NEXION TECHNOLOGIES LIMITED

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 8420)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2019

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 (the "Directors") of Nexion Technologies Limited (the "Company") collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on GEM of the Stock Exchange (the "GEM Listing Rules") for the purpose of giving information with regard to the Company and its subsidiaries (collectively referred to as the "Group"). The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this 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 2019, together with the comparative figures of the previous corresponding year as follow:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Year ended 31 December 2019

	Notes	**2019** ***US$'000***	2018 *US$'000*
Revenue	*4*	**5,815**	8,573
Other income		**158**	149
Cost of inventories sold		**(722)**	(3,134)
Staff costs and related expenses		**(1,243)**	(1,705)
Subcontracting fee		**(616)**	–
Sales and marketing expenses		**(1,679)**	(21)
Depreciation and amortisation		**(1,153)**	(681)
Impairment loss on trade and other receivables		**(588)**	–
General and administrative expenses		**(2,101)**	(840)
(Loss) Profit before income tax		**(2,129)**	2,341
Income tax credit (expenses)	*5*	**24**	(808)
(Loss) Profit for the year		**(2,105)**	1,533
Other comprehensive income (loss)			
Item that will not be reclassified to profit or loss			
Change in fair value of financial assets at designated fair value through other comprehensive income ("Designated FVOCI")		**(81)**	(615)
Items that are classified or may be reclassified subsequently to profit or loss			
Release of exchange reserve upon disposal of a subsidiary		**77**	–
Exchange difference arising on translation of foreign operations		**16**	(86)
Other comprehensive income (loss) for the year		**12**	(701)
Total comprehensive (loss) income for the year		**(2,093)**	832

	Notes	**2019**	2018
		US$'000	*US$'000*
(Loss) Profit for the year attributable to:			
Equity holders of the Company		**(2,105)**	1,533
Non-controlling interests		**–**	–
		(2,105)	1,533
Total comprehensive (loss) income attributable to:			
Equity holders of the Company		**(2,093)**	832
Non-controlling interests		**–**	–
		(2,093)	832
(Loss) Earnings per share for (loss) profit attributable to equity holders of the Company, basic and diluted *(US cents)*	*6*	**(0.33)**	0.26

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2019

	Notes	2019 US$'000	2018 US$'000
Non-current assets			
Property, plant and equipment	*8*	**2,681**	1,027
Investment properties	*9*	**1,149**	2,313
Intangible assets		**2,034**	614
Financial assets at Designated FVOCI		**17**	98
Other receivable	*10*	**205**	–
		6,086	4,052
Current assets			
Inventories		–	109
Trade and other receivables	*10*	**5,459**	5,962
Bank balances and cash		**6,191**	7,818
		11,650	13,889
Current liabilities			
Trade and other payables	*11*	**2,294**	1,153
Income tax payable		**153**	744
		2,447	1,897
Net current assets		**9,203**	11,992
Total assets less current liabilities		**15,289**	16,044
Non-current liabilities			
Deferred tax liabilities		**144**	150
NET ASSETS		**15,145**	15,894
Capital and reserves			
Share capital	*12*	**923**	769
Reserves		**14,221**	15,125
Equity attributable to equity holders of the Company		**15,144**	15,894
Non-controlling interests		**1**	–
TOTAL EQUITY		**15,145**	15,894

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2019

	Share capital *US$'000* *(Note 12)*	Share premium *US$'000*	Capital reserve *US$'000*	Exchange reserve *US$'000*	Statutory reserve *US$'000*	Fair value reserve *US$'000*	Share options reserve *US$'000*	Accumulated profits *US$'000*	Total *US$'000*
At 1 January 2018	769	8,730	650	14	121	–	–	4,588	14,872
Profit for the year	–	–	–	–	–	–	–	1,533	1,533
Other comprehensive income:									
Item that will not be reclassified to profit or loss									
Change in fair value of financial assets at Designated FVOCI	–	–	–	–	–	(615)	–	–	(615)
Item that is classified or may be reclassified subsequently to profit or loss									
Exchange difference arising on translation of foreign operations	–	–	–	(86)	–	–	–	–	(86)
Total comprehensive (loss) income for the year	–	–	–	(86)	–	(615)	–	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	(72)	121	(615)	–	6,311	15,894

	Attributable to equity holders of the Company									
	Share capital ***US$'000*** ***(Note 12)***	**Share premium** ***US$'000***	**Capital reserve** ***US$'000***	**Exchange reserve** ***US$'000***	**Statutory reserve** ***US$'000***	**Fair value reserve** ***US$'000***	**Accumulated profits** ***US$'000***	**Total** ***US$'000***	**Non-controlling interests** ***US$'000***	**Total** ***US$'000***
At 1 January 2019	**769**	**8,730**	**650**	**(72)**	**121**	**(615)**	**6,311**	**15,894**	**–**	**15,894**
Loss for the year	**–**	**–**	**–**	**–**	**–**	**–**	**(2,105)**	**(2,105)**	**–**	**(2,105)**
Other comprehensive loss:										
Item that will not be reclassified to profit or loss										
Change in fair value of financial assets at Designated FVOCI	**–**	**–**	**–**	**–**	**–**	**(81)**	**–**	**(81)**	**–**	**(81)**
Items that are classified or may be reclassified subsequently to profit or loss										
Release of exchange reserve upon disposal of a subsidiary *(Note 14)*	**–**	**–**	**–**	**77**	**–**	**–**	**–**	**77**	**–**	**77**
Exchange difference arising on translation of foreign operations	**–**	**–**	**–**	**16**	**–**	**–**	**–**	**16**	**–**	**16**
Total comprehensive income (loss) for the year	**–**	**–**	**–**	**93**	**–**	**(81)**	**(2,105)**	**(2,093)**	**–**	**(2,093)**
Transactions with owners:										
Contributions and distributions										
Issue of shares upon placing of shares *(Note 12)*	**154**	**1,189**	**–**	**–**	**–**	**–**	**–**	**1,343**	**–**	**1,343**
Changes in ownership interests										
Disposal of interests in a subsidiary without loss of control *(Note 15)*	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**1**	**1**
Total transactions with owners	**154**	**1,189**	**–**	**–**	**–**	**–**	**–**	**1,343**	**1**	**1,344**
Release of statutory reserve upon disposal of a subsidiary *(Note 14)*	**–**	**–**	**–**	**–**	**(121)**	**–**	**121**	**–**	**–**	**–**
At 31 December 2019	**923**	**9,919**	**650**	**21**	**–**	**(696)**	**4,327**	**15,144**	**1**	**15,145**

