—	1,180	1,180
Other comprehensive income:									
Item that may be subsequently reclassified to profit or loss									
Exchange difference arising on translation of foreign operations	—	—	—	—	—	14	—	—	14
Total comprehensive income for the year	—	—	—	—	—	14	—	1,180	1,194
Transactions with owners:									
Contributions and distributions									
Capitalisation Issue	577	(577)	—	—	—	—	—	—	—
Issue of new shares by way of public offer	192	9,039	—	—	—	—	—	—	9,231
Transaction costs attributable to issue of new shares	—	(932)	—	—	—	—	—	—	(932)
Appropriation of statutory reserve	—	—	—	121	—	—	—	(121)	—
Total transactions with owners	769	7,530	—	121	—	—	—	(121)	8,299
At 31 December 2017	769	8,730	650	121	—	14	—	4,588	14,872
At 1 January 2018	**769**	**8,730**	**650**	**121**	**—**	**14**	**—**	**4,588**	**14,872**
Profit for the year	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**1,533**	**1,533**
Other comprehensive loss:									
Item that will not be reclassified to profit or loss									
Change in fair value of financial assets at Designated FVOCI	**—**	**—**	**—**	**—**	**(615)**	**—**	**—**	**—**	**(615)**
Item that may be subsequently reclassified to profit or loss									
Exchange difference arising on translation of foreign operations	**—**	**—**	**—**	**—**	**—**	**(86)**	**—**	**—**	**(86)**
Total comprehensive (loss) income for the year	**—**	**—**	**—**	**—**	**(615)**	**(86)**	**—**	**1,533**	**832**
Transactions with owners:									
Contributions and distributions									
Recognition of equity-settled share-based payment expenses	**—**	**—**	**—**	**—**	**—**	**—**	**190**	**—**	**190**
Forfeiture of share options	**—**	**—**	**—**	**—**	**—**	**—**	**(190)**	**190**	**—**
Total transactions with owners	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**190**	**190**
At 31 December 2018	**769**	**8,730**	**650**	**121**	**(615)**	**(72)**	**—**	**6,311**	**15,894**

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2018

	Notes	2018 US$'000	2017 US$'000
OPERATING ACTIVITIES			
Cash generated from (used in) operations	12	**2,734**	(580)
Income tax paid		**(555)**	(19)
Net cash from (used in) operating activities		**2,179**	(599)
INVESTING ACTIVITIES			
Interest received		**18**	1
Acquisition of property, plant and equipment		**(689)**	(771)
Acquisition of investment properties		**(2,198)**	—
Deposits paid for acquisition of investment properties		**—**	(115)
Additions to intangible assets		**(425)**	(323)
Purchases of financial assets at Designated FVOCI		**(713)**	—
Purchases of financial assets at FVPL		**(25)**	—
Net cash inflow on disposal of subsidiaries	13	**152**	—
Proceeds from disposal of property, plant and equipment		**2**	—
Proceeds from disposal of financial assets at FVPL		**25**	—
Net cash used in investing activities		**(3,853)**	(1,208)
FINANCING ACTIVITIES			
Proceeds from issuance of new shares in connection with the listing of the Company's shares		**—**	9,231
Payments of share issuance expenses		**—**	(932)
Net cash from financing activities		**—**	8,299
Net (decrease) increase in cash and cash equivalents		**(1,674)**	6,492
Cash and cash equivalents at the beginning of the reporting period		**9,492**	3,000
Cash and cash equivalents at the end of the reporting period, represented by bank balances and cash		**7,818**	9,492

1. CORPORATE INFORMATION AND BASIS OF PREPARATION

Nexion Technologies Limited 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. The address of the Company's registered office is PO Box 309, Ugland House, Grand Cayman, KY1-1104, Cayman Islands and its principal place of business is situated at Unit #08–03, HB Centre I, 12 Tannery Road, Singapore 347722.

The principal activity of the Company is investment holding. The Group are principally engaged in provision of cyber infrastructure solutions services, and provision of cyber security solutions services.

2. PRINCIPAL ACCOUNTING POLICIES

Statement of compliance

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

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

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

Adoption of new/revised IFRSs

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

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

Amendments to IAS 40: Transfers of Investment Property

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

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

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

Adoption of new/revised IFRSs *(Continued)*

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

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

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

IFRIC – Int 22: Foreign Currency Transactions and Advance Consideration

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

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

IFRS 9: Financial Instruments

The following terms are used in these consolidated financial statements:

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

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

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

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

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

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

Adoption of new/revised IFRSs *(Continued)*

IFRS 9: Financial Instruments *(Continued)*

(a) (Continued)

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

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

The above resulting classification shall be applied retrospectively.

