NEXION TECHNOLOGIES LIMITED

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 8420

INTERIM REPORT

2018

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

GEM has been positioned as a market designed to accommodate companies to which a higher investment risk may be attached than other companies listed on the Stock Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.

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 2018, together with the comparative unaudited figures of the corresponding period in 2017, as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2018

		(Unaudited) For the three months ended 30 June		**(Unaudited) For the six months ended 30 June**	
		2018	2017	**2018**	2017
	Note	***US$'000***	*US$'000*	***US$'000***	*US$'000*
Revenue	*4*	**2,309**	711	**4,754**	2,224
Other income	*5*	**14**	50	**51**	71
Cost of inventories sold		**(746)**	(225)	**(2,409)**	(727)
Staff costs and related expenses		**(448)**	(158)	**(820)**	(410)
Depreciation and amortisation		**(171)**	(68)	**(312)**	(119)
Other operating expenses		**(312)**	(69)	**(645)**	(165)
Share-based payments expense	*10*	**(132)**	—	**(448)**	—
Listing expenses		**—**	(1,457)	**—**	(1,633)
Profit/(Loss) before income tax	*6*	**514**	(1,216)	**171**	(759)
Income tax (expenses)/credit	*7*	**(317)**	11	**(371)**	(57)

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME (Continued)

For the six months ended 30 June 2018

		(Unaudited)		(Unaudited)	
		For the three months ended 30 June		For the six months ended 30 June	
		2018	2017	**2018**	2017
	Note	***US$'000***	*US$'000*	***US$'000***	*US$'000*
Profit/(Loss) for the period attributable to owners of the Company		**197**	(1,205)	**(200)**	(816)
Other comprehensive loss					
Item that may be subsequently reclassified to profit or loss:					
Exchange difference on consolidation		**(63)**	—	**(188)**	—
Total comprehensive income/(loss) for the period attributable to owners of the Company		**134**	(1,205)	**(388)**	(816)
Earnings/(Loss) per share, basic and diluted (US cents)	*8*	**0.03**	(0.25)	**(0.03)**	(0.18)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2018

	Note	(Unaudited) 30 June 2018 US$'000	(Audited) 31 December 2017 US$'000
Non-current assets			
Property, plant and equipment	11	**1,267**	774
Investment properties	12	**2,319**	—
Intangible assets	13	**524**	617
Deposits paid for acquisition of property, plant and equipment		**28**	115
		4,138	1,506
Current assets			
Financial assets at fair value through profit or loss	14	**609**	—
Inventories		**449**	78
Trade and other receivables	15	**3,060**	5,885
Bank balances and cash		**9,068**	9,492
		13,186	15,455
Current liabilities			
Trade and other payables	16	**1,866**	1,406
Income tax payables		**226**	582
		2,092	1,988
Net current assets		**11,094**	13,467
Total assets less current liabilities		**15,232**	14,973
Non-current liabilities			
Deferred tax liabilities		**300**	101
NET ASSETS		**14,932**	14,872
Capital and reserves			
Share capital	17	**769**	769
Reserves		**14,163**	14,103
TOTAL EQUITY		**14,932**	14,872

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2018

		Reserves						
	Share capital	**Share premium**	**Capital reserve**	**Share options reserve**	**Statutory reserve**	**Exchange reserve**	**Accumulated profits**	**Total**
	US$'000	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*
At 1 January 2018 (Audited)	**769**	**8,730**	**650**	**–**	**121**	**14**	**4,588**	**14,872**
Loss for the period	**–**	**–**	**–**	**–**	**–**	**–**	**(200)**	**(200)**
Other comprehensive loss								
Exchange difference on consolidation	**–**	**–**	**–**	**–**	**–**	**(188)**	**–**	**(188)**
Total comprehensive loss for the period	**–**	**–**	**–**	**–**	**–**	**(188)**	**(200)**	**(388)**
Transaction with owners:								
Contribution and distribution								
Equity-settled share-based payments *(Note 10)*	**–**	**–**	**–**	**448**	**–**	**–**	**–**	**448**
Total transaction with owners	**–**	**–**	**–**	**448**	**–**	**–**	**–**	**448**
At 30 June 2018 (Unaudited)	**769**	**8,730**	**650**	**448**	**121**	**(174)**	**4,388**	**14,932**
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:								
Contributions and distributions								
Capitalisation issue *(Note 17(ii))*	577	(577)	–	–	–	–	–	–
Issue of new shares by way of public offer *(Note 17(iii))*	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