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2019

	Notes	2019 US$'000	2018 US$'000
OPERATING ACTIVITIES			
Cash generated from operations	*13*	**1,355**	2,734
Income tax paid		**(572)**	(555)
Net cash from operating activities		**783**	2,179
INVESTING ACTIVITIES			
Interest received		**89**	18
Acquisition of property, plant and equipment		**(1,275)**	(689)
Acquisition of investment properties		**–**	(2,198)
Additions to intangible assets		**(1,824)**	(425)
Proceeds from disposal of property, plant and equipment		**–**	2
Net cash (outflow) inflow on disposal of a subsidiary	*14*	**(729)**	152
Purchases of financial assets at Designated FVOCI		**–**	(713)
Purchases of financial assets at fair value through profit or loss ("FVPL")		**–**	25
Proceeds from disposal of financial assets at FVPL		**–**	(25)
Net cash used in investing activities		**(3,739)**	(3,853)
FINANCING ACTIVITY			
Net proceeds from issue of shares upon placing of shares	*12*	**1,343**	–
Net cash from financing activity		**1,343**	–
Net decrease in cash and cash equivalents		**(1,613)**	(1,674)
Cash and cash equivalents at the beginning of the reporting period		**7,818**	9,492
Effect of foreign exchange rate changes, net		**(14)**	–
Cash and cash equivalents at the end of the reporting period, represented by bank balances and cash		**6,191**	7,818

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 was changed from Unit #08–03, HB Centre I, 12 Tannery Road, Singapore 347722 to Unit #10-03, Novelty BizCentre, 18 Howard Road, Singapore 369585 on 1 January 2020.

The principal activity of the Company is investment holding. The Group are principally engaged in provision of cyber infrastructure solutions services, cyber security solutions services and Software-as-a-Service ("SaaS").

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 2018 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:

Annual Improvements to IFRSs	2015–2017 Cycle
IFRIC 23	Uncertainty over Income Tax Treatments
Amendments to IAS 19	Employee Benefits
IFRS 16	Leases

Annual Improvements to IFRSs – 2015–2017 Cycle

IFRS 3: Previously held interest in a joint operation

The amendments clarify that obtaining control of a business that is a joint operation is a business combination achieved in stages. The acquirer shall therefore apply the requirements for a business combination achieved in stages, including remeasuring its entire previously held interest in the joint operation.

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)*

Annual Improvements to IFRSs – 2015–2017 Cycle *(Continued)*

IFRS 11: Previously held interest in a joint operation

The amendments clarify that when an entity that participated in a joint operation which is a business obtains joint control of the joint operation, its previously held interest in the joint operation is not remeasured.

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

IAS 12: Income tax consequences of payments on financial instruments classified as equity

The amendments clarify that (a) the income tax consequences of dividends are recognised in profit or loss, other comprehensive income or equity according to where the past transactions or events that generated the distributable profits were originally recognised and (b) these requirements apply to all income tax consequences of dividends as defined in IFRS 9.

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

IAS 23: Borrowing costs eligible for capitalisation

The amendments clarify that (a) if a specific borrowing remains outstanding after the related qualifying asset is ready for its intended use or sale, it becomes part of the funds an entity borrows generally and (b) funds borrowed specifically to obtain an asset other than a qualifying asset are included as part of general borrowings.

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

IFRIC 23: Uncertainty over Income Tax Treatments

The Interpretation supports the requirements in IAS 12 Income Taxes by specifying how to reflect the effects of uncertainty in accounting for income taxes.

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

Amendments to IAS 19: Employee Benefits

The amendments require the use of updated assumptions to determine current service cost and net interest for the remainder of the reporting period after a change is made to a plan.

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)*

IFRS 16: Leases

IFRS 16 replaces IAS 17 and related Interpretations for annual periods beginning on or after 1 January 2019. It significantly changes, among others, the lessee accounting by replacing the dual-model under IAS 17 with a single model which requires a lessee to recognise right-of-use assets and lease liabilities for the rights and obligations created by all leases with a term of more than 12 months, unless the underlying asset is of low value. For lessor accounting, IFRS 16 substantially carries forward the lessor accounting requirements in IAS 17. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently. IFRS 16 also requires enhanced disclosures to be provided by lessees and lessors.

In accordance with the transitional provisions, the Group has applied IFRS 16 for the first time at 1 January 2019 (i.e. the date of initial application, the "DIA") using the modified retrospective approach in which comparative information has not been restated. Instead, the Group recognised the cumulative effect of initially applying IFRS 16 as an adjustment to the balance of accumulated profits or other component of equity, where appropriate, at the DIA.

The Group also elected to use the transition practical expedient not to reassess whether a contract was, or contained, a lease at the DIA and the Group applied IFRS 16 only to contracts that were previously identified as leases applying IAS 17 and to contracts entered into or changed on or after the DIA that are identified as leases applying IFRS 16.

As lessee

Before the adoption of IFRS 16, lease contracts were classified as operating or finance lease in accordance with the Group's accounting policies applicable prior to the DIA.

Upon adoption of IFRS 16, the Group accounted for the leases in accordance with the transition provisions of IFRS 16 and the Group's accounting policies applicable from the DIA.

As lessee – leases previously classified as operating leases

The Group recognised right-of-use assets and lease liabilities for leases previously classified as operating leases at the DIA, except for leases for which the underlying asset is of low value, and the Group applied the following practical expedients on a lease-by-lease basis.

(a) Applied a single discount rate to a portfolio of leases with reasonably similar characteristics.

(b) Adjusted the right-of-use assets at the DIA by the provision for onerous leases recognised immediately before the DIA by applying IAS 37, as an alternative to performing an impairment review at the DIA.

(c) Did not recognise right-of-use assets and lease liabilities to leases for which the lease term ends within 12 months of the DIA.

(d) Excluded initial direct costs from the measurement of the right-of-use assets at the DIA.

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

Adoption of new/revised IFRSs *(Continued)*

IFRS 16: Leases *(Continued)*

As lessee – leases previously classified as operating leases (Continued)

(e) Used hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

At the DIA, except for those that were previously or will be accounted for as investment property using the fair value model, right-of-use assets were, on a lease-by-lease basis, measured at either,

(a) their carrying amount as if IFRS 16 had been applied since the commencement date, but discounted using the lessee's incremental borrowing rate at the DIA; or

(b) an amount equal to the lease liabilities, adjusted by the amount of any prepaid or accrued lease payments relating to the lease recognised immediately before the DIA.