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

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

Classification and measurement of financial assets and financial liabilities

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

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

	Measurement category under IAS39	**Carrying amount under IAS 39 at 31 December 2017**	**Measurement category under IFRS 9**	**Carrying amount under IFRS 9 at 1 January 2018**
		US$'000		*US$'000*
Amortised cost				
Bank balances and cash	Loans and receivable	9,492	Amortised cost	9,492
Trade and other receivables	Loans and receivable	5,512	Amortised cost	5,512
		15,004		15,004

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

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

Adoption of new/revised IFRSs *(Continued)*

IFRS 15: Revenue from Contracts with Customers

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

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

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

Timing of revenue recognition

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

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

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

Basis of measurement

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

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.

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

1 Effective for annual periods beginning on or after 1 January 2019

2 Effective for annual periods beginning on or after 1 January 2020

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

4 The effective date to be determined

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

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.

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

Future changes in IFRSs *(Continued)*

IFRS 16: Leases *(Continued)*

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

3. SEGMENT INFORMATION

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

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

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

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

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

3. SEGMENT INFORMATION *(Continued)*

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

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

Reconciliation of reportable segment results

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

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

3. SEGMENT INFORMATION *(Continued)*

Information about geographical areas

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

(a) Revenue from external customers

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

(b) Specified Non-current Assets

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

3. SEGMENT INFORMATION *(Continued)*

Information about major customers

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

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

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

4. REVENUE

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

5. INCOME TAX EXPENSES

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

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

5. INCOME TAX EXPENSES *(Continued)*

The Group's subsidiaries established in the PRC are subject to enterprise income tax of the PRC at 25% *(2017: 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% *(2017: 17%)* of the estimated assessable profits with CIT rebate of 20% *(2017: 40%)*, capped at Singapore Dollars ("SG$") 10,000 *(2017: SG$15,000)* for the year ended 31 December 2018. Singapore incorporated companies can also enjoy 75% tax exemption on the first SG$10,000 of normal chargeable income and a further 50% tax exemption on the next SG$290,000 of normal chargeable income during the years ended 31 December 2018 and 2017.

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

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

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

Reconciliation of income tax expenses

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

6. EARNINGS PER SHARE

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

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

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

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

7. DIVIDENDS

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

8. INVESTMENT PROPERTIES

	2018	2017
	US$'000	*US$'000*
At fair value		
At 1 January	**—**	—
Additions	**2,313**	—
At 31 December	**2,313**	—

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

8. **INVESTMENT PROPERTIES** *(Continued)*

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

9. **TRADE AND OTHER RECEIVABLES**

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

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

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

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

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

10. TRADE AND OTHER PAYABLES

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

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

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

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

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

11. SHARE CAPITAL

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

Notes:

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

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

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

12. CASH GENERATED FROM (USED IN) OPERATIONS

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

13. DISPOSAL OF SUBSIDIARIES

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

	US$'000
Net assets disposed of	
Property, plant and equipment	3
Intangible assets	178
Inventories	2
Other receivables	11
Bank balances and cash	104
Trade and other payables	(3)
Deferred tax liabilities	(20)
	275
Cash consideration	256
Less: net assets disposed of	(275)
Loss on disposal of subsidiaries	(19)

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

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

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS OVERVIEW AND OUTLOOK

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.

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

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

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

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

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

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

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

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

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

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

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

COMPARISON OF BUSINESS OBJECTIVES WITH ACTUAL BUSINESS PROGRESS

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

Business objectives	Planned progress for the year ended 31 December 2018 as set out in the Prospectus	Actual business development for the year ended 31 December 2018
Expanding the Group's headquarters, establishing a R&D centre in Singapore and upgrading the R&D facilities	To acquire and equip the testing centre with testing equipment for testing the reliability, performance, and features of the Group's cyber security solutions.	Selection of necessary equipment for the establishment of the testing centre was in progress. The Group will acquire necessary equipment in coming years.
	To acquire and equip the demonstration laboratory with equipment for demonstrative purposes for realtime simulation and to upgrade the Group's R&D software and hardware for its R&D team in Singapore for design, database and project management purposes.	Selection of necessary equipment for the establishment of the demonstration laboratory and upgrade of R&D team was in progress. The Group will acquire necessary equipment in coming years.
	To acquire and install new computers, laptops, design software and hardware, and servers for the purpose of products development and testing.	The Group has already acquired and installed new hardware and software to upgrade its R&D facilities.

