NEXION TECHNOLOGIES LIMITED

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

Annual Report
2019

Contents

Characteristics of GEM of The Stock Exchange of Hong Kong Limited	2
Corporate Information	3
Chairman's Statement	5
Biographical Details of Directors and Senior Management	7
Management Discussion and Analysis	11
Corporate Governance Report	19
Report of the Directors	31
Independent Auditor's Report	41
Consolidated Statement of Profit or Loss and Other Comprehensive Income	47
Consolidated Statement of Financial Position	48
Consolidated Statement of Changes in Equity	49
Consolidated Statement of Cash Flows	51
Notes to the Consolidated Financial Statements	52
Financial Summary	105

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

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Cayman Islands

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Admiralty
Hong Kong

HEADQUARTERS AND PRINCIPAL PLACE OF BUSINESS IN SINGAPORE
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Singapore 369585

COMPANY SECRETARY
Sir Kwok Siu Man KR, *FCIS FCS*

AUTHORISED REPRESENTATIVES
Sir Kwok Siu Man KR, *FCIS FCS*
Mr. Foo Moo Teng

COMPLIANCE OFFICER
Mr. Foo Moo Teng

BOARD OF DIRECTORS
Executive directors
Mr. Foo Moo Teng *(Chairman)*
Mr. Edgardo Osillada Gonzales II
Mr. Shan Baofeng *(appointed on 31 July 2019)*

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

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

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

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

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

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE
Tricor Investor Services Limited
Level 54, Hopewell Centre
183 Queen's Road East
Hong Kong

PRINCIPAL BANKERS
Oversea-Chinese Banking Corporation Limited
65 Chulia Street
OCBC Centre
Singapore 049513

United Overseas Bank
80 Raffles Place
UOB Plaza 1
Singapore 048624

Bank of Communications Co., Ltd.
20 Pedder Street
Central
Hong Kong

COMPLIANCE ADVISER
Southwest Securities (HK) Capital Limited
40/F, Lee Garden One
33 Hysan Avenue
Causeway Bay
Hong Kong

Corporate Information

HONG KONG LEGAL ADVISER

LC Lawyers LLP
Suite 3106, 31/F One Taikoo Place
979 King's Road
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Hong Kong

AUDITOR

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

COMPANY'S WEBSITE

http://nexion.com.hk

Chairman's Statement

Dear Shareholders,

On behalf of the board of the directors (the "Board") of Nexion Technologies Limited (the "Company" or "Nexion"), I am pleased to present to our shareholders (the "Shareholders") the annual report of the Group for the year ended 31 December 2019 (the "Year").

REVIEW OF 2019

Looking back to the Year, the prominence of the Group's research and development ("R&D") capabilities continuously gained significant achievement. The Group successfully developed its own cyber infrastructure, known as Netsis Security Hub in Hong Kong, which further broadened the source of revenue of the Group. However, it was a challenging year for the Group's cyber infrastructure solutions business and cyber security solutions business due to political restrictions and emerging technologies. Through strong management leadership and employee dedication, the Group's position and chances of winning projects were significantly improved.

To address the challenges and demand of growing domestic sharing economy business and services especially for the market in People's Republic of China (the "PRC"), the Group focused on accelerating the development of the Software-as-a-Service ("SaaS") platform, signifying a great milestone to ensure the Group competitiveness and offerings to a more challenging market. The Group will strategically develop SaaS business as an added growth driver to its revenue and will carry out restructuring of internal resources, make adjustments to orientation and cooperate with business partners with extensive experience in running SaaS business in the PRC.

OUTLOOK FOR 2020

Cyber infrastructure solutions and cyber security solutions businesses encountered various challenges in the Year, the Group will diversity its customer base and complete a series of marketing and engineering engagements for opportunities. Investment to acquire technology to complement present Group capabilities are considered as the customer requirement evolves due to rapidly advancing technologies. The Group believes that with strong R&D capabilities and solution offerings, well-established and diversified customer base, experienced and dedicated management team, the Group will surpass and afloat as a leading cyber security provider in the market. The Group will also strategically develop SaaS business into another growth driver in order to broaden its income source.

Leveraging the Group's developed cyber infrastructures, 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.

The recent Coronavirus Disease 2019 ("COVID-19") outbreak 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 new customers due to operation suspension in the PRC and global travel restrictions. Governments and international organisations have implemented a series of measures to contain the epidemic. 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 businesses.

Chairman's Statement

On behalf of the Company, I would like to take this opportunity to express my sincere gratitude to the Shareholders and business partners for their trust and support, and to the Board, management and employees for their contribution and dedications to the Group, which enabled us to overcome the challenges encountered during the Year. Going forward, the Group will continue to pursue opportunities and devote more energetic spirit to keep up with the evolving marketplace and optimise its corporate strategy to achieve an exceptional result and realise the win-win value for Shareholders, employees and business partners.

Foo Moo Teng
Chairman

Hong Kong, 24 March 2020

Biographical Details of Directors and Senior Management

EXECUTIVE DIRECTORS

Mr. Foo Moo Teng (符懋胜) ("Mr. Foo"), aged 54, is a founder, the chairman, an executive Director and the chief executive officer of the Company. Mr. Foo is primarily in charge of the Group's overall corporate strategy and daily operations of the Group, including business development and overall management.

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

Mr. Edgardo Osillada Gonzales II ("Mr. Gonzales"), aged 41, is an executive Director of the Company and chief technology officer of the Group. He is primarily responsible for overseeing the IT functions of the Group as well as providing marketing, sales and product support.

Mr. Gonzales has over 19 years of experience in the IT industry. From February 2001 to November 2005, Mr. Gonzales was a Network Engineer in Primeworld Digital System, Inc., an Internet Service Provider, and was responsible for maintaining and managing computer networks. From October 2005 to October 2008, Mr. Gonzales joined Commverge Solutions Philippines, Inc. ("Commverge Philippines"), a company that provides professional services and network solutions to carriers and service providers in the telecommunications industry in the Asia Pacific region, as a technical manager. He also worked at Commverge Solutions (Singapore) Pte Ltd in Singapore as a technical manager from November 2008 to May 2009. He managed the technical operations for pre-sales and post-sales in Singapore and the Philippines. From May 2009 to June 2010, Mr. Gonzales worked as a technical manager at Commverge Philippines. In July 2010, Mr. Gonzales joined Systex SouthAsia Pte Ltd., a Taiwan-based IT services provider in the Asia Pacific region, as product support engineer where he was responsible for implementing, maintaining and administering networks and servers. Since September 2010, Mr. Gonzales joined Netsis Technology (S) Pte. Ltd. ("Netsis (Singapore)") as an internet service provider consultant.

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

Mr. Shan Baofeng (單寶鋒) ("Mr. Shan"), aged 43, has been appointed as an executive Director of the Company with effect from 31 July 2019. Mr. Shan is primarily responsible for overseeing the Group's corporate strategy and daily operations in the PRC, as well as being in charge of overall development of SaaS business in the PRC.

Biographical Details of Directors and Senior Management

Mr. Shan graduated from Jinlin University (formerly named Jinlin Industry University) with a bachelor of engineering degree in computer information management in July 2000. He was the deputy manager of the prepaid card business department of Allinpay Network Services Co., Ltd. between March 2009 and May 2014. From May 2014 to June 2019, Mr. Shan was the implementation services director of Huadong Region of Shanghai Kingdee Software Technology Co., Ltd., a subsidiary of Kingdee International Software Group Company Limited (a company listed on the Stock Exchange of Hong Kong Limited, Stock code: 0268).

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Chan Ming Kit (陳銘傑) ("Mr. Chan"), aged 40, was appointed as an independent non-executive Director on 31 May 2017. He has involved in the legal industry for over 8 years, having started his legal career as a compliance officer with G2000 (Apparel) Limited from April 2007 to August 2011. He was called to the bar in Hong Kong in April 2012. Thereafter from 2013 to 2017, he was employed by M.C.A. Lai & Co Solicitors (now known as Lai M.C.A. Solicitors LLP). He was admitted as a solicitor of the High Court of Hong Kong in March 2015 and is presently a partner of Chan & Ho.

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

Ms. Lim Joo Seng (林友欣) ("Ms. Lim"), aged 45, was appointed as an independent non-executive Director on 31 May 2017. She has involved in the finance industry for approximately 20 years, having started her career at Sekhar & Tan as a tax assistant from April 1999 to March 2000. Thereafter, she joined Deloitte KassimChan (a member firm of Deloitte Touche Tohmatsu) as an audit senior from May 2000 to December 2003. From February 2005 to February 2010, she joined Deloitte Touche Tohmatsu CPA Ltd. (Shanghai) as a manager. From February 2010 to January 2017, she joined XinRen Aluminium Holdings Limited, a company previously listed on the main board of the Singapore Exchange Securities Trading Limited in October 2010 and was subsequently privatised in year 2016 and is now a private holding company located in the PRC, as a chief financial officer. In December 2019, she joined Nestcon Infra Sdn. Bhd. as a chief financial officer.

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

Mr. Park Jee Ho (朴志鎬) ("Mr. Park"), aged 50, was appointed as an independent non-executive Director on 31 May 2017. Mr. Park was employed by KPMG Samjong Accounting Corp., an international accounting firm from November 2000 to December 2003 as a senior associate. He joined Webzen Inc,. an online game company listed on the Korean Securities Dealers Automated Quotations and National Association of Securities Dealers Automated Quotations from July 2006 to August 2010 as a finance and administration manager. Thereafter from January 2012 to September 2012, he commenced a role as finance manager in TmaxSoft, a software development company in Korea. He then joined DMX Technologies Korea Co. Ltd. (wholly owned by DMX Technologies Group Ltd., a company listed on the main board of the Singapore Exchange Securities Trading Limited) as chief financial officer from May 2014 to December 2015. In April 2016, he became a regional chief financial officer in DMX Technologies Group Ltd. and was engaged in this role. In October 2018, he joined SungJee Accounting Corp. as a director.

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

SENIOR MANAGEMENT

Mr. Chan Kok Liang Frankie (田國良) ("Mr. Chan"), aged 37, is a founder of Expert Team (Singapore) and is the chief development officer of the Group. He joined Expert Team (Singapore) in October 2013. He takes up the management role in the supervision of the Group's product and technology research, design and development. He further oversees the daily operation of the engineering team and leads the implementation of the Group's own developed solutions. Mr. Chan has over 10 years of experience in the IT industry.

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

Mr. Chen Kao Chih (陳高智) ("Mr. Chen"), aged 52, is the R&D director of the Group who joined the Group in August 2013. Mr. Chen is primarily responsible for the supervision of software engineering and programming of the Group's products. He has over 25 years of experience in network design, deployment and administration for large scale sites, and is experienced in embedded system implementation.

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

Mr. Hoo Kam Choy (何錦財) ("Mr. Hoo"), aged 43, is a founder of Expert Team Pte. Ltd. ("Expert Team (Singapore)") and is the sales and marketing director of the Group. He joined Expert Team (Singapore) in September 2015. He is responsible for supervising the sales and marketing department of the Group's cyber security business. In November 2003, Mr. Hoo founded K Track Trading, a company engaged in the business of security camera and communication products in Taiwan, Hong Kong and the PRC. Before joining the Group, Mr. Hoo incorporated Gandingan Pakar Sdn. Bhd. in Malaysia in August 2013, which supplied surveillance products.

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

Ms. Tang Mei Leng Olivia (鄧美玲) ("Ms. Tang"), aged 52, is the head of sales and marketing department of the Group. She is also responsible for the overall supervision of the sales and marketing of the Group's cyber infrastructure solutions business. She has over 15 years of experience in the IT industry.

Biographical Details of Directors and Senior Management

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

Ms. Yeo Joo Ling (楊珠琳) ("Ms. Yeo"), aged 41, was appointed as the financial controller of the Group in August 2016. Ms. Yeo is primarily responsible for the overall financial management of the Group. Ms. Yeo has over 10 years in the finance and accounting spheres, having held positions in accounting in another two companies in Singapore. Ms. Yeo obtained the general certificate of education A levels from Outram Institute in December 1998 and completed level 3 of the Association of Chartered Certified Accountants in June 2007.