As lessor

The Group is not required to make any adjustments on transition for leases in which it is a lessor and those leases are accounted for by applying IFRS 16 from the DIA.

The adoption of the amendments 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 building, investment properties and financial assets at Designated FVOCI, which are measured at fair value.

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 IASs 1 and 8	Definition of Material [1]
Amendments to IAS 39, IFRSs 7 and 9	Interest Rate Benchmark Reform [1]
Amendments to IFRS 3	Definition of a Business [2]
IFRS 17	Insurance Contracts [3]
Amendments to IAS 1	Classification of Liabilities as Current or non-Current [4]
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture [5]

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

Future changes in IFRSs *(Continued)*

[1] Effective for annual periods beginning on or after 1 January 2020

[2] Effective for acquisitions that occur on or after the beginning of the first annual period beginning on or after 1 January 2020

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

[4] Effective for annual periods beginning on or after 1 January 2022

[5] Effective date to be determined

The directors do not anticipate that the adoption of these new/revised IFRSs in future periods will have any material impact on the Group's consolidated financial statements.

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; (ii) cyber security solutions; and (iii) SaaS.

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 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 directors consider that 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 2019 and 2018 is as follows:

	Cyber infrastructure solutions *US$'000*	**Cyber security solutions** *US$'000*	**SaaS** *US$'000*	**Total** *US$'000*
Year ended 31 December 2019				
Revenue from external customers and reportable segment revenue	**1,308**	**2,055**	**2,452**	**5,815**
Reportable segment results (Adjusted EBITDA)	**396**	**1,393**	**496**	**2,285**
Impairment loss on trade receivables	**5**	**–**	**–**	**5**
Depreciation and amortisation *(Note)*	**718**	**419**	**–**	**1,137**
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

Note: Unallocated depreciation to reportable segments amounted to approximately US$16,000 for the year ended 31 December 2019 *(2018: approximately US$2,000)*.

3. **SEGMENT INFORMATION** *(Continued)*

Reconciliation of reportable segment results

	2019	2018
	US$'000	*US$'000*
Reportable segment results (Adjusted EBITDA)	**2,285**	4,523
Interest income	**89**	18
Depreciation and amortisation	**(1,153)**	(681)
Impairment loss on trade and other receivables	**(588)**	–
Unallocated expenses	**(2,762)**	(1,519)
(Loss) Profit before income tax	**(2,129)**	2,341
Income tax credit (expenses)	**24**	(808)
(Loss) Profit for the year	**(2,105)**	1,533

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 and intangible assets (the "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

	2019	2018
	US$'000	*US$'000*
Hong Kong	**689**	14
Indonesia	**–**	75
Laos	**–**	6
Malaysia	**1,207**	2,152
Myanmar	**419**	3,207
People's Republic of China (the "PRC")	**2,452**	391
Philippines	**438**	231
Singapore	**448**	461
South Korea	**27**	1,501
Taiwan	**135**	40
Thailand	**–**	494
Vietnam	**–**	1
	5,815	8,573

3. **SEGMENT INFORMATION** *(Continued)*

Information about geographical areas *(Continued)*

(b) Specified Non-current Assets

	2019	2018
	US$'000	*US$'000*
Hong Kong	**58**	2
Singapore	**5,292**	3,920
The PRC	**514**	32
	5,864	3,954

Information about major customers

Revenue from customers individually contributing 10% or more of the total revenue of the Group for the years ended 31 December 2019 and 2018 is as follows:

	2019	2018
	US$'000	*US$'000*
Customer A	**2,390**	–
Customer B	**1,207**	*Note*
Customer C	**583**	–
Customer D	***Note***	2,176
Customer E	**–**	1,760
Customer F	***Note***	1,501
Customer G	***Note***	1,008

Note: The customer contributed less than 10% of the total revenue of the Group for the respective year.

4. **REVENUE**

	2019	2018
	US$'000	*US$'000*
Revenue from contracts with customers within IFRS 15		
– at a point in time		
Cyber infrastructure solutions	**1,058**	3,862
Cyber security solutions	**2,055**	4,260
SaaS	**2,452**	–
– over time		
Maintenance and support service income	**250**	451
	5,815	8,573

5. INCOME TAX (CREDIT) EXPENSES

	2019	2018
	US$'000	*US$'000*
Current tax		
Singapore corporate income tax		
Current year	**–**	588
(Over) Under provision in prior year	**(18)**	76
	(18)	664
PRC enterprise income tax		
Current year	**–**	75
	(18)	739
Deferred tax	**(6)**	69
Total income tax (credit) expenses for the year	**(24)**	808

The group entities established in the Cayman Islands and the British Virgin Islands (the "BVI") are exempted from income tax. No provision for Hong Kong profits tax has been made as the Group had no assessable profits arising in or derived from Hong Kong during the years ended 31 December 2019 and 2018.

The Group's subsidiaries established in the PRC are subject to enterprise income tax ("EIT") at 25% *(2018: 25%)* of the estimated assessable profits for the year based on the existing legislation, interpretations and practices in respect thereof. No provision for EIT has been made as the Group incurred a loss for taxation purposes during the year ended 31 December 2019.

Singapore corporate income tax ("CIT") is calculated at 17% *(2018: 17%)* of the estimated assessable profits with CIT rebate of 25% *(2018: 20%)*, capped at Singapore Dollars ("SG$") 15,000 *(2018: SG$10,000)* for the year ended 31 December 2019. Singapore incorporated companies can also enjoy 75% *(2018: 75%)* tax exemption on the first SG$10,000 *(2018: SG$10,000)* of normal chargeable income and a further 50% *(2018: 50%)* tax exemption on the next SG$190,000 *(2018: SG$290,000)* of normal chargeable income during the year ended 31 December 2019.