Business objectives	Planned progress for the year ended 31 December 2018 as set out in the Prospectus	Actual business development for the year ended 31 December 2018
Expanding product lines by developing new products, upgrading the Group's existing products and strengthening the Group's R&D team	To recruit two professional service engineers with relevant qualifications and with approximately 5 years of relevant experience to be based in Singapore to assist in the Group's pre-sales and after-sales technical support.	No engineer was recruited during the year ended 31 December 2018. The Group will continue the evaluation on necessity of new recruitment.
	To recruit two experienced senior engineers comprising two java/ java script/J2EE engineers for software programming and two C/C++ engineers with relevant qualifications and with approximately 3 to 5 years of relevant experience to be based in Malaysia to assist in developing new products and upgrading the Group's existing products.	No engineer was recruited during the year ended 31 December 2018. The Group will continue the evaluation on necessity of new recruitment.
Expanding the Group's sales and marketing team and establishing regional offices	To establish a regional office and lease a service office in Dubai, United Arab Emirates ("UAE") as the Group's representative office for market coverage in Middle East & Africa region.	The Group carried out business feasibility study on the establishment of the regional office in Dubai, UAE.
	To recruit two senior technical sales engineers with the relevant qualifications and with approximately 5 years of relevant experience to be based at the Group's regional office in Dubai, UAE to better support the Group's existing and prospective clients for proof of concept, onsite visits and support in the Middle East & Africa region.	The Group will proceed with the employment process once the results of feasibility study are satisfied with the management's expectation.
	To establish a regional office and lease a service office in Frankfurt, Germany as the Group's representative office in Europe.	The Group carried out business feasibility study on the establishment of the regional office in Frankfurt, Germany.

Business objectives	Planned progress for the year ended 31 December 2018 as set out in the Prospectus	Actual business development for the year ended 31 December 2018
	To recruit one senior regional sales and two senior technical sales engineers with the relevant qualifications and with approximately 5 years of relevant experience to be based at the Group's regional office in Frankfurt, Germany to assist in the strengthening of the marketing and branding of the Group's products.	The Group will proceed with the employment process once the results of feasibility study are satisfied with the management's expectation.
Developing Netsis Hybrid Converge Hub in Singapore to broaden the Group's source of revenue	To maintain and support the operation of the services.	The Group monitored and improved the services and products offered to the customers regularly during the year ended 31 December 2018.
	To promote and market the services through events and social media.	Regular marketing promotion was carried out by the Group's marketing team regularly during the year ended 31 December 2018.
Developing Netsis Security Hub in Hong Kong to broaden the Group's source of revenue	To acquire hardware and software for setting up of the Netsis Security Hub in Hong Kong.	The Group has acquired parts of the necessary hardware and software in advance for the establishment of Netsis Security Hub in Hong Kong for cost efficiency.
	To design and commission the Netsis Security Hub.	The Netsis Security Hub is expected to be launched in year 2019.

USE OF NET PROCEEDS FROM LISTING

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

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

As at the date of this announcement, 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.

FINANCIAL REVIEW

Revenue

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

Cost of inventories sold

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

Staff costs and related expenses

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

Other operating expenses

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

Liquidity and financial resources

At 31 December 2018, the Group had current assets of approximately US$13,889,000 *(2017: approximately US$15,455,000)* including bank balances and cash of approximately US$7,818,000 *(2017: approximately US$9,492,000)* which are principally denominated in Hong Kong dollars ("HK$"), SG$, Renminbi ("RMB") and US$, and the Group did not have any bank borrowings and debts. Total assets were approximately US$17,941,000 *(2017: approximately US$16,961,000)* and total liabilities were approximately US$2,047,000 *(2017: approximately US$2,098,000)*. The gearing ratio is not available, since the Group had no bank borrowings and no debts as at 31 December 2018 and 2017.

Share capital

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

Treasury policy

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

Foreign exchange exposure

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

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

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

Contingent liabilities

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

Commitments

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

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

Significant investment, material acquisitions and disposals

Acquisition of two properties in Singapore

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

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

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

Disposal of subsidiaries

In order to minimise the operation costs and enhance the business efficiency, the Group disposed of the GET Group (the "Disposal") to an independent third party during the year ended 31 December 2018. The principal activities of GET Group are investment holding, provision of cyber security solutions service and R&D in Malaysia. The Disposal resulted in a loss of approximately US$19,000 and was completed on 28 March 2018. The R&D functions had been taken up by the subsidiaries in Singapore after the Disposal. In addition, the Disposal did not constitute a notifiable transaction for the Company under Chapter 19 of the GEM Listing Rules. Details of the Disposal are set out in Note 13 of this announcement.

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

Final dividends

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

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

Charges on the Group's assets

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

Employees information

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

CORPORATE CHANGES

Change of Company Secretary

With effect from 21 December 2018, (a) Mr. Tsang Tik Man has resigned as (i) the company secretary (the "Company Secretary") of the Company, (ii) one of the authorised representatives of the Company (the "Authorised Representative(s)") under Rule 5.24 of the GEM Listing Rules and (iii) authorised representative of the Company to accept on the Company's behalf service of process and notice under Rules 24.05(2) of the GEM Listing Rules and Part 16 of the Companies Ordinance (Chapter 632 of the Laws of Hong Kong) (the "Process Agent"); and (b) Mr. Kwok Siu Man of Boardroom Corporate Service (HK) Limited, has been appointed as (i) the Company Secretary, (ii) the Authorised Representative, and (iii) the Process Agent.