COMPANY SECRETARY

Sir Kwok Siu Man KR (郭兆文黎剎騎士勳賢) ("Sir Seaman"), aged 61, was appointed as the company secretary of the Company (the "Company Secretary") on 21 December 2018.

Sir Seaman is an executive director and head, corporate secretarial of Boardroom Corporate Services (HK) Limited ("Boardroom") and a director of Boardroom Share Registrars (HK) Limited, responsible for, among others, providing corporate secretarial services to listed clients. Prior to joining Boardroom, between February 2011 and March 2013, he was the group company secretary of a conglomerate comprising 5 members listed on GEM and the Main Board of the Stock Exchange, respectively, and the company secretary of a related company listed on the Main Board of the Stock Exchange concurrently. He has over 35 years' extensive legal, corporate secretarial and management experience gained from working, amongst others, at company secretary and other senior positions for companies overseas and in Hong Kong (including the Hang Seng Index Constituent and Hang Seng Mid-Cap 50 stock companies). He was the managing director of a top-notched financial printer in Hong Kong with international affiliation and an independent non-executive director (the "INED") of a company listed on the Main Board of the Stock Exchange. In addition, Sir Seaman is an INED of a company listed on GEM and an executive committee member of Federation of Share Registrars Limited, and has been a director of a charity fund in Hong Kong since its corporation in 1992.

A Chartered Governance Professional, Sir Seaman is a fellow member of each of the Chartered Governance Institute (formerly known as The Institute of Chartered Secretaries and Administrators) in England, The Hong Kong Institute of Chartered Secretaries ("HKICS"), The Institute of Financial Accountants in England, the Institute of Public Accountants in Australia, The Association of Hong Kong Accountants and The Hong Kong Institute of Directors and a member of the Hong Kong Securities and Investment Institute. He also possesses professional qualifications in arbitration, taxation, financial planning and human resources management. He matriculated from Queen's College in Hong Kong, obtained a Professional Diploma in Company Secretaryship and Administration and a Bachelor of Arts Degree (with honours) in Accountancy from the Hong Kong Polytechnic (currently known as the Hong Kong Polytechnic University). He also completed a Post-Graduate Diploma in Laws (with credit) from the Manchester Metropolitan University in England and passed the Common Professional Examinations in England and Wales. In 1999, he received induction into the International WHO'S WHO of Professionals, an international organisation which establishes a network of international elite professionals. Sir Seaman was one of the adjudicators for the "Best Annual Reports Awards" organised by the Hong Kong Management Association in the early 1990's and the late 2000's and the longest serving elected council member and reviewer and the chief examiner of the "Hong Kong Company Secretarial Practice"/Corporate Secretaryship module of the international qualifying scheme of the HKICS. He was conferred as a Knight of Rizal of the Philippines in mid-June 2019.

Management Discussion and Analysis

BUSINESS REVIEW

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 R&D capabilities, the Group successfully developed its technologies to provide cyber security solutions. During 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.

Management Discussion and Analysis

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 report, 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 Note 21 to the consolidated financial statements in this report.

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.

Management Discussion and Analysis

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 proceeds from the Placing are set out in the section headed "Use of net proceeds from the Placing" in this report.

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.

* *For identification purposes only*

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.

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 蘇州訊科易通訊技術有限公司 (Suzhou Xun Keyi Communication Technology Co., Ltd.*) ("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 25 to the consolidated financial statements in this report.

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 report, the Group had no significant investment, or any material acquisitions or disposal of subsidiaries, associated companies or joint ventures during the Year.

Future plan for material investment and capital assets

Save as disclosed in this report and the prospectus of the Company dated 6 June 2017 (the "Prospectus"), the Group did not have any plans for material investment or acquisition of capital assets as at the date of this report. The Company will make further announcement in accordance with the GEM Listing Rules, where applicable, if any investments and acquisition opportunities materialise.

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.

* *For identification purposes only*

Management Discussion and Analysis

Charges on the Group's assets

There was no charge on the Group's assets as at 31 December 2019 and 2018.

Employee 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 OBJECTIVE 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.
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 report.

Management Discussion and Analysis

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 report, 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.

INTRODUCTION

The Directors are pleased to present the corporate governance report of the Company for the year ended 31 December 2019 in accordance with the requirement under Rule 18.44(2) of the GEM Listing Rules.

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

CORPORATE GOVERNANCE PRACTICES

The Board is responsible for performing the corporate governance duties in the CG Code, which includes developing and reviewing the Company's policies and practices on corporate governance, training and continuous professional development of directors, and reviewing the Company's compliance with the code provision in the CG Code and disclosures in this report. The Company has complied with the principles and applicable code provisions of the CG Code for the year ended 31 December 2019, except the deviation from code provision A.2.1 of the CG Code as set out below.

Chairman and chief executive officer

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

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

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

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

DIRECTORS' SECURITIES TRANSACTIONS

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

Corporate Governance Report

BOARD OF DIRECTORS

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

The composition of the Board during the Year and up to the date of this report is set out as follows.

Executive directors

Mr. Foo Moo Teng *(Chairman)*
Mr. Edgardo Osillada Gonzales II
Mr. Shan Baofeng *(appointed on 31 July 2019)*

Independent non-executive directors

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

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

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

In addition, the Board has established Board committees and has delegated to these Board committees various responsibilities as set out in their respective terms of reference. Further details of these committees are set out in section headed "Board Committees" on pages 23 to 27 in this report.

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

All the Directors, including independent non-executive Directors, have brought a wide spectrum of valuable business experience, knowledge and professionalism to the Board for its efficient and effective functioning. The biographical details of each Director of the Company are set out in the section headed "Biographical Details of Directors and Senior Management" on pages 7 to 10 in this report.

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

The CG Code requires the Directors to disclose the number and nature of offices held in public companies or organisations and other significant commitments as well as their identity and the time involved to the issuer. The Directors have agreed to disclose their commitments to the Company in a timely manner and the Board regularly reviews the contribution required from each Director to perform his/her responsibilities to the Company. Further details of these disclosures are set out in section headed "Biographical Details of Directors and Senior Management" on pages 7 to 10 in this report.

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

NUMBER OF MEETINGS AND DIRECTORS' ATTENDANCE

The Board meets regularly and additional meeting will be convened when considered necessary by the Board; 16 Board meetings were held throughout the year ended 31 December 2019. Details of Directors' attendance record of the Board meetings are set out as follow:

Name of directors	Attendance/ Number of Board meetings held
Mr. Foo Moo Teng	16/16
Mr. Edgardo Osillada Gonzales II	16/16
Mr. Shan Baofeng	9/9
Mr. Chan Ming Kit	16/16
Ms. Lim Joo Seng	16/16
Mr. Park Jee Ho	15/16

One general meeting was held throughout the year ended 31 December 2019. Details of directors' attendance record of the general meetings are set out below:

Name of Directors	Attendance/ Number of general meetings held
Mr. Foo Moo Teng	1/1
Mr. Edgardo Osillada Gonzales II	1/1
Mr. Shan Baofeng	N/A
Mr. Chan Ming Kit	1/1
Ms. Lim Joo Seng	1/1
Mr. Park Jee Ho	1/1

INDEPENDENT NON-EXECUTIVE DIRECTORS

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

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

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

Corporate Governance Report

TERMS OF APPOINTMENT AND RE-ELECTION OF DIRECTORS

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

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

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

The Directors retiring by rotation at the 2019 AGM are Mr. Shan Baofeng, Mr. Chan Ming Kit and Ms. Lim Joo Seng. They will retire and, being eligible, offer themselves for re-election as Directors at the 2019 AGM.

DIRECTORS TRAINING AND PROFESSIONAL DEVELOPMENT

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

During the year ended 31 December 2019, the Directors have been provided with regular updates on Company's performance, position and prospects to enable the Board as a whole and each Director to discharge their duties. The Directors are also briefed on the latest development and changes in the GEM Listing Rules and other relevant regulatory requirements timely. All Directors confirmed that they have had suitable training throughout the year. The Company has maintained the training record in respect of each Director. There are also arrangements in place for providing continuing briefing and professional development to its directors by the Company whenever necessary.

A summary of continuous professional development of each Director of the Company participated during the year ended 31 December 2019, according to the records provided, is set out below:

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

BOARD COMMITTEES

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

Audit Committee

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

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

As at the date of this report, the Audit Committee comprises three independent non-executive Directors, namely Ms. Lim Joo Seng (Chairlady), Mr. Chan Ming Kit and Mr. Park Jee Ho. There has not been any changes of the members of the Audit Committee during the year ended 31 December 2019.

Five Audit Committee meetings were held throughout the year ended 31 December 2019. Details of members' attendance record of the Audit Committee meetings are set out as follow:

Name of directors	Attendance/ Number of meetings held
Ms. Lim Joo Seng *(Chairlady)*	5/5
Mr. Chan Ming Kit	5/5
Mr. Park Jee Ho	4/5

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

(i) reviewed the final results and annual report of the Group for the year ended 31 December 2018, the interim results and report for the six months ended 30 June 2019, the quarterly results and reports for the periods ended 31 March 2019 and 30 September 2019 with a recommendation to the Board for approval and monitored the integrity of such consolidated financial statements;

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

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

The Group's results for the year ended 31 December 2019 has been reviewed by the Audit Committee.

Remuneration Committee

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

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

Corporate Governance Report

As at the date of this report, the Remuneration Committee has three members comprising of two independent non-executive Directors and one executive Director, namely Mr. Chan Ming Kit (Chairman), Mr. Edgardo Osillada Gonzales II and Mr. Park Jee Ho. There has not been any changes of the members of the Remuneration Committee during the year ended 31 December 2019.

Two Remuneration Committee meeting were held throughout the year ended 31 December 2019. Details of members' attendance record of the Remuneration Committee meeting are set out as follow:

Name of directors	Attendance/ Number of meetings held
Mr. Chan Ming Kit *(Chairman)*	2/2
Mr. Edgardo Osillada Gonzales II	2/2
Mr. Park Jee Ho	2/2

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

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

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

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

Remuneration of directors and senior management

Particulars in relation to directors' remuneration and the five highest paid employees as required to be disclosed pursuant to Rule 18.30 of the GEM Listing Rules are set out in Notes 7 and 8 to the consolidated financial statements. Pursuant to code provision B.1.5 of the CG Code, the remuneration of executive Directors and the members of senior management by band for the year ended 31 December 2019 is set out below:

Remuneration Band	Number of executive Directors and senior management
Up to US$100,000	5
US$100,001 to US$150,000	2
US$500,001 to US$600,000	1

One of the senior management personnel is entitled to retention fee of US$376,000 for service rendered for the year ended 31 December 2019 *(2018: Nil)*.

Nomination Committee

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

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

As at the date of this report, the Nomination Committee has three members comprising of two independent non-executive Directors and one executive Director, namely Mr. Chan Ming Kit (Chairman), Mr. Foo Moo Teng and Ms. Lim Joo Seng. There have not been any changes of the members of the Nomination Committee during the year ended 31 December 2019. The Company has met the code provision A.5.1 of having a majority of the Nomination Committee members being independent non-executive Directors and being chaired by an independent non-executive Director.

Two Nomination Committee meeting were held throughout the year ended 31 December 2019. Details of members' attendance record of the Nomination Committee meeting are set out as follow:

Name of directors	**Attendance/ Number of meetings held**
Mr. Chan Ming Kit *(Chairman)*	2/2
Mr. Foo Moo Teng	2/2
Ms. Lim Joo Seng	2/2

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

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

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

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

(iv) considered the candidate's integrity, qualifications, experience, independence and other relevant criteria necessary to complement the corporate strategy and achieve Board diversity on selection of candidates for directorship of the Company.