5. INCOME TAX (CREDIT) EXPENSES *(Continued)*

Reconciliation of income tax expenses

	2019	2018
	US$'000	*US$'000*
(Loss) Profit before income tax	**(2,129)**	2,341
Tax calculated at domestic tax rates applicable to profit in the respective tax jurisdictions	**(313)**	341
Non-deductible expenses	**163**	457
Tax exempt revenue	**(15)**	(19)
Tax rebates	**–**	(7)
Unrecognised tax losses	**163**	–
(Over) Under provision in prior year	**(18)**	76
Others	**(4)**	(40)
Income tax (credit) expenses	**(24)**	808

6. (LOSS) EARNINGS PER SHARE

The calculation of basic and diluted (loss) earnings per share attributable to equity holders of the Company are based on the following information:

	2019	2018
	US$'000	*US$'000*
(Loss) Profit for the year attributable to the equity holders of the Company, used in basic and diluted (loss) earnings per share calculation	**(2,105)**	1,533
	Number of shares ('000)	
Weighted average number of ordinary shares for basic and diluted (loss) earnings per share calculation	**634,192**	600,000
	US cents	*US cents*
Basic and diluted (loss) earnings per share	**(0.33)**	0.26

Diluted loss per share are same as the basic loss per share as there are no dilutive potential ordinary shares in existence during the year ended 31 December 2019.

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.

7. DIVIDENDS

The directors of the Company did not recommend the payment of final dividend for the year ended 31 December 2019 *(2018: Nil)*.

8. PROPERTY, PLANT AND EQUIPMENT

	Leasehold improvements *US$'000*	Furniture, fixtures and office equipment *US$'000*	Computer equipment *US$'000*	Building *US$'000*	Total *US$'000*
Reconciliation of carrying amount – Year ended 31 December 2018					
At 1 January 2018	3	3	768	–	774
Additions	–	2	687	–	689
Depreciation	(2)	(3)	(426)	–	(431)
Disposals	–	–	(2)	–	(2)
Disposal of subsidiaries	(1)	(1)	(1)	–	(3)
At 31 December 2018	–	1	1,026	–	1,027
Reconciliation of carrying amount – Year ended 31 December 2019					
At 1 January 2019	**–**	**1**	**1,026**	**–**	**1,027**
Additions	**12**	**11**	**1,252**	**–**	**1,275**
Transfer from investment properties *(Note 9)*	**–**	**–**	**–**	**1,149**	**1,149**
Depreciation	**(1)**	**(1)**	**(747)**	**–**	**(749)**
Disposal of a subsidiary *(Note 14)*	**–**	**(1)**	**(19)**	**–**	**(20)**
Exchange alignment	**–**	**–**	**(1)**	**–**	**(1)**
At 31 December 2019	**11**	**10**	**1,511**	**1,149**	**2,681**
At 31 December 2018					
Cost	8	14	1,598	–	1,620
Accumulated depreciation	(8)	(13)	(572)	–	(593)
Net book value	–	1	1,026	–	1,027
At 31 December 2019					
Cost or valuation	**12**	**18**	**2,800**	**1,149**	**3,979**
Accumulated depreciation	**(1)**	**(8)**	**(1,289)**	**–**	**(1,298)**
Net book value	**11**	**10**	**1,511**	**1,149**	**2,681**

8. PROPERTY, PLANT AND EQUIPMENT *(Continued)*

At 31 December 2019, one of the properties was changed its use as the Group's own office and transferred from investment properties to property, plant and equipment, which is revalued at fair value of the property of approximately US$1,149,000 at the date of transfer.

At the date of transfer, the building (located in Singapore) was revalued by SRX Valuations, an independent professional qualified valuer with appropriate qualification and recent 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. At 31 December 2019, the carrying amount of the building was approximately US$1,149,000.

In estimating the fair value of the building, the highest and best use of building is the current use.

In estimating the fair value of the Group's building, the management of the Group uses market-observable data to the extent it is available. Where Level 1 inputs are not available, the management of the Group engages third party qualified valuer to perform the valuation of the Group's building. At the end of each reporting period, the management of the Group works closely with the qualified external valuer to establish and determine the appropriate valuation techniques and inputs for Level 2 fair value measurement.

Building is classified as Level 2 under fair value hierarchy at 31 December 2019. There were no transfers into or out of Level 2 during the year ended 31 December 2019.

9. INVESTMENT PROPERTIES

	2019	2018
	US$'000	*US$'000*
At 1 January	**2,313**	–
Additions	**–**	2,313
Transfer to property, plant and equipment *(Note 8)*	**(1,149)**	–
Changes in fair value	**(46)**	–
Exchange alignment	**31**	–
Fair value at 31 December	**1,149**	2,313

At the end of the reporting period, the investment properties located in Singapore with fair value of approximately US$1,149,000 *(2018: approximately US$2,313,000)* was revalued by SRX Valuations, an independent professional qualified valuer with appropriate qualification and recent 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.

9. INVESTMENT PROPERTIES *(Continued)*

Before 1 January 2019, 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.

Leasing arrangement − as lessor

The investment property is leased to a tenant for a term of two years, in which both years are non-cancellable. The lease does not contain any renewal option. Monthly rental charges are fixed payments. The tenant also bears the management fees and amounts charged by the government such as the Goods and Services Tax levied on the Group.

10. TRADE AND OTHER RECEIVABLES

		2019	2018
	Notes	***US$'000***	*US$'000*
Trade receivables from third parties		**2,905**	3,136
Less: Loss allowance		**(5)**	–
	10(a)	**2,900**	3,136
Other receivables			
Prepayments		**491**	1,112
Deposits and other receivables		**622**	35
Deposits on investments	*10(b)*	**384**	1,166
Loans to third parties	*10(c)*	**857**	513
Receivables on disposal of the subsidiaries	*14*	**410**	–
		2,764	2,826
		5,664	5,962
Analysed by:			
Non-current		**205**	–
Current		**5,459**	5,962
		5,664	5,962

10. TRADE AND OTHER RECEIVABLES *(Continued)*

(a) The Group normally grants credit terms up to 90 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 (net of loss allowance) at the end of the reporting period is as follows:

	2019	2018
	US$'000	*US$'000*
Within 30 days	**778**	1,796
31 to 60 days	**146**	245
61 to 90 days	**54**	46
91 to 180 days	**593**	153
181 to 365 days	**225**	896
Over 1 year	**1,104**	–
	2,900	3,136

(b) During the year ended 31 December 2019, the Group has entered into two additional refundable deposits paid to two independent third parties on potential investments in Hong Kong at carrying amount (net of loss allowance) of HK$1,500,000 (equivalent to approximately US$192,000) and HK$1,500,000 (equivalent to approximately US$192,000). Loss allowance was recognised for one of the deposits at 31 December 2019 of approximately US$583,000 *(2018: Nil)*; while one deposit, which paid on potential investment in joint venture in Southeast Asia Region during the year ended 31 December 2018, was terminated and reported as "Deposits and other receivables".