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2018

	(Unaudited) Six months ended 30 June	
	2018	2017
	US$'000	*US$'000*
Cash generated from operations	**4,021**	208
Income tax paid	**(588)**	(8)
Net cash from operating activities	**3,433**	200
INVESTING ACTIVITIES		
Acquisition of property, plant and equipment	**(552)**	(4)
Additions to intangible assets	**(228)**	(142)
Additions of investment properties	**(2,409)**	—
Purchase of financial assets at fair value through profit or loss	**(738)**	—
Deposits paid for acquisition of property, plant and equipment	**(28)**	—
Proceeds from disposal of financial assets at fair value through profit or loss	**25**	—
Proceeds from disposal of subsidiaries, net of cash disposed	**152**	—
Net cash used in investing activities	**(3,778)**	(146)
FINANCING ACTIVITIES		
Proceeds from issuance of new shares in connection with the listing of the Company's shares	**—**	9,231
Payments of share issuance expenses	**—**	(932)
Net cash from financing activities	**—**	8,299
Net (decrease) increase in cash and cash equivalents	**(345)**	8,353
Effect of foreign exchange rate change, net	**(79)**	—
Cash and cash equivalents at the beginning of the reporting period	**9,492**	3,000
Cash and cash equivalents at the end of the reporting period, represented by bank balances and cash	**9,068**	11,353

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2018

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

The principal activity of the Company is an investment holding company. The Group is principally engaged in the 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 2018 (the "Interim Financial Statements") are prepared in accordance with the applicable disclosure requirements of the GEM Listing Rules.

The preparation of the Interim Financial Statements requires the management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, incomes 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 2017, 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 International Accounting Standards Board (the "IASB"), which collective term includes all applicable individual IFRSs, International Accounting Standards and Interpretations issued by the IASB. They shall be read in conjunction with the audited consolidated financial statements of the Group for the year ended 31 December 2017 (the "2017 Financial Statements").

The Interim Financial Statements have been prepared on the historical costs basis, except for investment properties and financial assets at fair value through profit or loss, which are measured at fair value.

Except for changes in accounting policies resulting from adoption of new/revised IFRS, 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 2017 Financial Statements.

2. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES

(Continued)

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, except for IFRS 9 and IFRS 15 as set out below.

Adoption of IFRS 9 "Financial instruments"

The Group has adopted IFRS 9 for the first time in the current period. IFRS 9 replaces the provisions of IAS 39 "*Financial Instruments: Recognition and Measurement*" in relation to (i) recognition, classification and measurement of financial assets and financial liabilities; (ii) derecognition of financial instruments; (iii) impairment of financial assets; and (iv) hedge accounting. IFRS 9 also amends other standards dealing with financial instruments such as IFRS 7 "*Financial Instruments: Disclosures*". IFRS 9 introduces new requirements for (i) the classification and measurement of financial assets and financial liabilities, (ii) expected credit losses ("ECL") for financial assets and other items, and (iii) general hedge accounting.

The Directors reviewed and assessed the Group's financial assets as at 1 January 2018 for classification and measurement based on the facts and circumstances that existed at that date and for impairment on ECL using reasonable and supportable information that is available without undue cost or effort in accordance with the requirements of IFRS 9. The application of IFRS 9 has had no material effect on classification and measurement of financial assets and no impairment allowance was recognised in the Interim Financial Statements.

Adoption of IFRS 15 "Revenue from contracts with customers"

The Group has adopted IFRS 15 for the first time in the current period. IFRS 15 superseded IAS 18 "*Revenue*", IAS 11 "*Construction Contracts*" and the related interpretations.

IFRS 15 establishes a comprehensive framework for determining when to recognise revenue and how much revenue to be recognised through a 5-step approach: (i) identify the contract(s) with a customer; (ii) identify the performance obligations in the contract; (iii) determine the transaction price; (iv) allocate the transaction price to the performance obligations in the contract; and (v) recognise revenue when (or as) the Group satisfies a performance obligation.

Under IFRS 15, the Group recognises revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the goods or services underlying the particular performance obligation is transferred to the customer. A performance obligation represents a good and service (or a bundle of goods or services) that is distinct or a series of distinct goods or services that are substantially the same.

2. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES (Continued)

ADOPTION OF NEW/REVISED IFRSs (Continued)

Adoption of HKFRS 15 "Revenue from contracts with customers" (Continued)

The Directors reviewed and assessed the application of IFRS 15 and considered that the performance obligations that identified under IFRS 15 are similar to the identification of revenue components under IAS 18, and therefore, no material impact on the amounts reported set out in the Interim Financial Statements.

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.

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, including maintenance and support service income; and (ii) cyber security solutions.

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

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

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

3. SEGMENT INFORMATION (Continued)

The segment information provided to the executive Directors for the reportable segments for the six months ended 30 June 2018 and 2017 is as follows:

	Cyber infrastructure solutions *US$'000*	Cyber security solutions *US$'000*	Total *US$'000*
Six months ended 30 June 2018 (Unaudited)			
Revenue from external customers and reportable segment revenue	**3,827**	**927**	**4,754**
Reportable segment results (Adjusted EBITDA)	**786**	**850**	**1,636**
Depreciation and amortisation *(Note)*	**163**	**148**	**311**
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 *(Note)*	22	97	119

3. SEGMENT INFORMATION (Continued)

RECONCILIATION OF REPORTABLE SEGMENT RESULTS

	(Unaudited) For the six months ended 30 June 2018	2017
	US$'000	*US$'000*
Reportable segment results (Adjusted EBITDA)	**1,636**	1,004
Interest income	**1**	1
Depreciation and amortisation	**(312)**	(119)
Unallocated expenses	**(1,154)**	(1,645)
Profit/(Loss) before income tax	**171**	(759)
Income tax expenses	**(371)**	(57)
Loss for the period	**(200)**	(816)

Note: Depreciation not included in the measurement of reportable segment results (Adjusted EBITDA) amounted to approximately US$1,000 *(For the six months ended 30 June 2017: Nil)* during the six months ended 30 June 2018.

INFORMATION ABOUT GEOGRAPHICAL AREAS

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

3. SEGMENT INFORMATION (Continued)

INFORMATION ABOUT GEOGRAPHICAL AREAS (Continued)

(A) REVENUE FROM EXTERNAL CUSTOMERS

	(Unaudited) For the six months ended 30 June 2018 US$'000	2017 US$'000
Hong Kong	**7**	14
Indonesia	**75**	41
Laos	**4**	26
Malaysia	**318**	902
Myanmar	**3,008**	103
People's Republic of China ("PRC")	**572**	—
Philippines	**109**	570
Singapore	**126**	557
Taiwan	**40**	—
Thailand	**494**	5
Vietnam	**1**	6
	4,754	2,224

(B) SPECIFIED NON-CURRENT ASSETS

	(Unaudited) 30 June 2018 US$'000	(Audited) 31 December 2017 US$'000
Hong Kong	**3**	3
Malaysia	**—**	202
PRC	**45**	—
Singapore	**4,090**	1,301
	4,138	1,506

4. REVENUE

	(Unaudited) For the three months ended 30 June		(Unaudited) For the six months ended 30 June	
	2018	2017	**2018**	2017
	US$'000	*US$'000*	***US$'000***	*US$'000*
Cyber infrastructure solutions	**1,360**	467	**3,662**	1,206
Cyber security solutions	**852**	205	**927**	930
Maintenance and support service income	**97**	39	**165**	88
	2,309	711	**4,754**	2,224

5. OTHER INCOME

	(Unaudited) For the three months ended 30 June		(Unaudited) For the six months ended 30 June	
	2018	2017	**2018**	2017
	US$'000	*US$'000*	***US$'000***	*US$'000*
Interest income	**—**	1	**1**	1
Government grants	**1**	5	**8**	9
Exchange gain	**—**	35	**16**	52
Others	**13**	9	**26**	9
	14	50	**51**	71

6. PROFIT/(LOSS) BEFORE INCOME TAX

This is stated after charging/(crediting):

	(Unaudited) For the three months ended 30 June		(Unaudited) For the six months ended 30 June	
	2018	2017	**2018**	2017
	US$'000	*US$'000*	***US$'000***	*US$'000*
Amortisation of intangible assets	**77**	53	**142**	89
Depreciation of property, plant and equipment	**94**	15	**170**	30
Exchange loss/(gain), net	**122**	(35)	**(16)**	(52)
Loss on disposal of subsidiaries	**—**	—	**19**	—
Fair value (gain)/loss on financial asset at fair value through profit or loss, net	**(23)**	—	**104**	—
Rental income from investment properties	**(10)**	—	**(24)**	—

7. INCOME TAX EXPENSES/(CREDIT)

	(Unaudited) For the three months ended 30 June		(Unaudited) For the six months ended 30 June	
	2018	2017	**2018**	2017
	US$'000	*US$'000*	***US$'000***	*US$'000*
Current tax				
Singapore corporate income tax				
Current period	**100**	(11)	**154**	57
Deferred tax	**217**	—	**217**	—
Total income tax expenses/(credit) for the period	**317**	(11)	**371**	57

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 for the six months ended 30 June 2018 and 2017.