Nomination policy

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

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

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

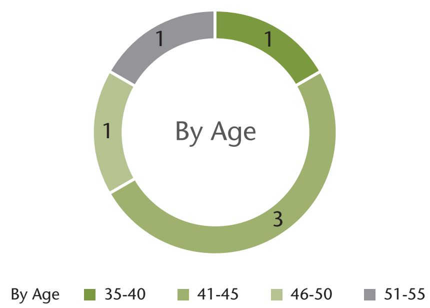
Corporate Governance Report

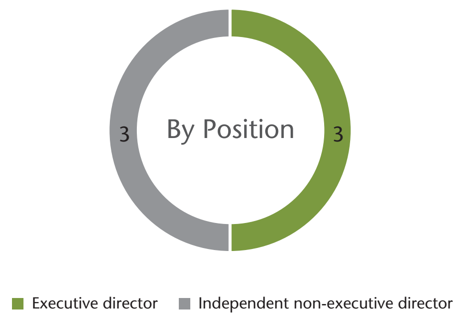
Board Diversity Policy

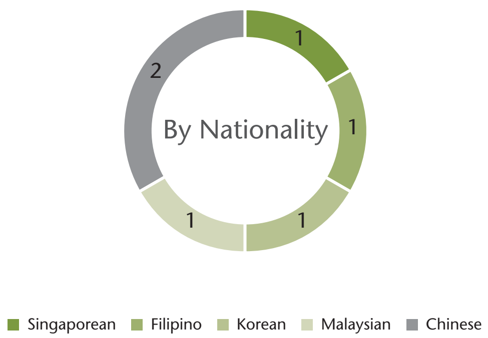
The Board adopted a board diversity policy (the "Board Diversity Policy") in accordance with the requirement set out in the CG Code. The Board Diversity Policy aims to set out the approach to maintain diversity on the Board for long term sustainable development. The Company recognises and embraces the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

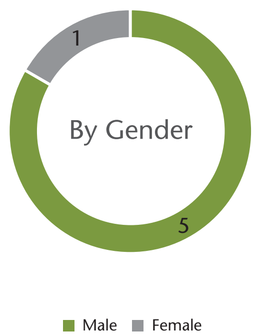
Selection of candidates shall be based on a range of diversity perspectives, including but not limited to, gender, age, cultural and educational background or professional experience. The ultimate decision shall be based on merit and contribution that the selected candidates shall bring to the Board.

As at the date of this annual report, the Group had six Directors in the Board. Set out below is the detailed breakdown of the number of Directors by age, position, nationality and gender.









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

Dividend Policy

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

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

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

Corporate Governance

The Board is also responsible for the corporate governance functions under code provision D.3.1 of the CG Code. During the year ended 31 December 2019, the summary of the work of the Board is as follows:

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

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

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

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

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

EMOLUMENT POLICY OF DIRECTORS AND SENIOR MANAGEMENT

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

FINANCIAL REPORTING

The Directors acknowledge their responsibility for the preparation of the consolidated financial statements for the year ended 31 December 2019 which give a true and fair view of the state of affairs of the Group in accordance with the statutory requirements and accounting standards and other financial disclosure requirements under the GEM Listing Rules. The financial results of the Group are announced in a timely manner in accordance with statutory and/or regulatory requirements.

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

AUDITOR'S REMUNERATION

The consolidated financial statements for the years ended 31 December 2019 and 2018 have been audited by independent auditor, Mazars CPA Limited.

During the year ended 31 December 2019, the remuneration paid/payable to Mazars CPA Limited in respect of audit services amounted to approximately US$99,000 *(2018: approximately US$94,000)*.

Corporate Governance Report

There was no remuneration paid/payable to Mazars CPA Limited in respect of non-audit services during the year ended 31 December 2019 *(2018: approximately US$21,000)*. The fee of non-audit services represented the agreed-upon procedures reports on the Group's interim and quarterly results in 2018.

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

The responsibilities of the external auditor about its financial reporting are set out in the independent auditor's report attached to the Company's consolidated financial statements for the year ended 31 December 2019 in this report.

DIRECTORS AND OFFICERS INSURANCE

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

COMPANY SECRETARY

Sir Kwok Siu Man KR of Boardroom Corporate Services (HK) Limited is the Company Secretary. The biographical details of Sir Seaman are set out in the section headed "Biographical Details of Directors and Senior Management" on page 10 of this report. Sir Seaman has been providing certain corporate secretarial services to the Company pursuant to an engagement letter entered into between the Company and Boardroom. The primary person at the Company with whom Sir Seaman has been contacting in respect of company secretarial matter is Mr. Foo Moo Teng, the Company's executive Director.

Sir Seaman has confirmed that he has no less than 15 hours of relevant professional training in accordance with Rule 5.15 of the GEM Listing Rules during the year ended 31 December 2019.

COMPLIANCE OFFICER

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

SHAREHOLDERS' RIGHTS

Convening an extraordinary general meeting ("EGM")

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

Procedures of putting enquiries to the Board

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

Procedures of putting forward proposals at shareholders' meeting

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

INVESTOR RELATIONS

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

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

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

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

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

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

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

Unit 1161, Tower 2
Admiralty Centre
18 Harcourt Road, Admiralty
Hong Kong
Fax: +852 3975 3361
Email: contact@nexion.com.hk

Corporate Governance Report

CONSTITUTIONAL DOCUMENTS

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

RISK MANAGEMENT AND INTERNAL CONTROL

The Board is responsible for the Group's internal control and has conducted a review of the effectiveness of the internal control of the Group annually during year ended 31 December 2019 by:

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

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

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

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

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

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

On behalf of the Board
Foo Moo Teng
Chairman

Hong Kong, 24 March 2020

Report of the Directors

The Directors submit herewith their report together with the audited consolidated financial statements of the Company for the year ended 31 December 2019.

PRINCIPAL PLACE OF BUSINESS

The address of the Company's registered office is PO Box 309, Ugland House, Grand Cayman, KY1-1104, Cayman Islands. The Company's principal place of business in Singapore and Hong Kong are Unit #10–03, Novelty BizCentre, 18 Howard Road, Singapore 369585 and Unit 1161, Tower 2, Admiralty Centre, 18 Harcourt Road, Admiralty, Hong Kong, respectively.

PRINCIPAL ACTIVITIES

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

BUSINESS REVIEW

The business review and the likely future development of the Group's business for the year ended 31 December 2019 is set out in the section headed "Chairman's Statement" and "Management, Discussion and Analysis" in page 5 and pages 11 to 18 respectively in this report.

PRINCIPAL RISKS AND UNCERTAINTIES

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

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

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

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

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

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

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

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

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

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

Further descriptions of the Group's financial risk (including credit risk, foreign currency risk and liquidity risk) management objectives and policies are set out in Note 28 to the consolidated financial statements.

The Group's risk management activities are performed by the Board on an ongoing basis. Further description on the Group's risk management and internal control measures, please refer to the section headed "Risk Management and Internal Control" in page 30 in this report.

Report of the Directors

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

An analysis of the Group's performance during the Year using financial key performance indicators is set out in the section headed "Financial Summary" and "Management, Discussion and Analysis" on pages 105 to 106 and pages 11 to 18 respectively.

ENVIRONMENTAL POLICIES AND PERFORMANCE

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

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

Details of environmental, social and governance policies and performance of the Group will be disclosed in the 2019 Environmental Social and Governance Report to be issued by the Company in accordance with Appendix 20 of the GEM Listing Rules.

KEY RELATIONSHIPS WITH EMPLOYEES, CUSTOMERS AND SUPPLIERS

Employees

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

Customers

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

Suppliers

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

RESULTS AND APPROPRIATION

The results of the Group for the year ended 31 December 2019 and the financial position of the Group as at 31 December 2019 are set out in the consolidated financial statements on pages 47 to 48 of this report.

The Board does not recommend the payment of a final dividend for the year ended 31 December 2019.

FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the last five years is set out on pages 105 to 106 of this report.

AGM AND CLOSURE OF REGISTER OF MEMBERS

To ascertain the entitlement to attend and vote at the annual general meeting to be held on 20 May 2020, 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.

CONNECTED/RELATED PARTIES TRANSACTIONS

The Company had not entered into any connected transaction during the year ended 31 December 2019 which is required to be disclosed under the GEM Listing Rules. Related party transactions entered into by the Group during the year ended 31 December 2019, which constitute fully exempt connected transactions or continuing connected transactions under Chapter 20 of the GEM Listing Rules are disclosed in Note 27 to the consolidated financial statements in this report.

SHARE CAPITAL

Details of the movements in the share capital of the Company during the year ended 31 December 2019 are set out in Note 21 to the consolidated financial statements in this annual report.

ISSUE OF SHARES

A review and discussion of the issue of Shares for the Year are provided in the sectioned "Management Discussion and Analysis" in this report.

PRE-EMPTIVE RIGHTS

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

SHARE OPTION SCHEME

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

The purpose of the Scheme is to reward 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 report, the total number of shares available for issue in respect of which options may be granted under the Scheme (including the share options granted but yet to be issued) is 60,000,000 shares, representing 8.33% of the issued shares of the Company as at the date of this report. No options may be granted to any Participant of the Scheme such that the total number of Shares issued and to be issued upon exercise of the options granted and to be granted to that person in any twelve-month period up to the date of the latest grant exceeds 1% of the Company's issued shares from time to time. Any further grant of share option in excess of this limit must be separately approved by Shareholders in general meeting.

Report of the Directors

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) (the"SFO"). There was no share option outstanding as at 31 December 2019.

PURCHASE, SALE OR REDEMPTION OF THE SHARES

Save as the Placing, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the shares of the Company during the year ended 31 December 2019. Details of the movements in share capital of the Company during the year ended 31 December 2019 are set out in Note 21 to the consolidated financial statements.

RESERVE

Details of the movements in reserves of the Group and the Company during the year ended 31 December 2019 are set out in the consolidated statement of changes in equity on pages 49 to 50 of this report and Note 32 to the consolidated financial statements respectively.

DISTRIBUTABLE RESERVES

As at 31 December 2019, the Company has share premium and capital reserve of approximately US$10,851,000 *(2018: approximately US$9,662,000)* and approximately US$3,922,000 *(2018: approximately US$3,922,000)* respectively. It is distributable to the shareholders of the Company provided that the Company is able to pay its debts as they fall due in the ordinary course of business. Details of movements in the reserves of the Company during the year ended 31 December 2019 are set out in the consolidated statement of changes in equity on pages 49 to 50 and Note 32 to the consolidated financial statements in this report.

ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

At no time during the year ended 31 December 2019 were there any rights to acquire benefits by means of the acquisition of shares or debentures of the Company granted to any director or their respective spouse or children under 18 years of age, or were there any such rights exercised by them; or was the Company, its holding company, or any of its subsidiaries or fellow subsidiaries a party to any arrangement to enable the directors to acquire such rights in any other body corporate.

BANK LOANS AND OTHER BORROWINGS

No bank loans and other borrowings were entered by the Group as at 31 December 2019.

EQUITY-LINKED AGREEMENT

Save as the share option scheme of the Company, no equity-linked agreement was entered into by the Company or subsisted during the year ended 31 December 2019 which (a) will or may result in the Company issuing shares; or (b) requires the Company to enter into an agreement that will or may result in the Company issuing shares.

MANAGEMENT CONTRACTS

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

DONATION

The Group did not make any donation with the amount not less than HK$10,000 in accordance with relevant disclosure requirement under Hong Kong Companies Ordinance during the years ended 31 December 2019 and 2018.

DIRECTORS

The Directors during the year ended 31 December 2019 up to the date of this report were:

Executive directors

Mr. Foo Moo Teng *(Chairman)*
Mr. Edgardo Osillada Gonzales II
Mr. Shan Baofeng *(appointed on 31 July 2019)*

Independent non-executive directors

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

Biographical details of the Directors are set out in the section headed "Biographical Details of Directors and Senior Management" on pages 7 to 10 of this report.

