



NEXION TECHNOLOGIES LIMITED

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

Together We ● Innovate

INTERIM REPORT
2017

CHARACTERISTICS OF THE GROWTH ENTERPRISE MARKET (“GEM”) OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE “STOCK EXCHANGE”)

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Given the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board of the Stock Exchange and no assurance is given that there will be a liquid market in the securities traded on GEM.

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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. 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.

RESULTS

The board of directors (the “Board”) of Nexion Technologies Limited hereby announces the unaudited condensed consolidated financial statements of the Company and its subsidiaries (collectively referred to as the “Group”) for the six months ended 30 June 2017, together with the comparative unaudited figures of the corresponding period in 2016, as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2017

	Note	(Unaudited) For the three months ended 30 June		(Unaudited) For the six months ended 30 June	
		2017 US\$'000	2016 US\$'000	2017 US\$'000	2016 US\$'000
Revenue	4	711	1,999	2,224	2,687
Other income	5	50	4	71	42
Cost of inventories sold		(225)	(449)	(727)	(811)
Staff costs and related expenses		(158)	(165)	(410)	(304)
Depreciation and amortisation		(68)	(103)	(119)	(155)
Other operating expenses		(69)	(221)	(165)	(256)
Expenses for the Initial Listing		(1,457)	–	(1,633)	–
(Loss)/profit before income tax	6	(1,216)	1,065	(759)	1,203
Income tax credit/(expenses)	7	11	(184)	(57)	(184)
(Loss)/profit and total comprehensive (loss)/income for the period		(1,205)	881	(816)	1,019
(Loss)/earnings per share, basic and diluted (US cents)	8	(0.25)	0.23	(0.18)	0.27

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2017

		(Unaudited) 30 June 2017 US\$'000	(Audited) 31 December 2016 US\$'000
	Note		
Non-current assets			
Property, plant and equipment	10	77	103
Intangible assets	11	524	471
		601	574
Current assets			
Inventories		268	63
Trade and other receivables	12	2,273	2,389
Bank balances and cash		11,353	3,000
		13,894	5,452
Current liabilities			
Trade and other payables	13	1,431	494
Income tax payables		120	71
		1,551	565
Net current assets		12,343	4,887
Total assets less current liabilities		12,944	5,461
Non-current liabilities			
Deferred tax liabilities		82	82
NET ASSETS		12,862	5,379
Capital and reserves			
Share capital	14	769	–
Reserves		12,093	5,379
TOTAL EQUITY		12,862	5,379

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2017

	Share capital US\$'000	Share premium US\$'000	Capital reserve US\$'000	Accumulated profits US\$'000	Total US\$'000
At 1 January 2017 (Audited)	–	1,200	650	3,529	5,379
Loss and total comprehensive loss for the period	–	–	–	(816)	(816)
Transactions with owners					
<i>Contributions and distributions</i>					
Capitalisation Issue (Note 14(vi))	577	(577)	–	–	–
Issue of new shares by way of public offer (Note 14(vii))	192	9,039	–	–	9,231
Transaction costs attributable to issue of new shares	–	(932)	–	–	(932)
Total transactions with owners	769	7,530	–	–	8,299
At 30 June 2017 (Unaudited)	769	8,730	650	2,713	12,862
At 1 January 2016 (Audited)	–	–	627	2,253	2,880
Profit and total comprehensive income for the period	–	–	–	1,019	1,019
Transactions with owners:					
<i>Contributions and distributions</i>					
Issue of share capital (Note 14(v))	–	1,200	–	–	1,200
Additional capital contribution made by the then shareholders of a subsidiary	–	–	23	–	23
Total transactions with owners	–	1,200	23	–	1,223
At 30 June 2016 (Unaudited)	–	1,200	650	3,272	5,122