The Group is yet to enter into any formal agreements for the potential investments.

(c) At the end of the reporting period, loans to third parties are unsecured, carries fixed interest rates at 4% to 4.4% *(2018: 4%)* per annum, and is repayable by 31 December 2020. The loans to third parties are not yet past due at 31 December 2019.

11. TRADE AND OTHER PAYABLES

		2019	2018
	Notes	***US$'000***	*US$'000*
Trade payables to third parties	*11(a)*	**524**	243
Other payables			
Accruals and other payables		**828**	216
Receipt in advance	*11(b)*	**942**	694
		1,770	910
		2,294	1,153

11. TRADE AND OTHER PAYABLES *(Continued)*

(a) The trade payables are non-interest bearing and the Group is normally granted with a credit term up to 90 days. At the end of the reporting period, the ageing analysis of the trade payables based on invoice date is as follows:

	2019	2018
	US$'000	*US$'000*
Within 30 days	**177**	188
31 to 60 days	**91**	7
61 to 90 days	**4**	6
Over 90 days	**252**	42
	524	243

(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 each of the reporting period are as follows:

	2019	2018
	US$'000	*US$'000*
At the beginning of the reporting period	**694**	521
Recognised as revenue	**(667)**	(521)
Receipt of advances or recognition of receivables	**936**	694
Disposal of a subsidiary	**(21)**	–
At the end of the reporting period	**942**	694

Included in the amount of transaction price allocated to the remaining performance obligations that are unsatisfied (or partially unsatisfied) at 31 December 2019 and 2018 is approximately US$942,000 and US$694,000, respectively, which is expected to be recognised as revenue within 1 year.

12. SHARE CAPITAL

	Number of shares	*HK$*	*Equivalent to US$*
Ordinary share of HK$0.01 each			
Authorised:			
At 1 January 2018, 31 December 2018 and **31 December 2019**	**6,000,000,000**	**60,000,000**	**7,692,308**
Issued and fully paid:			
At 1 January 2018 and 31 December 2018	**600,000,000**	**6,000,000**	**769,231**
Issue of shares upon placing of shares *(Note)*	**120,000,000**	**1,200,000**	**153,846**
At 31 December 2019	**720,000,000**	**7,200,000**	**923,077**

Note: On 19 September 2019, the Company issued 120,000,000 ordinary shares by way of placing (the "Placing"), at a placing price of HK$0.09 per share. The net proceeds from the Placing after deducting related expenses were approximately US$1,343,000 to develop information and communications technology services in the PRC and provide additional working capital. These shares rank pari passu with all existing shares in all respects.

13. CASH GENERATED FROM OPERATIONS

	2019 *US$'000*	2018 *US$'000*
(Loss) Profit before income tax	**(2,129)**	2,341
Amortisation	**404**	250
Depreciation	**749**	431
Equity-settled share-based payment expenses	**–**	190
Loss on deregistration of a subsidiary	**13**	–
Loss on disposal of a subsidiary	**481**	19
Fair value changes in investment properties	**46**	–
Interest income	**(89)**	(18)
Loss allowance on trade receivables	**5**	–
Loss allowance on other receivables	**583**	–
Changes in working capital:		
Inventories	**40**	(33)
Trade and other receivables	**43**	(190)
Trade and other payables	**1,209**	(256)
Cash generated from operations	**1,355**	2,734

14. DISPOSAL OF A SUBSIDIARY

On 31 December 2019, the Group disposed the entire equity interests in 蘇州訊科易通訊技術有限公司 (Suzhou Xun Keyi Communication Technology Co., Ltd.*) ("Suzhou Xun Keyi") to an independent third party at a consideration of approximately HK$3,200,000 (equivalent to approximately US$410,000). The details of the disposal are as follows:

	US$'000
Net assets disposed of	
Property, plant and equipment	20
Inventories	69
Other receivables	63
Cash and bank balances	729
Trade and other payables	(67)
	814
Release of exchange reserve upon disposal of a subsidiary	77
Loss on disposal of a subsidiary	(481)
	410

Analysis of net outflow of cash and cash equivalents in respect of disposal of a subsidiary during the year ended 31 December 2019 is as follows:

	US$'000
Cash consideration	–
Cash and cash equivalents disposed of	(729)
Net outflow of cash and cash equivalents	(729)

At 31 December 2019, the consideration is unsettled and interest free. Part of the consideration amounted to approximately HK$1,600,000 (equivalent to approximately US$205,000) is repayable within one year, and the remaining consideration is repayable within two years.

* *For identification purposes only*

15. CHANGES IN OWNERSHIP INTERESTS IN A SUBSIDIARY THAT DO NOT RESULT IN A LOSS OF CONTROL

	2019 ***US$'000***
Net consideration received	**1**
Disposal of interests in a subsidiary without loss of control	**(1)**
Difference recognised in equity	**–**

On 9 October 2019, the Group transferred its 49% equity interests out of the 100% in Nex Direction Limited, at a consideration of HK$4,900 (equivalent to approximately US$630) to an independent third party. At 31 December 2019, the consideration remained unsettled and was included in other receivables. Such disposal of equity interest in a subsidiary did not result in a loss of control and remain as a subsidiary of the Group.

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 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. Leveraging on its research and development ("R&D") capabilities, the Group successfully developed its technologies to provide cyber security solutions. During the year ended 31 December 2019 (the "Year"), the Group set up an office in Shanghai, the PRC focusing on the SaaS business.

The emphasis on the Group's R&D capabilities has brought significant achievement to the Group. In 2018, the Group successfully developed its own cyber infrastructure, known as Netsis Hybrid Converge Hub, which broadened the Group's source of revenue. During the Year, more resources were allocated by the Group for the development of Netsis Security Hub in Hong Kong which was launched in May 2019, leading to a further expanded source of revenue of the Group.

In the view of huge and repaid growing domestic sharing economy business in the PRC, the Group focused on expediting the development of the SaaS in the Year and actively seek for more potential business partners to ensure the long-term steady development and revenue for SaaS.

The intelligent and diversified SaaS system was developed during the Year, which provides integrated, professional, customised services to individuals and enterprises including but not limited to, system development and maintenance (SaaS), sharing economy clearing payment platform, information dissemination and transaction inquiry, matching and processing, order inquiry and management, pricing advice and consultation, and custody of transaction contracts and certificates.

Cyber infrastructure solutions segment and cyber security solutions segment

For the year ended 31 December 2019, 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$396,000 *(2018: approximately US$362,000)* and approximately US$1,393,000 *(2018: approximately US$4,161,000),* respectively.