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

Report of the Directors

DIRECTORS' SERVICE CONTRACT

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

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

CONFIRMATION OF INDEPENDENCE

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

PERMITTED INDEMNITY PROVISION

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

DISCLOSURE OF INTERESTS

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

As at 31 December 2019, the interests and short positions of the directors or chief executive of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO, which were required (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); or (b) pursuant to Section 352 of the SFO, to be entered in the register referred therein; or (c) pursuant to Rule 5.46 to 5.67 of the GEM Listing Rules to be notified to the Company and the Stock Exchange, were as follows:

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

Name of director and chief executive	Capacity/Nature	Number of Shares held/interested in	Percentage of issued share capital
Mr. Foo Moo Teng *(chairman, executive director and chief executive officer) (Note)*	Interest in a controlled corporation	272,686,500	37.9%

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

Save as disclosed above, as at 31 December 2019, none of the other Directors nor chief executives of the Company have registered an interest or short position in the shares, underlying shares or debentures of the Company or any of its associated corporations which were required (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); or (b) pursuant to Section 352 of the SFO, to be entered in the register referred therein; or (c) pursuant to Rule 5.46 to 5.67 of the GEM Listing Rules to be notified to the Company and the Stock Exchange.

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

As at 31 December 2019, so far as known to any director, the following persons (other than the directors and chief executive of the Company) had interest or short positions in the shares and underlying shares of the Company which would fall to be disclosed under the provisions of Divisions 2 and 3 of Part XV of the SFO as recorded in the register required to be kept under Section 336 of the SFO:

Long position in shares or underlying shares of the Company

Name of Shareholders	Capacity/Nature	Number of shares or underlying shares held/ interested in	Percentage of issued share capital
Alpha Sense (BVI)	Beneficial owner	272,686,500	37.9%
Power Ace Investments Limited *(Note)*	Beneficial owner	83,330,000	11.6%
Mr. Hu Yebi *(Note)*	Interested in a controlled corporation	83,330,000	11.6%
Ms. Hu Yina *(Note)*	Interested in a controlled corporation	83,330,000	11.6%

Note: Power Ace Investment Limited ("Power Ace") is an investment holding company incorporated in the BVI and is held as to 50% by Mr. Hu Yebi ("Mr. Hu") and 50% by Ms. Hu Yina ("Ms. Hu"). By virtue of the SFO, Mr. Hu and Ms. Hu are deemed to be interested in the shares held by Power Ace.

Save as disclosed above, as at 31 December 2019, the Directors were not aware of any other persons (other than the Directors and chief executives of the Company) who had interests or short positions in the shares and underlying shares of the Company which would fall to be disclosed under the provisions of Divisions 2 and 3 of Part XV of the SFO as recorded in the register required to be kept under Section 336 of the SFO.

DIRECTORS' INTEREST IN TRANSACTION, ARRANGEMENT AND CONTRACT OF SIGNIFICANCE

Apart from the related party transactions disclosed in Note 27 to the consolidated financial statements in this report, no transaction, arrangement and contract of significance to which the Company or any of its subsidiaries, or its holding company was a party and in which a director or an entity connected with a director had a material interest directly or indirectly subsisted at the end of the year or at any time during the year ended 31 December 2019.

Report of the Directors

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed in the paragraphs headed "Share Option Scheme" and "Directors and Chief Executives' Interests and Short Positions in shares, Underlying shares and Debentures of the Company" in this annual report, at no time during the year ended 31 December 2019 was the Company, or any of its holding companies, its subsidiaries or its fellow subsidiaries a party to any arrangement to enable the Directors and chief executives of the Company (including their spouses and children under 18 years of age) to hold any interests or short positions in the shares, or underlying shares, or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO).

SUFFICIENCY OF PUBLIC FLOAT

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

DIRECTORS' EMOLUMENTS AND TOP FIVE HIGHEST PAID INDIVIDUALS

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

No Directors or the top five highest paid individuals have waived or agreed to waive any emoluments during the year ended 31 December 2019 *(2018: Nil)*.

HUMAN RESOURCES AND EMOLUMENT POLICY

The Group's remuneration policies are formulated based on the performance of individual employees and are reviewed in a regular basis. The Group may also provide a discretionary bonus to employees as an incentive for their contribution to the Group in accordance with the Group's performance during the year ended 31 December 2019.

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

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

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

CONTRIBUTIONS TO THE RETIREMENT BENEFITS SCHEME

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

CONTROLLING SHAREHOLDERS' INTERESTS IN CONTRACT OF SIGNIFICANCE

Save as otherwise disclosed, no contract of significance to which the Company, its holding companies, or any of its subsidiaries was a party, and in which the controlling shareholders of the Company or any of its subsidiaries had a material interest, either directly or indirectly, subsisted at the end of the year or at any time during the year ended 31 December 2019.

MAJOR CUSTOMERS AND SUPPLIERS

For the year ended 31 December 2019, the Group made approximately 78.3% *(2018: approximately 80.9%)* of its entire sales to Group's five largest customers and sales to the largest customer included therein amounted to approximately 41.1% *(2018: approximately 25.4%)*. Purchases from the Group's five largest suppliers accounted for approximately 95.8% *(2018: approximately 74.1%)* of the total purchases for the year and purchases from the largest supplier included therein amounted to approximately 37.5% *(2018: approximately 25.4%)*.

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

INTERESTS IN COMPETING BUSINESS

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

During the year ended 31 December 2019 and up to the date of this annual report, none of the controlling shareholders, Directors, substantial shareholders of the Company and their respective associates (as defined in the GEM Listing Rules) had any interest in any business that directly or indirectly competed or might compete with the business of the Group.

NON-COMPETITION UNDERTAKING BY THE CONTROLLING SHAREHOLDERS

The Company has received an annual confirmation from the controlling shareholders in respect of their compliance with the non-competition undertakings under the Deed of Non-Competition throughout the period from the listing date up to the date of this annual report. The independent non-executive Directors have also reviewed the compliance with the non-competition undertakings under the Deed of Non-Competition by the controlling shareholders and confirmed that the controlling shareholders have not been in breach of the Deed of Non-Competition from the listing date up to the date of this report.

CORPORATE GOVERNANCE

Details of the corporate governance practices adopted by the Company are set out in the Corporate Governance Report on pages 19 to 30 of this report.

CODE OF CONDUCT REGARDING SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted a code of conduct regarding securities transactions by the Directors on terms no less than the required standard of dealings as set out in Rules 5.48 to 5.67 of the GEM Listing Rules as the Code of Conduct. The Company also made specific enquiry with Directors and the Company was not aware of any non-compliance with the required standard as set out in the Code of Conduct from the Listing Date to 31 December 2019.

Report of the Directors

COMPLIANCE WITH LAW AND REGULATIONS

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

INTERESTS OF COMPLIANCE ADVISER

In accordance with Rule 6A.19 of the GEM Listing Rules, the Group has appointed Southwest Securities (HK) Capital Limited as 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.

AUDITOR

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

The consolidated financial statements for the years ended 31 December 2019 and 2018 have been audited by independent auditor, Mazars CPA Limited, who will retire, and being eligible, offer themselves for re-appointment. A resolution for Mazars CPA Limited's re-appointment as the auditor of the Company will be proposed at the forthcoming annual general meeting of the Company.

On behalf of the Board
Foo Moo Teng
Chairman

Hong Kong, 24 March 2020

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

OPINION

We have audited the consolidated financial statements of Nexion Technologies Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 47 to 104, which comprise the consolidated statement of financial position of the Group as at 31 December 2019, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows of the Group for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2019, and of its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Board (the "IASB") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

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

KEY AUDIT MATTERS

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

Independent Auditor's Report

KEY AUDIT MATTERS *(Continued)*

Key Audit Matter	How our audit addressed the Key Audit Matter
Recognition of revenue from provision of cyber infrastructure solutions, cyber security solutions and Software-as-a-Service ("SaaS") *Refer to significant accounting policy in Note 2 and the disclosure of revenue in Note 4 to the consolidated financial statements* The Group's revenue is principally generated through the Group's cyber infrastructure solutions, cyber security solutions and SaaS which include hardware, software and/or service components. Generally, engagements of this nature are negotiated, priced and concluded as one integrated solution because the provision of consulting, installation and configuration forms an integral part of completing the engagement and therefore, such revenue is recognised at point in time at which the customer obtains the control of the promised asset, which generally coincides with the time when the customers' acceptance of the integrated solution is signed and the risks and rewards of the ownership transferred. The Group's revenue for the year ended 31 December 2019 amounted to approximately US$5,815,000 *(2018: approximately US$8,573,000)* of which approximately US$1,308,000, US$2,055,000 and US$2,452,000 *(2018: approximately US$4,313,000, US$4,260,000 and Nil)* was generated from cyber infrastructure solutions, cyber security solutions and SaaS, respectively. There is an inherent risk that revenue may be inappropriately recognised when the performance obligations for revenue recognition have not yet been satisfied. We identified this matter as a key audit matter because revenue is a key performance indicator of the Group and it is significant to the consolidated financial statements as a whole.	Our procedures, among others, included: a) assessing the design, implementation and operating effectiveness of the Group's key internal controls over the accuracy and timing of revenue recognition; b) inspecting key contract terms, including the payment terms, as stipulated in sales contracts, on a sample basis, to assess the appropriateness of the Group's revenue recognition accounting policies, with reference to the requirements of the prevailing accounting standards; c) comparing, on a sample basis, sales transactions recorded during the year with underlying documents, including sales contracts, sales invoices, goods delivery notes and user acceptance test (if applicable) signed by customers in assessing the business substance of the underlying transactions and whether the related revenue has been recognised in accordance with the Group's revenue recognition accounting policies; d) comparing, on a sample basis, sales transactions recorded just before and after the end of the reporting period with underlying documents as evidence of acceptance to assess whether the related revenue was recorded in the appropriate financial period; and e) inspecting underlying documents for journal entries which considered to be material or have met other specified risk-based criteria.

KEY AUDIT MATTERS *(Continued)*

Key Audit Matter	How our audit addressed the Key Audit Matter
Valuation of property, plant and equipment and investment properties *Refer to significant accounting policy and critical accounting estimate and judgement in Note 2 and the disclosures of the property, plant and equipment and investment properties in Note 12 and Note 13 to the consolidated financial statements, respectively*	
During the year ended 31 December 2019, the Group held two investment properties measured at fair value. In December 2019, one of the properties was changed its use as own office, and transferred to property, plant and equipment, which is initially recognised at fair value of approximately US$1,149,000 at the date of transfer and subsequently measured at revaluation model. At 31 December 2019, the Group revalued the remaining investment property at fair value of approximately US$1,149,000. The fair value was determined by the Group with reference to the valuations performed by an independent professional valuer engaged by the Group. We identified this matter to be a key audit matter because of its significance to the consolidated financial statements, and the significant judgements and estimates involved in the valuation including the determination of valuation techniques and different inputs in the models.	Our procedures, among others, included: a) evaluating the competence, capabilities and objectivity of the independent professional valuer; b) understanding the valuation processes and methodologies, the performance of the property market, significant assumptions adopted, critical judgemental area used in the valuation of property, plant and equipment and investment properties; and c) evaluating the reasonableness of the methodologies and assumptions used in the valuation.

Independent Auditor's Report

KEY AUDIT MATTERS *(Continued)*

Key Audit Matter	How our audit addressed the Key Audit Matter
Recoverability assessment of trade and other receivables *Refer to significant accounting policy and critical accounting estimate and judgement in Note 2 and the disclosures of trade and other receivables in Note 18 and the disclosures of the financial risk management – credit risk in Note 28 to the consolidated financial statements*	
At 31 December 2019, the Group had trade and other receivables of approximately US$5,664,000 *(2018: approximately US$5,962,000)*, net of loss allowances of approximately US$588,000 *(2018: Nil)*. Management performed credit evaluations for the Group's debtors and assessed expected credit losses of trade and other receivables. These assessments were focused on the debtors' settlement record and their current repayment ability, and also took into account information specific to respective debtor as well as pertaining to the economic environment in which the debtor operates. We identified this matter as a key audit matter because the balances are material to the Group and significant degree of judgements were made by the management in assessing the credit standing of the Group's debtors and therefore the estimation of expected credit losses of trade and other receivables.	Our procedures, among others, included: a) obtaining management's assessment of expected credit losses of trade and other receivables and assessed the reasonableness of the key underlying information referenced by the management; b) checking and assessing whether the loss allowance was properly supported by considering available forward-looking information, the debtors' ageing analysis, settlement record and history of default; and c) in respect of receivables of individual debtor which had not been identified by management as potentially impaired, corroborating management's assessment with the external evidence obtained (e.g. public information available to us, our examination of the debtors' payment records during the current year and subsequent to the end of the reporting period, as well as the historical collection records).