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

Hong Kong profits tax is calculated at 16.5% *(2017: 16.5%)* of the estimated assessable profits arising in or derived from Hong Kong. The Group's subsidiaries established in the PRC are subject to enterprise income tax of the PRC at 25% *(2017: 25%)* of the estimated assessable profits for the period based on the existing legislation, interpretations and practices in respect thereof.

Singapore corporate income tax ("CIT") is calculated at 17% *(2017: 17%)* of the estimated assessable profits with corporate income tax rebate of 20% *(2017: 40%)*, capped at Singapore Dollars ("SG$") 10,000 *(2017: SG$15,000)* for the six months ended 30 June 2018. Singapore incorporated companies can also enjoy 75% tax exemption on the first SG$10,000 of normal chargeable income and a further 50% tax exemption on the next SG$290,000 of normal chargeable income during the six months ended 30 June 2018 and 2017.

In addition, the Singapore incorporated companies can enjoy tax deductions/allowances of 400% (comprising a 300% "enhanced deductions/allowance", subject to a cap, and a 100% "base deductions/allowance") on their capital expenditure incurred on qualifying research and development activities and acquisition of qualifying information technology equipment under the "Productivity and Innovation Credit" scheme launched by the Singapore government for the six months ended 30 June 2017. Such scheme lapsed during the six months ended 30 June 2018.

Malaysia CIT is calculated at 24% of the estimated assessable profits for the six months ended 30 June 2018 and 2017. Global Expert Team Sdn. Bhd. ("GET (Malaysia)") enjoys tax rate of 18% on the first Malaysian Ringgit 500,000 and remaining balance of the estimated assessable profits at tax rate of 24% for the six months ended 30 June 2018 and 2017.

GET (Malaysia) has obtained the pioneer status effective from November 2015. A pioneer status company is eligible for exemption from income tax on eligible activities and products for five years and subject to submitting a formal request to the Malaysia Investment Development Authority on or prior to 17 October 2020 and upon the Ministry of International trade and Industry confirming that GET (Malaysia) has been complying with all the applicable conditions as imposed, the tax relief periods shall be extended for further five years after the initial 5-year tax relief period ends.

8. EARNINGS/(LOSS) PER SHARE

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

	(Unaudited) For the three months ended 30 June		(Unaudited) For the six months ended 30 June	
	2018	2017	**2018**	2017
	US$'000	*US$'000*	***US$'000***	*US$'000*
Profit/(Loss) for the period attributable to the owners of the Company, used in basic and diluted earnings/(loss) per share calculation	**197**	(1,205)	**(200)**	(816)

	Number of shares ('000)			
Weighted average number of ordinary shares for basic and diluted earnings/(loss) per share calculation	**600,000**	474,725	**600,000**	462,431

Diluted earnings/(loss) per share are same as the basic earnings/(loss) 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 2018 *(2017: Nil)*.

10. SHARE OPTION SCHEME

Movements on the number of share options outstanding during the period are as follows:

	Number of share options
At 1 January 2018	—
Granted during the period *(Note)*	28,800,000
At 30 June 2018	28,800,000

10. SHARE OPTION SCHEME (Continued)

Note: On 3 January 2018 (the "Date of Grant"), the Company offered to grant a total of 28,800,000 share options at an exercise price of Hong Kong dollar ("HK$") 0.61 per share of the Company to certain eligible participants (the "Grantees") pursuant to the share option scheme of the Company adopted by way of shareholders' written resolution passed on 31 May 2017 (the "Scheme"). The Grantees are entitled, subject to the terms and conditions of the grant and upon exercise, to subscribe a total of 28,800,000 ordinary shares in the share capital of the Company. Details are set out in the Company's announcement dated 3 January 2018 and the 2017 Financial Statements.