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2017

	(Unaudited)	
	Six months ended 30 June	
	2017	2016
	US\$'000	US\$'000
Cash generated from operations	208	1,015
Income tax paid	(8)	(6)
Net cash from operating activities	200	1,009
INVESTING ACTIVITIES		
Acquisition of property, plant and equipment	(4)	(15)
Additions to intangible assets	(142)	(184)
Net cash used in investing activities	(146)	(199)
FINANCING ACTIVITIES		
Issue of share capital	–	1,200
Additional capital contribution made by the then shareholders of a subsidiary	–	23
Proceeds from issuance of new shares in connection with the listing of the Company's shares	9,231	–
Payments of share issuance expenses	(932)	–
Net cash from financing activities	8,299	1,223
Net increase in cash and cash equivalents	8,353	2,033
Cash and cash equivalents at the beginning of the reporting period	3,000	1,051
Cash and cash equivalents at the end of the reporting period, represented by bank balances and cash	11,353	3,084

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2017

1. CORPORATE INFORMATION

The Company was incorporated as an exempted company with limited liability in the Cayman Islands on 22 June 2016, and its shares are listed on GEM of the Stock Exchange on 16 June 2017 (the "Initial Listing"). The address of the Company's registered office is PO Box 309, Uglan House, Grand Cayman, KY1-1104, Cayman Islands and its principal place of business is situated at Unit #08-03, HB Centre I, 12 Tannery Road, Singapore 347722.

The Company is an investment holding company and the principal activities of its subsidiaries are provision of cyber infrastructure solutions services and research and development, and provision of cyber security solutions services.

2. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES

The unaudited condensed consolidated interim financial statements of the Group for the six months ended 30 June 2017 (the "Interim Financial Statements") are prepared in accordance with International Accounting Standard (the "IAS") 34 "Interim Financial Reporting" issued by the International Accounting Standards Board (the "IASB") and with the applicable disclosure requirements of the GEM Listing Rules.

The preparation of the Interim Financial Statements in conformity with IAS 34 requires the management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses on a year to date basis. Actual results may differ from these estimates.

The Interim Financial Statements include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since 31 December 2016, and therefore, do not include all of the information required for full set of financial statements prepared in accordance with the International Financial Reporting Standards ("IFRSs") issued by the IASB, which collective term includes all applicable individual IFRSs, IASs and Interpretations issued by the IASB. They shall be read in conjunction with the Group's audited financial information for the year ended 31 December 2016 included in the Accountant's Report as set out in Appendix I of the prospectus dated 6 June 2017 (the "2016 Financial Information") (the "Prospectus").

2. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES

(Continued)

The Interim Financial Statements have been prepared on the historical costs basis.

The accounting policies and methods of computation applied in the preparation of the Interim Financial Statements are consistent with those applied in the preparation of the 2016 Financial Information.

Completion of reorganisation

Immediately before and after the corporate reorganisation arrangements as set out in the paragraph headed “Reorganisation” under the section headed “History, Reorganisation and Corporate Structure” in the Prospectus (the “Reorganisation”), the Company and its subsidiaries now comprising the Group were under the common control of Mr. Foo Moo Teng (the “Ultimate Controlling Party”). Accordingly, the Reorganisation has been accounted for by using merger accounting as detailed in “Merger accounting for business combination involving entities under common control” in the 2016 Financial Information. Accordingly, the financial information incorporates the financial statements items of the combining in entities or businesses in which the common control combination occurs as if they had been combined from the date when the combining entities or businesses first came under the control of the Ultimate Controlling Party.

Adoption of new/revised IFRSs

The adoption of the new/revised IFRSs that are relevant to the Group and effective from the current period had no significant effects on the results and financial position of the Group for the current period and prior periods.

At the date of authorisation of the Interim Financial Statements, the Group has not early adopted the new/revised IFRSs that have been issued but are not yet effective. Except for the impacts of IFRS 9, IFRS 15 and Clarifications to IFRS 15 and IFRS 16 as set out in the 2016 Financial Information, the Directors of the Group does not anticipate that the adoption of the new/revised IFRSs in future periods will have any material impact on the Group’s financial statements.

3. SEGMENT INFORMATION

The executive Directors have been identified as the chief operating decision-makers. The executive Directors 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 consider that the operating segments of the Group comprise (i) cyber infrastructure solutions and (ii) cyber security solutions.