OTHER INFORMATION

The directors of the Company are responsible for the other information. The other information comprises the information included in the 2019 annual report of the Company, but does not include the consolidated financial statements and our auditor's report thereon.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Independent Auditor's Report

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

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

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

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

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

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

Mazars CPA Limited
Certified Public Accountants
Hong Kong, 24 March 2020

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

Fong Chin Lung
Practising Certificate number: P07321

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	*5*	**158**	149
Cost of inventories sold		**(722)**	(3,134)
Staff costs and related expenses	*6*	**(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	*28*	**(588)**	–
General and administrative expenses		**(2,101)**	(840)
(Loss) Profit before income tax	*6*	**(2,129)**	2,341
Income tax credit (expenses)	*9*	**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 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	*25*	**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
(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)	*10*	**(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	12	**2,681**	1,027
Investment properties	13	**1,149**	2,313
Intangible assets	14	**2,034**	614
Financial assets at Designated FVOCI	16	**17**	98
Other receivable	18	**205**	–
		6,086	4,052
Current assets			
Inventories	17	**–**	109
Trade and other receivables	18	**5,459**	5,962
Bank balances and cash		**6,191**	7,818
		11,650	13,889
Current liabilities			
Trade and other payables	19	**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	20	**144**	150
NET ASSETS		**15,145**	15,894
Capital and reserves			
Share capital	21	**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

These consolidated financial statements on pages 47 to 104 were approved and authorised for issue by the Board of Directors on 24 March 2020 and signed on its behalf by

Foo Moo Teng
Director

Edgardo Osillada Gonzales II
Director

Consolidated Statement of Changes in Equity

Year ended 31 December 2019

	Share capital US$'000 (Note 21)	Share premium US$'000 (Note 22)	Capital reserve US$'000 (Note 22)	Exchange reserve US$'000 (Note 22)	Statutory reserve US$'000 (Note 22)	Fair value reserve US$'000 (Note 22)	Share options reserve US$'000 (Note 23)	Accumulated profits US$'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 *(Note 23)*	–	–	–	–	–	–	(190)	190	–
Total transactions with owners	–	–	–	–	–	–	–	190	190
At 31 December 2018	769	8,730	650	(72)	121	(615)	–	6,311	15,894

Consolidated Statement of Changes in Equity

Year ended 31 December 2019

	Attributable to equity holders of the Company									
	Share capital US$'000 (Note 21)	Share premium US$'000 (Note 22)	Capital reserve US$'000 (Note 22)	Exchange reserve US$'000 (Note 22)	Statutory reserve US$'000 (Note 22)	Fair value reserve US$'000 (Note 22)	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 25)*	–	–	–	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 21)*	154	1,189	–	–	–	–	–	1,343	–	1,343
Changes in ownership interests										
Disposal of interests in a subsidiary without loss of control *(Note 26)*	–	–	–	–	–	–	–	–	1	1
Total transactions with owners	154	1,189	–	–	–	–	–	1,343	1	1,344
Release of statutory reserve upon disposal of a subsidiary *(Note 25)*	–	–	–	–	(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	*24*	**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	*25*	**(729)**	152
Purchases of financial assets at Designated FVOCI		**–**	(713)
Purchases of financial assets at 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	*21*	**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

Notes to the Consolidated Financial Statements

Year ended 31 December 2019

1. CORPORATE INFORMATION

Nexion Technologies Limited (the "Company") was incorporated as an exempted company with limited liability in the Cayman Islands on 22 June 2016. The Company's shares were listed on GEM of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The address of the Company's registered office is PO Box 309, Ugland House, Grand Cayman, KY1-1104, Cayman Islands and its principal place of business 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 Company together with its subsidiaries (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 Rules Governing the Listing of Securities on GEM of the Stock Exchange (the "GEM Listing Rules").

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

These consolidated financial statements have been prepared on a basis consistent with the accounting policies adopted in the 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.

Notes to the Consolidated Financial Statements

Year ended 31 December 2019

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.

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

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

Adoption of new/revised IFRSs *(Continued)*

IFRS 16: Leases *(Continued)*

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

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.

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

Basis of measurement

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

Basis of consolidation

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

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

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

Notes to the Consolidated Financial Statements

Year ended 31 December 2019

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

Basis of consolidation *(Continued)*

Allocation of total comprehensive income

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

Changes in ownership interests

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

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

Subsidiaries

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

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

Property, plant and equipment

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

Building is stated at revalued amount, being the fair value at the date of valuation less accumulated depreciation and accumulated impairment losses. Fair value is determined by independent valuation which is performed annually. Increases in valuation are credited to the property revaluation reserve. Decreases in valuation are first offset against increases on earlier valuations in respect of the same asset and are thereafter charged to profit or loss. Any subsequent increases are credited to profit or loss up to the amount previously charged and thereafter to property revaluation reserve.

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

Property, plant and equipment *(Continued)*

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

Building	50 years
Computer equipment	3 years
Furniture, fixtures and office equipment	3 years
Leasehold improvements	3 years

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

If a property occupied by the Group as an owner-occupied property becomes an investment property measured at fair value, the Group accounts for such property in accordance with the policy stated under "Property, plant and equipment" up to the date of change in use, and any difference at that date between the carrying amount and the fair value of the property is accounted for as a revaluation surplus or deficit.

Investment properties

Investment properties are buildings that are held by owner or lessee, to earn rental income and/or for capital appreciation. These include properties held for a currently undetermined future use.

Before 1 January 2019, investment properties included those properties held by owner, lessee under finance lease, or lessee under operating lease which satisfy the definition of investment property and carry at fair value.

Investment properties are stated at fair value at the end of the reporting period. Any gain or loss arising from a change in fair value is recognised in profit or loss. The fair value of investment property is based on a valuation by an independent valuer who holds a recognised professional qualification and has recent experience in the location and category of property being valued. The fair value reflects, among other things, rental income from current leases and other assumptions that market participants would use when pricing investment property under current market conditions and is adjusted for separately recognised assets or liabilities to avoid double-counting assets or liabilities.

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

Notes to the Consolidated Financial Statements

Year ended 31 December 2019

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

Intangible assets

Research and development costs – finite useful lives

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

Research and development costs – indefinite useful lives

The initial cost of internally developed technologies is capitalised. Internally developed technologies with indefinite useful lives is carried at cost less accumulated impairment losses as the directors of the Company (the "Directors") consider that there is no foreseeable limit on the period of time over which the internally developed technologies can be used to generate economic benefits.

Financial instruments

Financial assets

Recognition and derecognition

Financial assets are recognised when and only when the Group becomes a party to the contractual provisions of the instruments and on a trade date basis, except for financial assets at Designated FVOCI which are accounted for on the settlement date basis.

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

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

On initial recognition, a financial asset is classified as (i) measured at amortised cost; (ii) debt investment measured at fair value through other comprehensive income; (iii) equity investment measured at fair value through other comprehensive income ("Designated FVOCI"); or (iv) measured at FVPL.

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

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

Financial instruments *(continued)*

Financial assets *(Continued)*

1) *Financial assets measured at amortised cost*

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

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

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

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

The Group's financial assets at amortised cost include trade and other receivables and bank balances and cash.

2) *Designated FVOCI*

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

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

The Group's financial assets at Designated FVOCI include equity securities listed in Hong Kong not held for trading.

Financial liabilities

Recognition and derecognition

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

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

Classification and measurement

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

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

Notes to the Consolidated Financial Statements

Year ended 31 December 2019

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Impairment of financial assets and other items under IFRS 9

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

Measurement of ECL

ECL is a probability-weighted estimate of credit losses (i.e. the present value of all cash shortfalls) over the expected life of the financial instrument.

For financial assets, a credit loss is the present value of the difference between the contractual cash flows that are due to an entity under the contract and the cash flows that the entity expects to receive.

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

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

(i) past due information

(ii) nature of instrument

(iii) nature of collateral

(iv) industry of debtors

(v) geographical location of debtors

Loss allowance is remeasured at each reporting date to reflect changes in the financial instrument's credit risk and loss since initial recognition. The resulting changes in the loss allowance are recognised as an impairment gain or loss in profit or loss with a corresponding adjustment to the carrying amount of the financial instrument.

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

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

Definition of default

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

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

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

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

Assessment of significant increase in credit risk

In assessing whether the credit risk on a financial instrument has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument at the reporting date with the risk of a default occurring on the financial instrument at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort. In particular, the following information is taken into account in the assessment:

- the debtor's failure to make payments of principal or interest on the due dates;

- an actual or expected significant deterioration in the financial instrument's external or internal credit rating (if available);

- an actual or expected significant deterioration in the operating results of the debtor; and

- actual or expected changes in the technological, market, economic or legal environment that have or may have a significant adverse effect on the debtor's ability to meet its obligation to the Group.

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk on a financial instrument has increased significantly since initial recognition when contractual payments are more than 30 days past due.

Low credit risk

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

(i) it has a low risk of default;

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

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

No financial instruments are determined to have low credit risk.

Notes to the Consolidated Financial Statements

Year ended 31 December 2019

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

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

Simplified approach of ECL

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

Credit-impaired financial asset

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

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

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

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

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

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

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

Write-off

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

Cash equivalents

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

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

Revenue recognition

Rental income

Rental income under operating leases is recognised when the assets are let out and on the straight-line basis over the lease term. Before 1 January 2019, contingent rents are recognised as income in the period in which they are earned. From 1 January 2019, variable lease payments that depend on an index or a rate are initially measured using the index or rate at the commencement date and subsequently adjusted when such index or rate changes. Such payments are recognised as income on the straight-line basis over the lease term. Other variable lease payments are recognised as income in the period in which the event or condition that triggers those payments occurs.

Revenue from contracts with customers within IFRS 15

Nature of goods or services

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

- Cyber infrastructure solutions and cyber security solutions
- SaaS
- Maintenance and support service

Identification of performance obligations

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

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

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

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

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

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

Timing of revenue recognition

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

Notes to the Consolidated Financial Statements

Year ended 31 December 2019

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

Revenue recognition *(Continued)*

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

Timing of revenue recognition (Continued)

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

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

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

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

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

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

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

Transaction price: significant financing components

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

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

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

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

Revenue recognition *(Continued)*

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

Performance obligation: warranties

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

Interest income

Interest income from financial assets is recognised using the effective interest method. For financial assets measured at amortised cost that are not credit-impaired, the effective interest rate is applied to the gross carrying amount of the assets while it is applied to the amortised cost (i.e. the gross carrying amount net of loss allowance) in case of credit-impaired financial assets.

Contract assets and contract liabilities

If the Group performs by transferring goods or services to a customer before the customer pays consideration or before payment is due, the contract is presented as a contract asset, excluding any amounts presented as a receivable. Conversely, if a customer pays consideration, or the Group has a right to an amount of consideration that is unconditional, before the Group transfers a good or service to the customer, the contract is presented as a contract liability when the payment is made or the payment is due (whichever is earlier). A receivable is the Group's right to consideration that is unconditional or only the passage of time is required before payment of that consideration is due.

For a single contract or a single set of related contracts, either a net contract asset or a net contract liability is presented. Contract assets and contract liabilities of unrelated contracts are not presented on a net basis.

For cyber infrastructure solutions, cyber security solutions and SaaS, it is common for the Group to receive from the customer the whole or some of the contractual payments before the services are completed or when the goods are delivered (i.e. the timing of revenue recognition for such transactions). The Group recognises a contract liability until it is recognised as revenue. During that period, any significant financing components, if applicable, will be included in the contract liability and will be expensed as accrued unless the interest expense is eligible for capitalisation.