CORPORATE GOVERNANCE CODE

The Corporate Governance Code ("the Code") in Appendix 15 to the GEM Listing Rules sets out the principles of good corporate governance, code provisions and recommended best practices. Issuers are expected to comply with the code provisions or devise their own code on corporate governance on the terms they consider appropriate provided that considered reasons are given.

During the year ended 31 December 2018, the Company had complied with the applicable code provisions of the Code with the exception of the deviation from code provision A.2.1 as explained below:

Code provision A.2.1 of the Code requires that the roles of chairman and chief executive officer should be separate and not performed by the same individual. Mr. Foo 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 Code.

Except for the deviation from code provision A.2.1 of the Code, the Company's corporate governance practices have complied with the Code as set out in Appendix 15 to the GEM Listing Rules during the year ended 31 December 2018.

INTEREST IN COMPETING BUSINESS

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

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

Neither the Company, nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the year ended 31 December 2018.

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 during the year ended 31 December 2018.

INTERESTS OF COMPLIANCE ADVISER

In accordance with Rule 6A.19 of the GEM Listing Rules, our Group has appointed Southwest Securities (HK) Capital Limited as our compliance adviser, which will provide advice and guidance to our 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.

SHARE OPTION SCHEME

The share option scheme of the Company (the "Scheme") has been adopted by way of shareholder's written resolution passed on 31 May 2017. The terms of the Scheme are in accordance with the provisions of Chapter 23 of the GEM Listing Rules.

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

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

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

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

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

AUDIT COMMITTEE

The Company has established an audit committee of the Company ("Audit Committee") with written terms of reference in compliance with Rule 5.28 of the GEM Listing Rules and the Corporate Governance Code and Corporate Governance Report for the purpose of reviewing and supervising the Company's financial reporting and internal control procedures. As at 31 December 2018, the Audit Committee comprised three independent non-executive directors, namely Ms. Lim Joo Seng (Chairlady), Mr. Park Jee Ho and Mr. Chan Ming Kit. Ms. Lim Joo Seng is the chairlady of the Audit Committee.

The Audit Committee has reviewed the consolidated financial statements for the year ended 31 December 2018 and the annual results of the Group for the year ended 31 December 2018 ("Annual Results"), and is of the opinion that the Annual Results have complied with the applicable accounting standards, and the GEM Listing Rules, and adequate disclosures have been made.

SCOPE OF WORK OF THE AUDITOR

The figures in respect of this announcement of the Group's results for the year ended 31 December 2018 have been agreed by the Group's auditor, Mazars CPA Limited, *Certified Public Accountant* ("Mazars"), to the amounts set out in the Group's draft consolidated financial statements for the year ended 31 December 2018. The work performed by Mazars in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by Mazars on this announcement.

ANNUAL GENERAL MEETING AND BOOK CLOSURE PERIOD

The annual general meeting ("AGM") of the Company is expected to be held on Monday, 20 May 2019 at 10:30 a.m. and notice of the AGM will be published and despatched in the manner as required by the GEM Listing Rules. To ascertain the entitlement to attend and vote at the AGM, the register of members of the Company will be closed from 15 May 2019 to 20 May 2019 (both days inclusive) during which no transfer of shares will be registered. In order to be eligible to attend and vote at the AGM, all transfer forms accompanied by the relevant share certificates must be lodged with the Company's registrar, Tricor Investor Services Limited, Level 22, Hopewell Centre 183 Queen's Road East, Hong Kong, for registration no later than 4:30 p.m. on 14 May 2019.

PUBLICATION OF ANNUAL RESULTS ANNOUNCEMENT AND ANNUAL REPORT

The annual results announcement is published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (http://nexion.com.hk). The annual report for the year ended 31 December 2018 will be despatched to the shareholders of the Company and available on the same websites in due course.

By order of the Board
Nexion Technologies Limited
Foo Moo Teng
Chairman and Executive Director

Hong Kong, 26 March 2019

As at the date of this announcement, the Board comprises two executive directors, namely Mr. Foo Moo Teng (Chairman) and Mr. Edgardo Osillada Gonzales II; and three independent non-executive directors, namely Mr. Chan Ming Kit, Ms. Lim Joo Seng and Mr. Park Jee Ho.

This announcement, for which the directors of the Company collectively and individually accept full responsibility, includes particulars given in compliance with 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 announcement 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 announcement misleading.

This announcement will remain on the GEM website at www.hkgem.com on the "Latest Company Announcements" page and the website of the Company at http://nexion.com.hk for at least 7 days from the date of its publication.