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

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

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

The segment information provided to the executive Directors for the reportable segments for the six months ended 30 June 2017 and 2016 is as follows:

	Cyber infrastructure solutions <i>US\$'000</i>	Cyber security solutions <i>US\$'000</i>	Total <i>US\$'000</i>
Six months ended 30 June 2017 (Unaudited)			
Revenue from external customers and reportable segment revenue	1,294	930	2,224
Reportable segment results (Adjusted EBITDA)	204	800	1,004
Depreciation and amortisation	22	97	119

3. SEGMENT INFORMATION *(Continued)*

	Cyber infrastructure solutions <i>US\$ '000</i>	Cyber security solutions <i>US\$ '000</i>	Total <i>US\$ '000</i>
Six months 30 June 2016 (Unaudited)			
Revenue from external customers and reportable segment revenue	1,370	1,317	2,687
Reportable segment results (Adjusted EBITDA)	285	1,249	1,534
Depreciation and amortisation	19	136	155

Reconciliation of reportable segment results

	(Unaudited) For the six months ended 30 June	
	2017 <i>US\$ '000</i>	2016 <i>US\$ '000</i>
Reportable segment results (Adjusted EBITDA)	1,004	1,534
Interest income	1	3
Depreciation and amortisation	(119)	(155)
Unallocated expenses	(1,645)	(179)
(Loss)/profit before income tax	(759)	1,203
Income tax expenses	(57)	(184)
(Loss)/profit for the period	(816)	1,019

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 and intangible assets (“Specified Non-current Assets”). The geographical location of revenue is based on the location of end users. The geographical location of the specified non-current assets is based on the physical location of the assets (in the case of property, plant and equipment, the location of operation to which they are located, in the case of intangible assets, the location of operations).

(a) Revenue from external customers

	(Unaudited)	
	For the six months	
	ended 30 June	
	2017	2016
	US\$ '000	US\$ '000
Hong Kong	14	2
Indonesia	41	5
Laos	26	8
Malaysia	902	412
Myanmar	103	111
Philippines	570	453
Singapore	557	594
South Korea	–	176
Taiwan	–	198
Thailand	5	725
United States	–	3
Vietnam	6	–
	2,224	2,687

3. SEGMENT INFORMATION *(Continued)*

(b) Specified Non-current Assets

	(Unaudited)	(Audited)
	30 June	31 December
	2017	2016
	US\$'000	US\$'000
Malaysia	179	144
Singapore	422	430
	601	574

4. REVENUE

	(Unaudited)		(Unaudited)	
	For the three months		For the six months	
	ended 30 June		ended 30 June	
	2017	2016	2017	2016
	US\$'000	US\$'000	US\$'000	US\$'000
Cyber infrastructure solutions	467	814	1,206	1,291
Cyber security solutions	205	1,106	930	1,317
Maintenance and support service income	39	79	88	79
	711	1,999	2,224	2,687

5. OTHER INCOME

	(Unaudited)		(Unaudited)	
	For the three months		For the six months	
	ended 30 June		ended 30 June	
	2017	2016	2017	2016
	US\$'000	US\$'000	US\$'000	US\$'000
Interest income	1	3	1	3
Government grants	5	1	9	9
Exchange gain, net	35	–	52	30
Others	9	–	9	–
	50	4	71	42

6. (LOSS)/PROFIT BEFORE INCOME TAX

This is stated after charging/(crediting):

	(Unaudited)		(Unaudited)	
	For the three months		For the six months	
	ended 30 June		ended 30 June	
	2017	2016	2017	2016
	US\$'000	US\$'000	US\$'000	US\$'000
Amortisation of intangible assets	53	87	89	123
Depreciation of property, plant and equipment	15	16	30	32
Exchange (gain)/loss, net	(35)	23	(52)	(30)

7. INCOME TAX (CREDIT)/EXPENSES

	(Unaudited) For the three months ended 30 June		(Unaudited) For the six months ended 30 June	
	2017 US\$'000	2016 US\$'000	2017 US\$'000	2016 US\$'000
Current tax				
Singapore corporate income tax (credit)/expense ("Singapore CIT")	(11)	48	57	48
Malaysia corporate income tax expense ("Malaysia CIT")	-	136	-	136
Total income tax (credit)/expenses for the period	(11)	184	57	184

No provision for Hong Kong profits tax has been made as the Group had no assessable profits arising in or derived from Hong Kong for the six months ended 30 June 2017 and 2016. The group entities established in the Cayman Islands and the British Virgin Islands (the "BVI") are exempted from income tax.