Foreign currency translation

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

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

Notes to the Consolidated Financial Statements

Year ended 31 December 2019

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

Foreign currency translation *(Continued)*

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

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

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

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

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

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

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

Inventories

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

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

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

Impairment of other assets

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

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

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

Government grants

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

Leases

Applicable from 1 January 2019
The Group assesses whether a contract is, or contains, a lease at inception of the contract. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

As lessee

The Group applies the recognition exemption to short-term leases and low-value asset leases. Lease payments associated with these leases are recognised as an expense on a straight-line basis over the lease term.

The Group has elected not to separate non-lease components from lease components, and accounts for each lease component and any associated non-lease components as a single lease component.

The Group accounts for each lease component within a lease contract as a lease separately. The Group allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component.

Notes to the Consolidated Financial Statements

Year ended 31 December 2019

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

Leases *(Continued)*

Applicable from 1 January 2019 (Continued)

As lessee *(Continued)*

Amounts payable by the Group that do not give rise to a separate component are considered to be part of the total consideration that is allocated to the separately identified components of the contract.

The Group recognises a right-of-use asset and a lease liability at the commencement date of the lease.

The right-of-use asset is initially measured at cost, which comprises:

(a) the amount of the initial measurement of the lease liability;

(b) any lease payments made at or before the commencement date, less any lease incentives received;

(c) any initial direct costs incurred by the Group; and

(d) an estimate of costs to be incurred by the Group in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease, unless those costs are incurred to produce inventories.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date of the contract.

The lease payments included in the measurement of the lease liability comprise the following payments for the right to use the underlying asset during the lease term that are not paid at the commencement date:

(a) fixed payments (including in-substance fixed payments), less any lease incentives receivable;

(b) variable lease payments that depend on an index or a rate;

(c) amounts expected to be payable under residual value guarantees;

(d) exercise price of a purchase option if the Group is reasonably certain to exercise that option; and

(e) payments of penalties for terminating the lease, if the lease term reflects the Group exercising an option to terminate the lease.

The lease payments are discounted using the interest rate implicit in the lease, or where it is not readily determinable, the incremental borrowing rate of the lessee.

Subsequently, the lease liability is measured by increasing the carrying amount to reflect interest on the lease liability and by reducing the carrying amount to reflect the lease payments made.

The lease liability is remeasured using a revised discount rate when there are changes to the lease payments arising from a change in the lease term or the reassessment of whether the Group will be reasonably certain to exercise a purchase option.

The lease liability is remeasured by using the original discount rate when there is a change in the residual value guarantee, the in-substance fixed lease payments or the future lease payments resulting from a change in an index or a rate (other than floating interest rate). In case of a change in future lease payments resulting from a change in floating interest rates, the Group remeasures the lease liability using a revised discount rate.

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

Leases *(Continued)*

Applicable from 1 January 2019 (Continued)

***As lessee** (Continued)*

The Group recognises the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset. If the carrying amount of the right-of-use asset is reduced to zero and there is a further reduction in the measurement of the lease liability, the Group recognises any remaining amount of the remeasurement in profit or loss.

A lease modification is accounted for as a separate lease if

(a) the modification increases the scope of the lease by adding the right to use one or more underlying assets; and

(b) the consideration for the lease increases by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the particular contract.

When a lease modification is not accounted for as a separate lease, at the effective date of the lease modification,

(a) the Group allocates the consideration in the modified contract on the basis of relative stand-alone price as described above.

(b) the Group determines the lease term of the modified contract.

(c) the Group remeasures the lease liability by discounting the revised lease payments using a revised discount rate over the revised lease term.

(d) for lease modifications that decrease the scope of the lease, the Group accounts for the remeasurement of the lease liability by decreasing the carrying amount of the right-of-use asset to reflect the partial or full termination of the lease and recognising any gain or loss relating to the partial or full termination of the lease in profit or loss.

(e) for all other lease modifications, the Group accounts for the remeasurement of the lease liability by making a corresponding adjustment to the right-of-use asset.

As lessor

The Group classifies each of its leases as either a finance lease or an operating lease at the inception date of the lease. A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership of the underlying asset. All other leases are classified as operating leases.

The Group accounts for each lease component within a lease contract as a lease separately from non-lease components of the contract. The Group allocates the consideration in the contract to each lease component on a relative stand-alone price basis.

As lessor – operating lease

The Group applies the derecognition and impairment requirements in IFRS 9 to the operating lease receivables.

A modification to an operating lease is accounted for as a new lease from the effective date of the modification, considering any prepaid or accrued lease payments relating to the original lease as part of the lease payments for the new lease.

Notes to the Consolidated Financial Statements

Year ended 31 December 2019

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

Leases *(Continued)*

Applicable before 1 January 2019

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

As lessor

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

As lessee

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

Employee benefits

Short term employee benefits

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

Defined contribution plans

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

Share-based payment transactions

Equity-settled transactions

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

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

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

Share-based payment transactions *(Continued)*

Equity-settled transactions *(Continued)*

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

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

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

Taxation

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

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

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

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

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

Notes to the Consolidated Financial Statements

Year ended 31 December 2019

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

Related parties

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

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

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

 (ii) has significant influence over the Group; or

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

Segment reporting

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

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

Critical accounting estimates and judgements

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

Key sources of estimation uncertainty

Useful lives of property, plant and equipment and intangible assets

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

Impairment of property, plant and equipment and intangible assets

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

Valuation of investment properties

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

In determining the fair value of investment properties, the valuer has based on a method of valuation which involves, inter alia, sales price of comparable properties in close proximity adjusted for differences in key valuation attributes, such as size and age. In relying on the valuation report, management has exercised their judgement and is satisfied that the method of valuation is reflective of the current market conditions at the end of the reporting period. Particular of the investment properties of the Group is set out in Note 13 to the consolidated financial statements.

Notes to the Consolidated Financial Statements

Year ended 31 December 2019

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

Critical accounting estimates and judgements *(Continued)*

Key sources of estimation uncertainty *(Continued)*

Revaluation of building

At 31 December 2019, the Group's building with carrying amount of approximately US$1,149,000 are stated at revalued amount based on the valuation carried out by an independent professional valuer with reference to recent market transaction prices at the end of reporting period and/or market rental value for similar properties at similar locations, adjusted for certain estimates of market conditions.

In determining the fair value of the building, the valuer has based on a method of valuation which involves, inter alia, sales price of comparable properties in close proximity adjusted for differences in key valuation attributes, such as size and age. In relying on the valuation report, management has exercised their judgement and is satisfied that the method of valuation is reflective of the current market conditions at the end of each reporting period. Particular of the building of the Group is set out in Note 12 to the consolidated financial statements.

Identification of leases

At the inception of a contract, the Group assesses whether a contract is, or contains, a lease based on the requirements of IFRS 16 and all the relevant facts and circumstances. In particular, the Group assesses whether the contract involves the use of an identified asset by applying the concept of substantive substitution right. Also, the Group assesses whether the Group or the customer has the right to direct the use of the identified asset with reference to determination of which party has the decision-making rights that are most relevant to changing how and for what purpose the asset is used. In cases where such decisions are predetermined, the right to operate the asset or the incorporation of such decisions by means of designing the asset are considered.

Loss allowance for ECL

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

Income taxes

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

Revenue recognition

The Group recognised revenue from cyber infrastructure solutions, cyber security solutions and SaaS at a point in time at which the customer obtains the control of the promised asset, which generally coincides with the time when the customers' acceptance of the integrated solution is signed and the risks and rewards of the ownership transferred. The identification and completion of performance obligations for each contract requires the use of judgements and estimates.

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

Future changes in IFRSs

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

Amendments to 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]

[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.

Notes to the Consolidated Financial Statements

Year ended 31 December 2019

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

Reconciliation of reportable segment results

	2019 ***US$'000***	2018 *US$'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

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)*

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 ***US$'000***	2018 *US$'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

(b) Specified Non-current Assets

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

Notes to the Consolidated Financial Statements
Year ended 31 December 2019

3. SEGMENT INFORMATION *(Continued)*

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. OTHER INCOME

	2019	2018
	US$'000	*US$'000*
Exchange gain, net	**6**	33
Government grants	**39**	57
Interest income	**89**	18
Rental income	**22**	39
Others	**2**	2
	158	149

6. (LOSS) PROFIT BEFORE INCOME TAX

This is stated after charging:

	2019	2018
	US$'000	*US$'000*
Staff costs and related expenses (including directors' remuneration):		
Salaries, allowances and other benefits	**1,041**	1,848
Retention fee for a non-director individual	**376**	–
Contributions to defined contribution plans	**57**	76
Equity-settled share-based payment expenses	**–**	190
	1,474	2,114
Less: Staff costs capitalised as "Intangible Assets"	**(231)**	(409)
	1,243	1,705
Other items		
Auditor's remuneration	**99**	115
Amortisation of intangible assets	**404**	250
Depreciation of property, plant and equipment	**749**	431
Fair value loss in investment properties	**46**	–
Loss on deregistration of a subsidiary	**13**	–
Loss on disposal of a subsidiary *(Note 25)*	**481**	19
Lease payments on premises *(Note)*	**50**	44
Research and development expenses	**81**	100
Write-down of inventories	**35**	–

Note: During the year ended 31 December 2018, the operating lease payments capitalised as "Intangible Assets" amounted to approximately US$4,000. No such amount capitalised during the year ended 31 December 2019. The total cash outflow for leases for the year ended 31 December 2019 was approximately US$50,000.

Notes to the Consolidated Financial Statements

Year ended 31 December 2019

7. DIRECTORS' EMOLUMENTS

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

	Directors' fees US$'000	Salaries and allowances US$'000	Discretionary bonus US$'000	Contributions to defined contribution plans US$'000	Total US$'000
Year ended 31 December 2019					
Executive directors:					
Mr. Foo Moo Teng *(Chairman and chief executive officer)*	**–**	**88**	**7**	**10**	**105**
Mr. Edgardo Osillada Gonzales II	**–**	**122**	**6**	**–**	**128**
Mr. Shan Baofeng[1]	**–**	**19**	**–**	**–**	**19**
Independent non-executive directors:					
Mr. Chan Ming Kit	**22**	**–**	**–**	**–**	**22**
Ms. Lim Joo Seng	**22**	**–**	**–**	**–**	**22**
Mr. Park Jee Ho	**22**	**–**	**–**	**–**	**22**
	66	**229**	**13**	**10**	**318**
Year ended 31 December 2018					
Executive directors:					
Mr. Foo Moo Teng *(Chairman and chief executive officer)*	–	89	22	13	124
Mr. Edgardo Osillada Gonzales II	–	123	24	–	147
Independent non-executive directors:					
Mr. Chan Ming Kit	21	–	–	–	21
Ms. Lim Joo Seng	21	–	–	–	21
Mr. Park Jee Ho	21	–	–	–	21
	63	212	46	13	334

[1] Appointed on 31 July 2019

During the years ended 31 December 2019 and 2018, no emoluments were paid by the Group to any of these directors as an inducement to join or upon joining the Group or as a compensation for loss of office. No directors waived or agreed to waive any emoluments during the years ended 31 December 2019 and 2018.

8. FIVE HIGHEST PAID INDIVIDUALS

An analysis of the five highest paid individuals during the years ended 31 December 2019 and 2018 is as follows:

	Number of individuals	
	2019	2018
Director	**2**	2
Non-director	**3**	3
	5	5

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

	2019	2018
	US$'000	*US$'000*
Salaries and allowances	**245**	241
Discretionary bonus	**23**	40
Retention fee for a non-director individual	**376**	–
Contributions to defined contribution plans	**12**	13
	656	294

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

	2019	2018
Nil to HK$1,000,000	**2**	3
HK$3,500,001 to HK$4,000,000	**1**	–
	3	3

Save as disclosed above, during the years ended 31 December 2019 and 2018, no remuneration was paid by the Group to any of these highest paid non-director individuals as an inducement to join or upon joining the Group or as a compensation for loss of office. None of these highest paid non-director individuals waived or has agreed to waive any emoluments during the years ended 31 December 2019 and 2018.