The decrease in the amount of reportable segment result (Adjusted EBITDA) in cyber security solutions segment was mainly due to reduction in scale of projects completed during the Year.

During the Year, the Group tackled difficulties on political restrictions and challenges of emerging technologies, where there was insufficient expertise of the Group to compete certain projects. Through technology acquisitions and offering various project packages to conform to market demand, the Group's position improved and the probabilities of winning projects became higher. However, the recent changes in key customer partnerships and limited budget did affect the Group's position in securing deals due to higher competition and limited projects caused by trade tensions between the United States and the PRC.

Looking forward, the Group expects that political restrictions in certain countries remains a challenge to the Group, which will continuously affect the Group's business in both segments. To address these difficulties, the Group will diversify its customer base in different countries and industries and perform a series of marketing and engineering engagements to foresee on when major project decisions will be made. While the Group will continuously seek for the right expertise, it would also consider to acquire technology from technology vendors to fulfill the gap between the Group's expertise and customers' requirements.

SaaS segment

For the year ended 31 December 2019, the reportable segment result (Adjusted EBITDA) in SaaS segment was approximately US$496,000. During the Year, except development of SaaS system, the Group entered into a joint venture agreement with two independent third parties to establish a joint venture company on 24 September 2019 to operate SaaS platform to provide integrated services to individuals and enterprises; and also entered into a cooperation agreement with an independent third party to establish another joint venture company on 21 November 2019 to operate sharing economy clearing payment platform through SaaS system in the PRC. Both joint venture companies are expected to generate economic benefits to the Group in the coming year. For more information about formation of joint venture companies, please refer to the Company's announcement dated 24 September 2019 and 21 November 2019.

Prospect

The Group will carry out reallocation of internal resources, make adjustments to orientation and cooperate with business partners with abundant experience to enhance the development of SaaS segment in the PRC.

The Group believes that its intelligent and diversified SaaS system and 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.

Since January 2020, the outbreak of COVID-19 has certain impacts on the business operation and overall economy in the global business environment. To a certain extent, the outbreak may affect the negotiation of new projects with existing customers and the seeking out of potential customers of the Group due to operation suspension in the PRC and global travel restrictions. To minimise the adverse effect of the outbreak of COVID-19, the Group makes use of technology to communicate with existing and potential customers in view of the travel restrictions and actively works out more alternative business plans.

Governments and international organisations have implemented a series of measures to contain the epidemic. Up to the date of this announcement, some of the existing and potential customers of the Group in the PRC have been permitted to resume their operations. The Group will stay alert to the development and situation of the COVID-19, continue to assess its impacts on the financial position and operating results of the Group and take necessary action to maintain stability of the Group's businesses.

FINANCIAL REVIEW

Revenue

The major revenue streams of the Group were derived from provision of cyber infrastructure solutions, cyber security solutions and SaaS. For the year ended 31 December 2019, the Group recorded a total revenue of approximately US$5,815,000 *(2018: approximately US$8,573,000)*, which were generated from cyber infrastructure solutions business of approximately US$1,308,000 *(2018: approximately US$4,313,000)*, cyber security solutions business of approximately US$2,055,000 *(2018: approximately US$4,260,000)* and SaaS business of approximately US$2,452,000 *(2018: Nil)*.

The decrease in the amount of revenue from cyber infrastructure solutions and cyber security solutions was mainly due to the completion of substantial projects in Malaysia, Myanmar and South Korea during the Year whereas the scale of new projects completed during the Year were less significant. The revenue contributed by customers from Southeast Asia in these segment remained stable, which accounted for approximately 75% and 77% for the years ended 31 December 2019 and 2018, respectively.

Cost of inventories sold

The Group's cost of inventories sold was decreased from approximately US$3,134,000 for the year ended 31 December 2018 to approximately US$722,000 for the year ended 31 December 2019. The decrease is mainly due to the decrease in the number of purchase of hardware components for the substantial projects on cyber infrastructure solutions of clients in Malaysia and Myanmar.

Staff costs and related expenses

For the year ended 31 December 2019, the Group recorded staff costs and related expenses of approximately US$1,243,000 *(2018: approximately US$1,705,000).* The decrease was mainly due to the aggregation effect of reduction in expenses (such as salaries, allowances and other benefits) due to a decrease in average number of headcount during the Year and recognition of equity-settled share-based payment expenses of approximately US$190,000 for the year ended 31 December 2018.

Subcontracting fee

For the year ended 31 December 2019, the Group recorded subcontracting fee of approximately US$616,000 *(2018: Nil)* for technology vendors to provide subcontracting services on cyber security solutions business.

Sales and marketing expenses

The amount of sales and marketing expenses increased from approximately US$21,000 for the year ended 31 December 2018 to approximately US$1,679,000 for the year ended 31 December 2019. The increase was mainly due to advertisement fee for promotion of SaaS business in the PRC of approximately US$1,653,000 *(2018: Nil).*

General and administrative expenses

The amount of general and administrative expenses increased from approximately US$840,000 for the year ended 31 December 2018 to approximately US$2,101,000 for the year ended 31 December 2019. The increase was mainly due to the combined effect of loss on disposal of a subsidiary of approximately US$481,000 *(2018: approximately US$19,000)* and other professional fee incurred for development and expansion of SaaS business, and the Group's overall business strategies.

Liquidity and financial resources

As at 31 December 2019, the Group had current assets of approximately US$11,650,000 *(2018: approximately US$13,889,000)* including bank balances and cash of approximately US$6,191,000 *(2018: approximately US$7,818,000)* which are principally denominated in Hong Kong dollars ("HK$"), Singapore dollars ("SG$"), Renminbi ("RMB") and US$, and the Group did not have any bank borrowings and debts. Total assets were approximately US$17,736,000 *(2018: approximately US$17,941,000)* and total liabilities were approximately US$2,591,000 *(2018: approximately US$2,047,000).* The gearing ratio is not available, since the Group had no bank borrowings and no debts as at 31 December 2019 and 2018.

Share capital

As at 31 December 2019 and 2018, 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.

The issued share capital of the Company was HK$7,200,000 (equivalent to approximately US$923,000) divided into 720,000,000 ordinary shares of HK$0.01 each (the "Share(s)") *(2018: HK$6,000,000 (equivalent to approximately US$769,000) divided into 600,000,000 shares of HK$0.01 each)*. Details of the movements in share capital of the Company for the year ended 31 December 2019 are set out in the section headed "Significant events – Placing of new shares under general mandate" in this announcement.