Singapore CIT is calculated at 17% of the estimated assessable profits with corporate income tax rebate of 50%, capped at SG\$25,000 for the six months ended 30 June 2016 and 20%, capped at SG\$10,000 for the six months ended 30 June 2017. Singapore incorporated companies can also enjoy 75% tax exemption on the first SG\$10,000 of normal chargeable income and a further 50% tax exemption on the next SG\$290,000 of normal chargeable income during the six months ended 30 June 2017 and 2016.

Malaysia CIT is calculated at 24% of the estimated assessable profits for the six months ended 30 June 2016 and 2017. Global Expert Team Sdn. Bhd. ("GET (Malaysia)") enjoys tax rate of 19% and 18% on the first RM500,000 and remaining balance of the estimated assessable profits at tax rate of 24% for the six months ended 30 June 2016 and 2017 respectively.

7. INCOME TAX (CREDIT)/EXPENSES *(Continued)*

Subsequent to 30 June 2016, GET (Malaysia) has obtained the pioneer status. A pioneer status company is eligible for exemption from income tax on eligible activities and products for five years and subject to submitting a formal request to the Malaysia Investment Development Authority on or prior to 17 October 2020 and upon the Ministry of International trade and Industry confirming that GET (Malaysia) has been complying with all the applicable conditions as imposed, the tax relief periods shall be extended for further five years after the initial 5-year tax relief period ends.

8. (LOSS)/EARNINGS PER SHARE

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

	(Unaudited)		(Unaudited)	
	For the three months		For the six months	
	ended 30 June		ended 30 June	
	2017	2016	2017	2016
	US\$'000	US\$'000	US\$'000	US\$'000
(Loss)/profit for the period attributable to the owners of the Company, used in basic and diluted (loss)/earnings per share calculation	(1,205)	881	(816)	1,019
Number of shares ('000)				
Weighted average number of ordinary shares for basic and diluted (loss)/earnings per share calculation	474,725	382,500	462,431	382,500

The calculation of the weighted average number of ordinary shares for the purpose of calculating basic and diluted (loss)/earnings per share for the periods has been determined based on the assumption that the Capitalisation Issue as mentioned in Note 14 had occurred on 1 January 2016 and excluded the number of ordinary shares held by the Strategic Investor (as defined in the Prospectus) after the Capitalisation Issue.

Diluted (loss)/earnings per share are same as the basic (loss)/earnings per share as there are no dilutive potential ordinary shares in existence during the periods.

9. DIVIDENDS

The Directors do not recommend a payment of an interim dividend for the six months ended 30 June 2017 (2016: Nil).

10. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2017, the Group incurred expenditures on property, plant and equipment with total cost of approximately US\$4,000 (2016: approximately US\$15,000) and no property, plant and equipment has been disposed by the Group for both periods.

11. INTANGIBLE ASSETS

During the six months ended 30 June 2017, the Group spent approximately US\$142,000 (2016: approximately US\$184,000) on additions to the intangible assets.

The carrying amount of intangible assets yet to be available for use at 30 June 2017 were approximately US\$284,000 (31 December 2016: approximately US\$142,000).

12. TRADE AND OTHER RECEIVABLES

	(Unaudited)	(Audited)
	30 June	31 December
	2017	2016
	US\$ '000	US\$ '000
Trade receivables	1,983	1,715
Other receivables	290	674
	2,273	2,389

12. TRADE AND OTHER RECEIVABLES *(Continued)*

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

	(Unaudited)	(Audited)
	30 June	31 December
	2017	2016
	US\$'000	US\$'000
Within 30 days	618	1,227
31 to 60 days	240	460
61 to 90 days	285	13
Over 90 days	840	15
	1,983	1,715

13. TRADE AND OTHER PAYABLES

	(Unaudited)	(Audited)
	30 June	31 December
	2017	2016
	US\$'000	US\$'000
Trade payables	9	265
Other payables <i>(Note)</i>	1,422	229
	1,431	494

Note: The balance as at 30 June 2017 included accrued expenses for the Initial Listing of approximately US\$1,284,000 (31 December 2016: Nil).