Notes to the Consolidated Financial Statements

Year ended 31 December 2019

9. INCOME TAX (CREDIT) EXPENSES

	2019 **US$'000**	2018 *US$'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 *(Note 20)*	**(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.

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

Reconciliation of income tax expenses

	2019 *US$'000*	2018 *US$'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

10. (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 *US$'000*	2018 *US$'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.

11. DIVIDENDS

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

Notes to the Consolidated Financial Statements

Year ended 31 December 2019

12. 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 13)*	**–**	**–**	**–**	**1,149**	**1,149**
Depreciation	**(1)**	**(1)**	**(747)**	**–**	**(749)**
Disposal of a subsidiary *(Note 25)*	**–**	**(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**

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.

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

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.

13. INVESTMENT PROPERTIES

	2019	2018
	US$'000	*US$'000*
At 1 January	**2,313**	–
Additions	**–**	2,313
Transfer to property, plant and equipment *(Note 12)*	**(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.

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.

The details of the lease income from operating leases are set out in Note 5 to the consolidated financial statements.

Notes to the Consolidated Financial Statements

Year ended 31 December 2019

14. INTANGIBLE ASSETS

	Internally developed technologies – indefinite useful lives *US$'000*	Internally developed technologies – finite useful lives *US$'000*	Total *US$'000*
Reconciliation of carrying amount – Year ended 31 December 2018			
At 1 January 2018	–	617	617
Additions	–	425	425
Amortisation	–	(250)	(250)
Disposal of subsidiaries	–	(178)	(178)
At 31 December 2018	–	614	614
Reconciliation of carrying amount – Year ended 31 December 2019			
At 1 January 2019	**–**	**614**	**614**
Additions	**509**	**1,315**	**1,824**
Amortisation	**–**	**(404)**	**(404)**
At 31 December 2019	**509**	**1,525**	**2,034**
At 31 December 2018			
Cost	–	1,505	1,505
Accumulated amortisation	–	(891)	(891)
Net book value	–	614	614
At 31 December 2019			
Cost	**509**	**2,820**	**3,329**
Accumulated amortisation	**–**	**(1,295)**	**(1,295)**
Net book value	**509**	**1,525**	**2,034**

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

The carrying amounts of intangible assets yet to be available for use at 31 December 2019 were approximately US$78,000 *(2018: approximately US$226,000)*.

The remaining amortisation period of Frame and Modules for Mediation System, which is included in finite useful lives at 31 December 2019 are 33 months *(2018: Nil)* with carrying amount of approximately US$958,000 *(2018: Nil)*.

14. INTANGIBLE ASSETS *(Continued)*

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

The recoverable amount of intangible assets with indefinite useful lives and intangible assets yet to be available for use were assessed on the value in use calculations using pre-tax cash flow projections which is approved by management. The estimated revenue and costs for each individual intangible asset were based on management expectation. Projected cash flows are discounted at a suitable pre-tax discount rate to reflect the specific risks involved over the forecasted period.

At 31 December 2019 and 2018, the management is of the view that (i) there is no impairment indication for the intangible assets already in use and (ii) the intangible assets with indefinite useful lives or yet to be available for use were not impaired as their recoverable amounts exceed their carrying amounts.

15. SUBSIDIARIES

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

Name of subsidiary	Place of incorporation	Forms of legal entity	Paid-up/ registered share capital	Attributable equity interest held by the Company 2019	2018	Principal activities and place of operation
Directly held by the Company						
Nexion Global Investments Limited ("Nexion Global (BVI)")	The BVI	International business company	US$10,000	**100%**	100%	Investment holding, Hong Kong
Indirectly held by the Company						
Nexion (Hong Kong) Limited	Hong Kong	Limited liability company	HK$100	**100%**	100%	Investment holding, Hong Kong
Nex Investment HK Limited	Hong Kong	Limited liability company	HK$100	**100%**	100%	Provision of administrative and secretarial services to group companies and provision of cyber security solutions services, Hong Kong
Netsis Technology (S) Pte. Ltd.	Singapore	Limited liability company	SG$500,000	**100%**	100%	Provision of cyber infrastructure solutions services, Singapore

Notes to the Consolidated Financial Statements

Year ended 31 December 2019

15. SUBSIDIARIES *(Continued)*

Name of subsidiary	Place of incorporation	Forms of legal entity	Paid-up/ registered share capital	Attributable equity interest held by the Company 2019	2018	Principal activities and place of operation
Indirectly held by the Company						
Expert Team Pte. Ltd.	Singapore	Limited liability company	SG$300,000	**100%**	100%	Provision of cyber security solutions services, Singapore
Nexion Investment Pte. Ltd.	Singapore	Limited liability company	SG$100	**100%**	100%	Properties holding, Singapore
蘇州訊科易通訊技術有限公司 (Suzhou Xun Keyi Communication Technology Co., Ltd.)* ("Suzhou Xun Keyi")	The PRC	Wholly-owned foreign enterprise	Renminbi ("RMB") 1,000,000	**N/A** *(Note 25)*	100%	Provision of cyber infrastructure solutions and consulting services, The PRC
耐信（上海）科技服务有限公司	The PRC	Wholly-owned foreign enterprise	*(Note)*	**100%**	–	Provision of SaaS, The PRC

* English name is for identification purpose only.

Note: The registered share capital is RMB10,000,000 which was not yet paid up as at the end of the reporting period.

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

16. FINANCIAL ASSETS AT DESIGNATED FVOCI

	2019 **US$'000**	2018 US$'000
Equity securities		
Listed in Hong Kong	**17**	98

During the year ended 31 December 2019, the Group held equity securities listed in Hong Kong and irrevocably designated those investments in equity securities as financial asset at Designated FVOCI because these equity securities represent investments that the Group intends to hold for long term for strategic purposes.

At 31 December 2019 and 2018, the fair value of financial assets at Designated FVOCI is determined on the basis of quoted market price.

No investments in financial assets at Designated FVOCI have been disposed of during the years ended 31 December 2019 and 2018. There were no transfers of any cumulative gain or loss arising from financial assets at Designated FVOCI within equity during the years ended 31 December 2019 and 2018.

17. INVENTORIES

	2019	2018
	US$'000	*US$'000*
Computer hardware for reselling	–	109

18. TRADE AND OTHER RECEIVABLES

		2019	2018
	Notes	***US$'000***	*US$'000*
Trade receivables from third parties		**2,905**	3,136
Less: Loss allowance	*28*	**(5)**	–
	18(a)	**2,900**	3,136
Other receivables			
Prepayments		**491**	1,112
Deposits and other receivables		**622**	35
Deposits on investments	*18(b)*	**384**	1,166
Loans to third parties	*18(c)*	**857**	513
Receivables on disposal of the subsidiaries	*25*	**410**	–
		2,764	2,826
		5,664	5,962
Analysed by:			
Non-current		**205**	–
Current		**5,459**	5,962
		5,664	5,962

Information about the Group's exposure to credit risks and loss allowance for trade and other receivables is included in Note 28 to the consolidated financial statements.

Notes to the Consolidated Financial Statements

Year ended 31 December 2019

18. 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

At the end of the reporting period, the ageing analysis of the trade receivables (net of loss allowance) by due date is as follows:

	2019	2018
	US$'000	*US$'000*
Not yet due	**926**	1,884
Past due:		
Within 30 days	**228**	255
31 to 60 days	**89**	46
61 to 90 days	**211**	16
91 to 180 days	**138**	20
181 to 365 days	**1,204**	915
Over 1 year	**104**	–
	1,974	1,252
	2,900	3,136

18. TRADE AND OTHER RECEIVABLES *(Continued)*

(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)*, which is detailed in Note 28 to the consolidated financial statements; 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 the amount reported as "Deposits and other receivables" as set out in Note 18 to the consolidated financial statements.

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.

19. TRADE AND OTHER PAYABLES

	Notes	**2019** **US$'000**	2018 US$'000
Trade payables to third parties	*19(a)*	**524**	243
Other payables			
Accruals and other payables		**828**	216
Receipt in advance	*19(b)*	**942**	694
		1,770	910
		2,294	1,153

(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 **US$'000**	2018 US$'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

Notes to the Consolidated Financial Statements

Year ended 31 December 2019

19. TRADE AND OTHER PAYABLES *(Continued)*

(b) The movements (excluding those arising from increases and decreases both occurred within the same year) of receipt in advance from contracts with customer within IFRS 15 during 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.

20. DEFERRED TAX

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

	2019	2018
	US$'000	*US$'000*
At the beginning of the reporting period	**150**	101
(Credit) Charge to profit or loss *(Note 9)*	**(6)**	69
Disposal of subsidiaries	**–**	(20)
At the end of the reporting period	**144**	150

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

	2019	2018
	US$'000	*US$'000*
Depreciation allowance	**38**	44
Intangible assets	**106**	106
Deferred tax liabilities	**144**	150

Under the Enterprise Income Tax Law of the PRC, withholding tax is imposed on dividends declared in respect of profits earned by the PRC subsidiaries. Deferred taxation has not been provided for in the consolidated financial statements in respect of temporary differences attributable to accumulated profits of the PRC subsidiaries amounting to Nil *(2018: approximately US$37,000)* as the Group is able to control the timing of the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future for the year ended 31 December 2019.

Unrecognised deferred tax assets

At the end of the reporting period, the Group had unrecognised deferred tax assets arising from unused tax losses of approximately US$990,000 *(2018: Nil)* available for set-off against future taxable profit. The tax losses do not expire under current tax legislation. Deferred tax assets have not been recognised in respect of these items because it is not probable that future taxable profit will be available against which the Group can utilise the benefits therefrom.

21. 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.

22. RESERVES

Share premium

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

Capital reserve

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

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

Exchange reserve

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

Statutory reserve

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

Fair value reserve

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

Notes to the Consolidated Financial Statements

Year ended 31 December 2019

23. SHARE OPTION SCHEME

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

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

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

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

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

During the year ended 31 December 2018, 28,800,000 share options were granted to certain eligible employees participants (the "Grantees") and all of the shares options were forfeited upon the resignation of the Grantees ("the Resignation"). None of the share options was exercised and all the Grantees were no longer eligible to the share option scheme upon the Resignation. The Group recognised approximately HK$1,485,000 (equivalent to approximately US$190,000) as equity-settled share-based payment expenses during the year ended 31 December 2018. The equity-settled share-based payment expenses recognised in share options reserve has transferred to accumulated profit upon forfeiture.

There were no outstanding share options at 31 December 2019 and 2018.

24. CASH GENERATED FROM OPERATIONS

	2019	2018
	US$'000	*US$'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

25. DISPOSAL OF A SUBSIDIARY

On 31 December 2019, the Group disposed the entire equity interests in 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.

26. 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	–

Notes to the Consolidated Financial Statements

Year ended 31 December 2019

26. CHANGES IN OWNERSHIP INTERESTS IN A SUBSIDIARY THAT DO NOT RESULT IN A LOSS OF CONTROL *(Continued)*

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.

27. RELATED PARTIES TRANSACTIONS

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

Key management personnel (including directors) remuneration

	2019	2018
	US$'000	*US$'000*
Salaries, allowances and other benefits	**552**	572
Retention fee for a non-director individual	**376**	–
Contributions to defined contribution retirement schemes	**33**	40
	961	612

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

28. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

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

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

At 31 December 2019	**Financial assets at amortised cost**	**Financial assets at Designated FVOCI**	**Total**
	US$'000	***US$'000***	***US$'000***
Assets as per consolidated statement of financial position			
Financial assets at Designated FVOCI	**–**	**17**	**17**
Trade and other receivables	**5,173**	**–**	**5,173**
Bank balances and cash	**6,191**	**–**	**6,191**
Total	**11,364**	**17**	**11,381**

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

	Financial liabilities at amortised cost *US$'000*	**Total** *US$'000*
Liabilities as per consolidated statement of financial position		
Trade and other payables	**1,352**	**1,352**

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

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

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

Credit risk

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

	2019 *US$'000*	2018 *US$'000*
Trade and other receivables	**5,173**	4,850
Bank balances and cash	**6,191**	7,818
	11,364	12,668

Notes to the Consolidated Financial Statements

Year ended 31 December 2019

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

Credit risk *(Continued)*

Trade receivables

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

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

At 31 December 2019, the Group had a concentration of credit risk as approximately 34% *(2018: approximately 49%)* of the total trade receivables was due from the Group's largest trade debtor and approximately 89% *(2018: approximately 99%)* of the total trade receivables was due from the Group's five largest trade debtors.