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

The exposure of the Group's transactional currency to foreign currency risk was minimal as most of the financial assets and liabilities held by group entities of the Group are denominated in the respective functional currency of the respective group entities.

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

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

Contingent liabilities

The Group did not have any material contingent liabilities as at 31 December 2019 *(2018: Nil)*.

Commitments

As at 31 December 2019, the Group had operating lease commitments as lessor in respect of rentals receivable from its investment property, amounted to approximately US$66,000 *(2018: approximately US$17,000)*; and as lessee in respect of rentals payable for its office premise, amounted to approximately US$10,000 *(2018: approximately US$29,000)*.

The Group did not have any capital commitments as at 31 December 2019.

Significant events

Placing of new shares under general mandate

On 30 August 2019, the Company entered into a placing agreement with the placing agent in respect of placing of a maximum of 120,000,000 new Shares under the general mandate granted by the shareholders of the Company at the annual general meeting of the Company held on 20 May 2019 (the "Placing"). The completion of the Placing took place on 19 September 2019 (the "Completion Date"). An aggregate of 120,000,000 Shares (the "Placing Share(s)") have been successfully placed by the placing agent to not less than six placees at a placing price of HK$0.09 per Placing Share with an aggregate nominal value of HK$1,200,000. One of the placees, Power Ace Investments Limited, has become a substantial shareholder of the Company upon completion of the Placing. Upon completion of the Placing, the gross proceeds of the Placing are HK$10,800,000 (equivalent at approximately US$1,385,000) and the net proceeds, after deduction of all issuing expenses incurred in relation to the Placing, are approximately HK$10,477,000 (equivalent to approximately US$1,343,000). The net price per Placing Share is approximately HK$0.0873. The closing price of the Shares on 30 August 2019 was HK$0.10 per Share.

The reason for the Placing was to strengthen the Group's financial position, enlarge its Shareholders' and capital base and enhance its ability to diversify its business development into the PRC.

The net proceeds were intended to be used for (i) development of ICT services in the PRC and (ii) general working capital. Details of the Placing were set out in the Company's announcements dated 30 August 2019 and 19 September 2019. Details of the use of net proceeds from the Placing are set out in the section headed "Use of Net Proceeds from the Placing" in this announcement.

Formation of joint venture companies

On 24 September 2019, Charm Star Asia Pacific Limited ("Charm Star"), a wholly-owned subsidiary of the Company, entered into a joint venture agreement with 上海奧普企業服務中心（有限合夥） (Shanghai Aopu Enterprise Service Centre (Limited Partnership)*) ("Aopu") and 上海福禮派企業管理諮詢合夥企業（有限合夥） (Shanghai Fulipai Enterprise Management and Consultation Partnership Enterprise (Limited Partnership)*) ("Fulipai"), pursuant to which the parties agreed to establish a joint venture company (the "JV Company") which will be owned by Charm Star, Aopu and Fulipai as to 55%, 25% and 20%, respectively.

As Charm Star will be interested in 55% of the equity interest of the JV Company and have the right to nominate two of three directors in the board of directors of the JV Company, the JV Company will be accounted as a subsidiary of the Group and its financial results will be consolidated with the financial statements of the Group.

* *For identification purposes only*

The JV Company will operate a SaaS platform through its self-developed system to provide integrated services to individual proprietors and enterprises including system development and maintenance, information dissemination and transaction inquiry, matching and processing, order inquiry and management, pricing advice and consultation, and custody of transaction contracts and certificates. For more information about formation of the JV Company, please refer to the Company's announcement dated 24 September 2019.

On 21 November 2019, Big Accord Limited ("Big Accord"), a wholly-owned subsidiary of the Company, entered into a cooperation agreement with 醴陵市農業發展有限責任公司 (Li Ling Agricultural Development Co., Ltd.*) ("Li Ling Company"), pursuant to which the parties agreed to establish a joint venture company in Hunan, the PRC (the "JV Company in Hunan") which will be owned by Big Accord and Li Ling Company as to 70% and 30%, respectively.

As Big Accord will be interested in 70% of the equity interest of the JV Company in Hunan and have the right to nominate two of three directors in the board of directors of the JV Company in Hunan, the JV Company in Hunan will be accounted as a subsidiary of the Group and its financial results will be consolidated with the financial statements of the Group.

The JV Company in Hunan will operate sharing economy clearing payment platform(s). For more information about formation of the JV Company in Hunan, please refer to the Company's announcement dated 21 November 2019.

Disposal of a subsidiary

In order to minimise the operation costs and enhance the business efficiency, the Group disposed of Suzhou Xun Keyi (the "Disposal") to an independent third party during the year ended 31 December 2019. The principal activity of Suzhou Xun Keyi is provision of cyber infrastructure solutions services in the PRC. The Disposal resulted in a loss of approximately US$481,000 and was completed on 31 December 2019. 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 14 of this announcement.

Significant investment, material acquisitions and disposals

Save as the formation of the JV Company, the JV Company in Hunan and the Disposal as disclosed in this announcement, the Group had no significant investment, or any material acquisitions or disposal of subsidiaries, associated companies or joint ventures during the Year.

* *For identification purposes only*

Final dividends

The Board did not recommend the payment of final dividend for the year ended 31 December 2019 *(2018: 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 2019 and 2018.

Employees information

As at 31 December 2019, the Group had a total of 23 employees *(2018: 20 employees)* (including executive Directors). During the year ended 31 December 2019, the total staff costs amount to approximately US$1,243,000 *(2018: approximately US$1,705,000)*, representing a decrease of approximately US$462,000 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 OBJECTIVES WITH ACTUAL BUSINESS PROGRESS

The following is a comparison of the Group's business plan as set out in the paragraph headed "Business strategies" in the section headed "Business" and section headed "Statement of Business Objectives and Use of Proceeds" in the Prospectus with actual business progress for the year ended 31 December 2019.

Business Objective	Planned progress for the year ended 31 December 2019 as set out in the Prospectus	Actual business development for the year ended 31 December 2019
Expanding product lines by developing new products, upgrading the Group's existing products and strengthening the Group's R&D team	To maintain the new hiring engineers in prior periods.	Three engineers resigned while there was no new hiring during the Year. The Group will continue the evaluation on necessity of new recruitment. The Group outsourced partial development and upgrading works to technology vendors during the Year.