13. TRADE AND OTHER PAYABLES *(Continued)*

At the end of each reporting period, the ageing analysis of the trade payables based on invoice date is as follows:

	(Unaudited) 30 June 2017 US\$'000	(Audited) 31 December 2016 US\$'000
Within 30 days	8	261
31 to 60 days	–	–
61 to 90 days	–	1
Over 90 days	1	3
	9	265

14. SHARE CAPITAL

	Note	Number of shares	HK\$	Equivalent to US\$
Ordinary share of HK\$0.01 each				
Authorised:				
At 22 June 2016 (date of incorporation), 31 December 2016 and 1 January 2017		38,000,000	380,000	48,718
Increase	(i)	5,962,000,000	59,620,000	7,643,590
At 30 June 2017 (Unaudited)		6,000,000,000	60,000,000	7,692,308
Issued and fully paid:				
At incorporation	(ii)	1	0.01	–
Issuance of shares on 28 June 2016	(iii)	4,999	49.99	6
Issuance of shares on 30 June 2016	(iv)	80,000	800.00	103
Issuance of shares on 30 June 2016	(v)	15,000	150.00	19
At 31 December 2016 and 1 January 2017 (Audited)		100,000	1,000	128
Capitalisation Issue	(vi)	449,900,000	4,499,000	576,795
Issuance of new shares by way of public offer	(vii)	150,000,000	1,500,000	192,308
At 30 June 2017 (Unaudited)		600,000,000	6,000,000	769,231

14. SHARE CAPITAL *(Continued)*

Notes:

- (i) On 31 May 2017, the authorised share capital of the Company was increased from HK\$380,000 to HK\$60,000,000 by the creation of additional 5,962,000,000 shares of HK\$0.01 each.
- (ii) Upon incorporation, one share was issued and allotted to the initial subscriber at par value which was subsequently transferred to Alpha Sense Investments Limited (“Alpha Sense (BVI)”) on the same day.
- (iii) On 28 June 2016, 4,999 new shares were issued and allotted at par value with a total consideration of HK\$49.99. Among the 4,999 new shares, 3,564 shares were issued and allotted to Alpha Sense (BVI), 551 shares were issued and allotted to Cyber Pioneer Investments Limited (“Cyber Pioneer (BVI)”) and 884 shares were issued and allotted to Future Way Investments Limited (“Future Way (BVI)”).
- (iv) On 30 June 2016, 80,000 new shares were issued and allotted at a total consideration of approximately US\$5,400,000 under a share swap agreement in exchange of 10,000 shares of Nexion Global Investments Limited (“Nexion Global (BVI)”). Among the 80,000 new shares, 57,032 shares were issued and allotted to Alpha Sense (BVI), 8,816 shares were issued and allotted to Cyber Pioneer (BVI) and 14,152 shares were issued and allotted to Future Way (BVI). Due to the fact that the share swap is only a step of the Reorganisation, the shares of the Company as issued were recorded at par value.
- (v) On 30 June 2016, 15,000 new shares were issued and allotted at HK\$624 per share to Vantage Network Global Limited (“Vantage Network (BVI)”) at a total consideration of HK\$9,360,000 (equivalent to approximately US\$1,200,000).
- (vi) On 16 June 2017, 449,900,000 shares of HK\$0.01 each were issued and allotted to the existing shareholders, credited as fully paid at par by way of capitalisation of the sum of HK\$4,499,000 standing to be credit of the share premium account of the Company (the “Capitalisation Issue”).
- (vii) On 16 June 2017, the public offer of 150,000,000 shares of the Company of HK\$0.01 each at the offer price of HK\$0.48 per public offer share were issued and allotted.