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

The information about the exposure to credit risk and ECL for trade receivables using a provision matrix at 31 December 2019 is summarised below. No provision matrix at 31 December 2018 was disclosed as no loss allowance was recognised by the Group during the year ended 31 December 2018.

At 31 December 2019

	Expected loss rate %	Gross carrying amount *US$'000*	Loss allowance *US$'000*	Net carrying amount *US$'000*	Credit-impaired
Trade receivables					
Not past due	–	926	–	926	No
1 – 365 days past due	–	1,870	–	1,870	No
Over 1 year past due	5%	109	(5)	104	No
		2,905	(5)	2,900	

At 31 December 2019, the Group recognised loss allowance of approximately US$5,000 *(2018: Nil)* on the trade receivables. The movement in the loss allowance for trade receivables is summarised below.

	2019 *US$'000*	2018 *US$'000*
At 1 January	**–**	–
Increase in allowance	**5**	–
At 31 December	**5**	–

The Group does not hold any collateral over the trade receivables at 31 December 2019 *(2018: Nil).*

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

Credit risk *(Continued)*

Other receivables

Other receivables include deposits and other receivables, deposits on investments, loans to third parties and receivables on disposal of the subsidiaries. Impairment on other receivables is measured on lifetime ECL and reflects the short maturities of the exposures.

In estimating the ECL, the Group has taken into account the financial position of the counterparties by reference to, among others, its management or audited accounts and available press information, adjusted for forward-looking factors that are specific to the counterparties and general economic conditions of the industry in which the counterparties operate, in estimating the probability of default of the financial asset, as well as the loss upon default. There was no change in the estimation techniques or significant assumptions made during the year.

At 31 December 2019, the Group recognised loss allowance of approximately US$583,000 *(2018: Nil)* on the balances. The movement in the loss allowance for the balances is summarised below.

	2019 ***US$'000***	2018 *US$'000*
At 1 January	–	–
Increase in allowance	**583**	–
At 31 December	**583**	–

Bank balances and cash

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

Foreign currency risk

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

At 31 December 2019 and 2018, the Group had a minimal exposure to foreign currency risk as most of its business transactions, assets and liabilities were principally denominated in the respective functional currencies used by the respective group entities, except for certain financial assets and financial liabilities of the Group are denominated in currencies other than the functional currency of the respective group entities and therefore, exposed to foreign currency risk. The carrying amounts of those financial assets and liabilities at 31 December 2019 and 2018 are analysed as follows:

	2019		2018	
	Financial assets ***US$'000***	**Financial liabilities** ***US$'000***	Financial assets *US$'000*	Financial liabilities *US$'000*
SG$	**846**	**(67)**	287	(93)
RMB	**1,492**	**(1,534)**	834	(84)

Notes to the Consolidated Financial Statements

Year ended 31 December 2019

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

Foreign currency risk *(continued)*

The following table indicates the approximate changes in the Group's loss *(2018: profit)* before income tax if exchange rates of the SG$ and RMB had changed against the functional currencies of the respective group entities by 10% and all other variables were held constant at the end of the reporting period:

	2019	2018
	US$'000	*US'000*
SG$		
+10%	**78**	19
-10%	**(78)**	(19)
RMB		
+10%	**(42)**	75
-10%	**42**	(75)

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

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

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

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

Equity price risk

The Group is exposed to price risk arising from equity investments held under financial asset at Designated FVOCI amounted to approximately US$17,000 *(2018: approximately US$98,000)*. Equity investments are held for strategic rather than trading purposes. The Group does not actively trade these investments. The sensitivity analysis has been determined based on the exposure to equity price risk. At the end of the reporting period, if the price of the equity investments had been 11% *(2018: 28%)* higher/lower while all other variables were held constant, the Group's net loss *(2018: profit)* would have been unaffected and fair value reserves would be decreased/increased *(2018: increased/decreased)* by approximately US$2,000 *(2018: approximately US$28,000)* as a result of changes in fair value of financial assets at Designated FVOCI.

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

Liquidity risk

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

29. CAPITAL MANAGEMENT

The objectives of the Group's capital management are to safeguard the Group's ability to continue as a going concern and to provide returns for equity holders. The Group manages its capital structure and makes adjustments, including payment of dividends to equity holders, issue of new shares or sale of assets to reduce debts. No changes were made in the objectives, policies or processes during the years ended 31 December 2019 and 2018.

30. FAIR VALUE MEASUREMENT

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

- Level 1 (highest level): quoted prices (unadjusted) in active markets for identical assets or liabilities that the Group can access at the measurement date;
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly;
- Level 3 (lowest level): unobservable inputs for the asset or liability.

a) Assets measured at fair value

	Level 1 *US$'000*	**Level 2** *US$'000*
2019		
Financial assets at Designated FVOCI		
Equity securities listed in Hong Kong	**17**	–
Investment property		
Located in Singapore	–	**1,149**

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

During the years ended 31 December 2019 and 2018, there were no transfers between Level 1 and Level 2 fair value measurements, and no transfers into and out of Level 3 fair value measurements.

b) Financial assets and liabilities not measured at fair value

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

Notes to the Consolidated Financial Statements

Year ended 31 December 2019

31. OPERATING LEASE COMMITMENTS

The Group as lessor

The Group leases out its investment property to third parties under operating leases with lease terms of 2 years *(2018: 1 year)*.

Below is a maturity analysis of undiscounted lease payments to be received from the investment property subject to an operating lease. The future aggregate minimum rental receivables under non-cancellable operating leases are as follows:

At 31 December 2019	***US$'000***
Year 1	**36**
Year 2	**30**
	66

The future aggregate minimum rental receivables under non-cancellable operating leases are as follows:

	2018 *US$'000*
Within one year	17

The Group as lessee

At 31 December 2019, the Group was committed to lease contracts in relation to properties of approximately US$10,000 for short-term leases.

At 31 December 2018

The Group had total future minimum lease payments under non-cancellable operating leases, which are payable as follows:

	US$'000
Within one year	29

32. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

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

	Notes	**2019** ***US$'000***	2018 *US$'000*
Non-current assets			
Investments in subsidiaries		**3,922**	3,922
Current assets			
Other receivables		**730**	730
Amounts due from subsidiaries	*32(b)*	**7,181**	9,847
Loans to a subsidiary	*32(c)*	**466**	–
Bank balances and cash		**1,321**	813
		9,698	11,390
Current liabilities			
Amount due to subsidiaries	*32(b)*	**(958)**	(957)
Net current assets		**8,740**	10,433
NET ASSETS		**12,662**	14,355
Capital and reserves			
Share capital	*21*	**923**	769
Reserves	*32(a)*	**11,739**	13,586
TOTAL EQUITY		**12,662**	14,355

This statement of financial position was approved and authorised for issue by the Board of Directors on 24 March 2020 and signed on its behalf by

Foo Moo Teng
Director

Edgardo Osillada Gonzales II
Director

Notes to the Consolidated Financial Statements

Year ended 31 December 2019

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

(a) Movements of the reserves

	Share premium US$'000 (Note 22)	Capital reserve US$'000 (Note 22)	Accumulated profits (losses) US$'000	Total US$'000
At 1 January 2018	9,662	3,922	–	13,584
Profit for the year and total comprehensive income for the year	–	–	2	2
At 31 December 2018	9,662	3,922	2	13,586
At 1 January 2019	**9,662**	**3,922**	**2**	**13,586**
Loss for the year and total comprehensive loss for the year	–	–	**(3,036)**	**(3,036)**
Transactions with equity holders				
Contributions and distributions				
Issue of shares upon placing of shares *(Note 21)*	**1,189**	–	–	**1,189**
At 31 December 2019	**10,851**	**3,922**	**(3,034)**	**11,739**

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

(b) Amounts due from (to) subsidiaries

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

(c) Loans to a subsidiary

The loans to a subsidiary are unsecured, bearing interest at 2% per annum and is repayable on 22 December 2020 and 31 December 2020, respectively.

33. EVENTS AFTER THE REPORTING PERIOD

Assessment of the impact of the Coronavirus Disease 2019

Since January 2020, the outbreak of Novel Coronavirus ("COVID-19") has certain impacts on the business operation and overall economy on 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 new customers due to operation suspension in the PRC and global travel restrictions.

Despite the challenges, governments and international organisations have implemented a series of measures to contain the epidemic. 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 businesses. Up to the date of this annual report, the assessment of financial impact on COVID-19 is still in progress.

Financial Summary

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

RESULTS

	For the year ended 31 December				
	2019	2018	2017	2016	2015
	US$000	*US$000*	*US$000*	*US$000*	*US$000*
	Note (a)	*Note (a)*	*Note (a)*	*Note (b)*	*Note (b)*
Revenue	**5,815**	8,573	8,538	5,635	3,715
Other income	**158**	149	209	84	13
Cost of inventories sold	**(722)**	(3,134)	(3,164)	(2,122)	(1,423)
Staff costs and related expenses	**(1,243)**	(1,705)	(1,195)	(928)	(452)
Subcontracting fee	**(616)**	–	–	–	–
Sales and marketing expenses	**(1,679)**	(21)	(14)	(29)	(52)
Depreciation and amortisation	**(1,153)**	(681)	(277)	(316)	(212)
Impairment loss on trade and other receivables	**(588)**	–	–	–	–
General and administrative expenses	**(2,101)**	(840)	(738)	(399)	(214)
Listing expenses	**–**	–	(1,633)	(514)	–
(Loss) Profit before income tax	**(2,129)**	2,341	1,726	1,411	1,375
Income tax credit (expenses)	**24**	(808)	(546)	(135)	(25)
(Loss) Profit for the year attributable to equity holders of the Company	**(2,105)**	1,533	1,180	1,276	1,350

ASSETS AND LIABILITIES

	As at 31 December				
	2019	2018	2017	2016	2015
	US$000	*US$000*	*US$000*	*US$000*	*US$000*
	Note (a)	*Note (a)*	*Note (a)*	*Note (b)*	*Note (b)*
Total assets	**17,736**	17,941	16,961	6,026	3,344
Total liabilities	**(2,591)**	(2,047)	(2,089)	(647)	(464)
Total equity	**15,145**	15,894	14,872	5,379	2,880

Notes

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

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

Financial Summary

FINANCIAL HIGHLIGHTS

		For the year ended 31 December				
		2019	2018	2017	2016	2015
Financial performance		***US$'000***	*US$'000*	*US$'000*	*US$'000*	*US$'000*
Revenue		**5,815**	8,573	8,538	5,635	3,715
Net (Loss) Profit		**(2,105)**	1,533	1,180	1,276	1,350
Net profit margin	*Note 1*	**−36.2%**	17.9%	13.8%	22.6%	36.3%
Financial position						
Current ratio	*Note 2*	**4.8**	7.3	7.8	9.6	6.2
Quick ratio	*Note 3*	**4.8**	7.3	7.7	9.5	6.1
Gearing ratio	*Note 4*	**N/A**	N/A	N/A	N/A	N/A
Net debt-to-equity ratio	*Note 5*	**Net cash**	Net cash	Net cash	Net cash	Net cash
Return on equity	*Note 6*	**−13.9%**	9.6%	7.9%	23.7%	46.9%
Return on assets	*Note 7*	**−11.9%**	8.5%	7.0%	21.2%	40.4%

Notes

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

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

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

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

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

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

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