Business Objective	Planned progress for the year ended 31 December 2019 as set out in the Prospectus	Actual business development for the year ended 31 December 2019
Expanding the Group's sales and marketing team and establishing regional offices	To maintain the new hiring of staff in newly established regional offices.	The Group will proceed with the employment process once the results of feasibility studies on the establishment of the regional office in Dubai, UAE and Frankfurt, Germany 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.
	To promote and market the services through events and social media.	Regularly marketing promotion was carried out by the Group's marketing team regularly during the Year.
Developing Netsis Security Hub in Hong Kong to broaden the Group's source of revenue	To maintain and support the operation of the services.	Netsis Security Hub was launched in May 2019. The Group monitored and improved the services offered to the customers regularly during the Year.

USE OF NET PROCEEDS FROM THE LISTING

The net proceeds from the issue of new shares of the Company at the time of its listing (the "Listing") on GEM on 16 June 2017 (the "Listing Date") 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 2019, 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 2019**		**Unutilised net proceeds up to 31 December 2019**	
	HK$'000	*US$'000*	*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	5,585	716	–	–
To expand sales and marketing team	6,146	788	959	123	5,187	665 *(Note)*
To develop Netsis Hybrid Converge Hub in Singapore	6,217	797	6,217	797	–	–
To develop Netsis Security Hub in Hong Kong	14,204	1,821	14,141	1,813	63	8
Working capital over the period	4,820	618	4,820	618	–	–
	51,995	6,666	46,745	5,993	5,250	673

Note: In view of unstable global economic environment due to but not limited to, trade tension between the United States and the PRC, the Group is more cautious on input resources and expanding sales and marketing team in countries which the Group has not invested. The investigation on feasibility studies is still in progress up to the date of this announcement.

For the unutilised net proceeds from the Listing up to 31 December 2019, the Company intends to use them in the same manner and proportions as described in the Prospectus. The expected completion timeline for utilising the remaining unused net proceeds is set out below:

	Expected timeline for utilising the remaining unused net proceeds *(Note)*
To expand sales and marketing team	From 1 January 2020 to 31 December 2020
To develop Netsis Security Hub in Hong Kong	From 1 January 2020 to 31 December 2020

Note: The expected timeline for utilising the remaining unused net proceeds is based on the best estimation of the present and future business plan and global market conditions made by the Board.

USE OF NET PROCEEDS FROM THE PLACING

The net proceeds from the Placing were approximately HK$10,477,000, which is equivalent to approximately US$1,343,000. Up to 31 December 2019, the net proceeds from the Placing had been applied as follows:

	Use of net proceeds		**Actual use of net proceeds from the Completion Date and up to 31 December 2019**	
	HK$'000	***US$'000***	***HK$'000***	***US$'000***
To develop ICT services in the PRC	7,500	962	7,500	962
Working capital over the period	2,977	381	2,956	379
	10,477	1,343	10,456	1,341

For the unutilised net proceeds from the Placing up to 31 December 2019 amounting to approximately HK$21,000 (equivalent to approximately US$2,000), the Company intends to use them as general working capital and the Company is expected to make use of the unutilised amount by 31 December 2020.

As at the date of this announcement, the unutilised proceeds from the Listing and the Placing amounting to a total of approximately HK$5,271,000 (equivalent to approximately US$675,000) 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 and the announcements of the Company dated 30 August 2019 and 19 September 2019 were based on the best estimation and assumption of future market conditions made by the Group at the time of preparing the Prospectus and the announcements while the proceeds were applied based on the actual development of the Group's business and the industry.

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 2019, 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 in the Board offering independent perspectives, the Board is therefore of the view that there are adequate safeguards in place to ensure sufficient balance of powers and authorities between the Board and the management of the Company and that it is in the best interest of the Group to have Mr. Foo taking up both roles. Accordingly, the Company has not segregated the roles of its chairman and chief executive officer as suggested by code provision A.2.1 of the 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 2019.

INTEREST IN COMPETING BUSINESS

During the year ended 31 December 2019 and up to the date of this 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

Save as the Placing, 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 2019.

CODE OF CONDUCT REGARDING SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted a code of conduct regarding securities transactions by Directors on terms no less than the required standard of dealings as set out in Rules 5.48 to 5.67 of the GEM Listing Rules as the code of conduct for securities transactions by the Directors in respect of the shares (the "Code of Conduct"). The Company also made specific enquiry to all Directors, 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 2019.

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 its 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 its compliance adviser on 28 September 2016, neither its compliance advisor nor its directors, employees or close associates had any interests in relation to the Company which is required to be notified to the Group pursuant to Rule 6A.32 of the GEM Listing Rules.

SHARE OPTION SCHEME

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

The purpose of the Scheme is to reward any 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 (the "Participants"), who have contributed to the Group and to encourage Participants to work towards maximising the value of the Company and the shares for the benefit of the Company and the Shareholders as a whole.

The maximum number of Shares which may be issued upon the exercise of all options to be granted under the Scheme and any other Schemes of the Group shall not in aggregate exceed 10% of the total number of Shares in issue as at Listing Date, which amounts to 60,000,000 shares. As at the date of this announcement, the total number of shares available for issue in respect of which options may be granted under the Scheme (including the share options granted but yet to be issued) is 60,000,000 Shares, representing 8.33% of the issued shares of the Company as at the date of this announcement. 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.

During the year ended 31 December 2019, no share option was granted, cancelled, exercised or lapsed pursuant to the Scheme 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 (Chapter 571 of the Laws of Hong Kong). There was no share option outstanding as at 31 December 2019.

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 2019, the Audit Committee comprised three independent non-executive Directors, namely Ms. Lim Joo Seng (Chairlady), Mr. Chan Ming Kit and Mr. Park Jee Ho. 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 2019 and the annual results of the Group for the year ended 31 December 2019 ("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 2019 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 2019. 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 Wednesday, 20 May 2020 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 13 May 2020 to 20 May 2020 (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 54, Hopewell Centre, 183 Queen's Road East, Hong Kong, for registration no later than 4:30 p.m. on 12 May 2020.

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 2019 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, 24 March 2020

As at the date of this announcement, the Board comprises three executive Directors, namely Mr. Foo Moo Teng (Chairman), Mr. Edgardo Osillada Gonzales II and Mr. Shan Baofeng; 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 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, 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 Listed Company Information" page and the website of the Company at http://nexion.com.hk for at least 7 days from the date of its publication.