15. OPERATING LEASE COMMITMENTS

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

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

	(Unaudited)	(Audited)
	30 June	31 December
	2017	2016
	<i>US\$ '000</i>	<i>US\$ '000</i>
Within one year	74	81
In the second to fifth years inclusive	–	15
	<hr/>	<hr/>
	74	96
	<hr/>	<hr/>

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS OVERVIEW AND OUTLOOK

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

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

For the period ended 30 June 2017, there was no significant change in the customer mix of the Company. Excluding the impact of the listing expenses, the Group recorded the decrease in the net profit from approximately US\$1,019,000 for the six months ended 30 June 2016 to approximately US\$817,000 for the six months ended 30 June 2017. The decrease was mainly due to (i) the delay in a project in cyber security solutions business with one of the major customers in Malaysia with a total contract sum of approximately US\$3,200,000 comprised a significant portion of hardware components, of which contract sum of approximately US\$866,000 was recognised during the period ended 30 June 2017 as the relevant phases of the project were completed and accepted by the customer while the contract sum for the remaining phases of the project, which mainly related to the hardware components, of approximately US\$2,334,000 was expected to be fulfilled and accepted by the customer in the second half of 2017; and (ii) the increase in the staff costs and related expenses from approximately US\$304,000 to approximately US\$410,000 as a result from the expansion of the business operation during the period.

Looking forward, the Directors of the Company considered the cyber infrastructure solutions market and cyber securities solution market will grow continuously. Due to the economy of the developing countries in the Asia Pacific region growing steadily, which attracts considerable multinational enterprises and foreign investments, more organisations will keen to be equipped with proper cyber infrastructure for international communication and information interaction so as to safeguard their interests. In addition, it urges enterprises or governments to manage the data and information delivered over the internet and to enhance cyber security because of the increases in the information exposure, risks of internet content management and possibility of cyber-crimes.

The Directors of the Company believe that the listing status along with the strong R&D capabilities of developing technology and solutions and diversified geographical reach and established customer base would enhance the corporate profile and recognition which reinforce our brand awareness and image in both of the existing and potential customers and benefits the Group from the increasing demand for cyber infrastructure and cyber security solutions in the market.

PRINCIPAL RISKS AND UNCERTAINTIES

The Directors of the Company believe major risk factors relevant to the Group have been disclosed in the section headed “Risk Factors” in the Prospectus.

COMPARISON OF BUSINESS OBJECTIVES WITH ACTUAL BUSINESS PROGRESS

Details of the business objectives and strategies and future development of the business of the Group are set out in the section headed “Statement of Business Objectives and Use of Proceeds” in the Prospectus.

The net proceeds from the Public Offer will be utilised subsequent to the listing of the Company’s shares in accordance with the proposed applications as set out in the section “Statement of Business Objectives and Use of Proceeds” in the Prospectus.

The net proceeds from the Public Offer have not been utilised up to the date of this report.

FINANCIAL REVIEW

Revenue

The major revenue streams of the Group derived from provision of cyber infrastructure solutions and cyber security solutions. For the six months ended 30 June 2017, the Group recorded the total revenue of approximately US\$2,224,000 (2016: approximately US\$2,687,000), which were generated by cyber infrastructure solutions business of approximately US\$1,294,000 (2016: approximately US\$1,370,000) and cyber security solutions business of approximately US\$930,000 (2016: approximately US\$1,317,000). The decrease was mainly driven by the delay of one project in cyber security solutions business as mentioned in the section headed “Management Discussion and Analysis – Business Overview and Outlook” in this report.

Cost of inventories sold

The Group’s cost of inventories sold was decreased from approximately US\$811,000 for the six months ended 30 June 2016 to approximately US\$727,000 for the six months ended 30 June 2017. It was generally driven by the decreasing number of hardware components used in both infrastructure solutions projects and cyber security solutions projects as a result from the delay of projects.

Staff costs and related expenses

For the six months ended 30 June 2017, the Group recorded staff costs and related expenses of approximately US\$410,000 (2016: approximately US\$304,000). The increase was mainly due to the aggregate effect of the increase in salaries and bonus of employees and Directors, and the number of employees for the expansion of the Group’s business.

Other operating expenses

The Group’s other operating expenses comprise mainly of sales and marketing expenses and administrative expenses. The amount of other operating expenses decreased from approximately US\$256,000 for the six months ended 30 June 2016 to approximately US\$165,000 for the six months ended 30 June 2017, which was mainly due to the decrease in the subcontracting costs. The subcontracting costs incurred was related to an engagement of a local subcontractor for the implementation work of a cyber infrastructure solutions project in the Philippines.

Liquidity and financial resources

As at 30 June 2017, the Group had current assets of approximately US\$13,894,000 (31 December 2016: approximately US\$5,452,000) including bank balances and cash of approximately US\$11,353,000 (31 December 2016: approximately US\$3,000,000), and the Group did not have any bank borrowings and debts. Total assets were approximately US\$14,495,000 (31 December 2016: approximately US\$6,026,000) and total liabilities were approximately US\$1,633,000 (31 December 2016: approximately US\$647,000). The gearing ratio is not available, since the Group had no bank borrowings and no debts as at 30 June 2017 and 31 December 2016.

Share capital

As at 30 June 2017, the authorised share capital of the Company was HK\$60,000,000 (equivalent to approximately US\$7,692,000) divided into 6,000,000,000 shares of HK\$0.01 each and the issued share capital of the Company was approximately HK\$6,000,000 (equivalent to approximately US\$769,000) divided into 600,000,000 shares of HK\$0.01 each.

Treasury policy

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

Foreign exchange exposure

Most of the Group's assets, liabilities and transactions are denominated in United States dollars ("US\$"). For the Group's Hong Kong operation, as the exchange rate between Hong Kong dollars and US\$ is pegged, the Directors of the Company consider that the Group has no significant foreign exchange exposures. Foreign exchange risk arising from the normal course of operations is considered to be minimal.

Significant investment, material acquisitions and disposals

During the six months ended 30 June 2017, the Group did not have any significant investment, material acquisitions nor disposals of subsidiaries and affiliated companies save for those reorganisation activities done for the purpose of listing of the Company's shares as set out in the paragraph headed "Reorganisation" under the section headed "History, Reorganisation and Corporate Structure" in the Prospectus.

Charges on the Group's assets

There was no charge on the Group's assets as at 30 June 2017.

Employees information

As at 30 June 2017, the Group had a total of 31 employees (2016: 21 employees) (including executive Directors). During the period under review, the total staff costs amount to approximately US\$410,000 (2016: approximately US\$304,000), representing an increase of approximately US\$106,000 over the prior period.

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. During the six months ended 30 June 2017, no share options were granted to employees of the Group.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY

As at 30 June 2017, the interests and short positions of the Directors or chief executive of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (chapter 571 of the Laws of Hong Kong) (the "SFO")), which were required (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); or (b) pursuant to Section 352 of the SFO, to be entered in the register referred therein; or (c) pursuant to Rule 5.46 to 5.67 of the GEM Listing Rules to be notified to the Company and the Stock Exchange, were as follows:

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

Name of Directors and chief executive	Capacity/Nature	Number of shares held/interested in	Percentage of issued share capital
Mr. Foo Moo Teng ("Mr. Foo") (<i>Chairman, Executive Director and Chief Executive Officer</i>) (<i>Note</i>)	Interest in a controlled corporation	272,686,500	45.44%

Note:

Alpha Sense (BVI) is an investment holding company incorporated in the 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 of the Company (the "Shares") held by Alpha Sense (BVI).

Save as disclosed above, as at 30 June 2017, none of the other Directors nor chief executive of the Company have registered an interest or short position in the shares, underlying shares or debentures of the Company or any of its associated corporations which were required (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); or (b) pursuant to Section 352 of the SFO, to be entered in the register referred therein; or (c) pursuant to Rule 5.46 to 5.47 of the GEM Listing Rules to be notified to the Company and the Stock Exchange.

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

As at 30 June 2017, so far as known to any Director, the following persons (other than the Directors and chief executive of the Company) had interest or short positions in the shares and underlying shares of the Company which would fall to be disclosed under the provisions of Divisions 2 and 3 of Part XV of the SFO as recorded in the register required to be kept under Section 336 of the SFO:

Long position in shares or underlying shares of the Company

Name of Shareholder	Capacity/Nature	Number of shares or underlying shares held	Percentage of issued share capital
Alpha Sense (BVI)	Beneficial owner	272,686,500	45.44%
Future Way (BVI)	Beneficial owner	67,662,000	11.28%
Mr. Hoo Kam Choy ("Mr. Hoo") (Note 1)	Interest in a controlled corporation	67,662,000	11.28%
Vantage Network (BVI)	Beneficial owner	67,500,000	11.25%
Vast Mega Limited (Note 2)	Interest in a controlled corporation	67,500,000	11.25%
China Smartpay Group Holdings Limited (Note 2)	Interest in a controlled corporation	67,500,000	11.25%
Cyber Pioneer (BVI)	Beneficial owner	42,151,500	7.03%
Mr. Chan Kok Liang, Frankie ("Mr. Chan") (Note 3)	Interest in a controlled corporation	42,151,500	7.03%

Notes:

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

Save as disclosed above, as at 30 June 2017, the Directors were not aware of any other persons (other than the Directors and chief executive 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.

CORPORATE GOVERNANCE CODE

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

From the date of listing of the Company’s shares on 16 June 2017 (“Listing Date”) up to 30 June 2017, the Company had complied with the applicable code provisions of the Code with the exception of the deviation from code provision A.2.1 as explained below:

Code provision A.2.1 of the Code requires that the roles of chairman and chief executive officer should be separate and not performed by the same individual. Mr. Foo has in-depth knowledge and experience in the IT industry and familiarity with the operations of the Group, that all major decisions are made in consultation with members of the Board and relevant Board committees, and that there are three independent non-executive Directors on the Board offering independent perspectives, the Board is therefore of the view that there are adequate safeguards in place to ensure sufficient balance of powers and authorities between the Board and the management of the Company and that it is in the best interest of the Group to have Mr. Foo taking up both roles. Accordingly, the Company has not segregated the roles of its chairman and chief executive officer as suggested by code provision A.2.1 of the Code.

Except for the deviation from code provision A.2.1 of the Code, the Company's corporate governance practices have complied with the Code as set out in Appendix 15 to the GEM Listing Rules from the Listing Date to 30 June 2017.

DIRECTORS' INTEREST IN COMPETING BUSINESS

Since the Listing Date up to the date of the report, none of the controlling shareholders, directors, substantial shareholders of the Company and their respective associates (as defined in GEM Listing Rules) had any interest in any business that directly or indirectly competed or might compete with the business of the Group.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

Neither the Company, nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed Securities after the Listing Date and up to the period ended 30 June 2017.

CODE OF CONDUCT REGARDING SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted a code of conduct regarding securities transactions by Directors on terms no less than the required standard of dealings as set out in Rules 5.48 to 5.67 of the GEM Listing Rules as the code of conduct for securities transactions by the Directors in respect of the Shares of the Company ("the Code of Conduct"). The Company also made specific enquiry with all 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 30 June 2017.

INTERESTS OF COMPLIANCE ADVISER

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

SHARE OPTION SCHEME

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

No share option has been granted since the adoption of the Scheme and there was no share option outstanding as at 30 June 2017.

AUDIT COMMITTEE

The Company has established an audit committee with written terms of reference in compliance with Rule 5.28 of the GEM Listing Rules and the Corporate Governance Code and Corporate Governance Report for the purpose of reviewing and supervising the Company's financial reporting and internal control procedures. As at 30 June 2017, the audit committee comprised three independent non-executive Directors, namely Ms. Lim Joo Seng, Mr. Park Jee Ho and Mr. Chan Ming Kit. Ms. Lim Joo Seng is the chairman of the audit committee.

The Group's unaudited condensed consolidated financial statements for the six months ended 30 June 2017 have been reviewed by the audit committee, which were of the opinion that such statements have complied with the applicable accounting standards and that adequate disclosures have been made.

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

Hong Kong, 14 August 2017

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

This report, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the GEM Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief, the information contained in this 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.