The validity period of the share options is ten years from 3 January 2018, subject to various vesting conditions range from vesting immediately to vesting by two years.

The fair values of share options granted on 3 January 2018 ranges from approximately HK$0.21 to approximately HK$0.25 per option, which are calculated using a Binominal Option Pricing Model by an independent valuer, Asset Appraisal Limited, with the following key inputs:

Share price at the Date of Grant	HK$0.6
Exercise price	HK$0.61
Expected volatility	48.16%
Risk-free interest rate	1.75%
Expected dividends	Nil
Voluntary exercise boundary multiple	N/A

During the six months ended 30 June 2018, with reference to the fair value of the share options granted, the Group recognised approximately HK$3,485,000 (equivalent to approximately US$448,000) *(For the six months ended 30 June 2017: Nil)* as the share-based payments expense.

11. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2018, the Group incurred expenditures on additions to property, plant and equipment with total cost of approximately US$667,000 *(2017: approximately US$4,000)* and disposed property, plant and equipment with net book value of approximately US$6,000 *(2017: Nil)* during the period.

12. INVESTMENT PROPERTIES

The Group's investment properties are situated in Singapore. The Directors have determined that the investment properties are a commercial asset, based on the nature, characteristics and risks of the properties. As at 30 June 2018, the management of the Group estimated the fair value of the investment properties by reference to the recent market transactions and considered that the fair value is approximately close to its carrying amount.

13. INTANGIBLE ASSETS

During the six months ended 30 June 2018, the Group spent approximately US$228,000 *(2017: approximately US$142,000)* on additions to the intangible assets.

The carrying amount of intangible assets yet to be available for use at 30 June 2018 were approximately US$247,000 *(31 December 2017: approximately US$278,000)*.

14. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	(Unaudited) 30 June 2018 *US$'000*	(Audited) 31 December 2017 *US$'000*
Equity securities listed in Hong Kong, at fair value	**609**	—

The fair value of all the financial assets are based on their current bid prices.

15. TRADE AND OTHER RECEIVABLES

	(Unaudited) 30 June 2018 *US$'000*	(Audited) 31 December 2017 *US$'000*
Trade receivables from third parties	**1,628**	5,388
Other receivables		
Prepayments	**1,020**	373
Deposits and other receivables	**412**	124
	1,432	497
	3,060	5,885

15. 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 individual customer 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) 30 June 2018 *US$'000*	(Audited) 31 December 2017 *US$'000*
Within 30 days	**925**	5,083
31 to 60 days	**291**	182
61 to 90 days	**94**	2
Over 90 days	**318**	121
	1,628	5,388

16. TRADE AND OTHER PAYABLES

	(Unaudited) 30 June 2018 *US$'000*	(Audited) 31 December 2017 *US$'000*
Trade payables to third parties	**742**	539
Other payables		
Accruals and other payables	**170**	346
Receipt in advance	**954**	521
	1,124	867
	1,866	1,406

16. TRADE AND OTHER PAYABLES (Continued)

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

	(Unaudited) 30 June 2018 *US$'000*	(Audited) 31 December 2017 *US$'000*
Within 30 days	**701**	537
31 to 60 days	**40**	—
61 to 90 days	**1**	1
Over 90 days	**—**	1
	742	539

17. SHARE CAPITAL

	Note	**Number of shares**	*HK$*	**Equivalent to** *US$*
Ordinary share of HK$0.01 each				
Authorised:				
At 1 January 2017		38,000,000	380,000	48,718
Increase	*(i)*	5,962,000,000	59,620,000	7,643,590
At 31 December 2017 and 30 June 2018		6,000,000,000	60,000,000	7,692,308
Issued and fully paid:				
At 1 January 2017		100,000	1,000	128
Capitalisation Issue	*(ii)*	449,900,000	4,499,000	576,795
Issuance of new shares by way of public offer	*(iii)*	150,000,000	1,500,000	192,308
At 31 December 2017 and 30 June 2018		600,000,000	6,000,000	769,231

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

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

18. 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) **30 June** **2018** ***US$'000***	(Audited) 31 December 2017 *US$'000*
Within one year	**15**	58

19. DISPOSAL OF SUBSIDIARIES

GET GROUP

On 28 March 2018, Nexion Global Investments Limited, a wholly-owned subsidiary of the Company, as vendor, entered into a sale and purchase agreement with an independent third party, as purchaser, to dispose of the entire equity interests in Global Expert Team (BVI) Limited and its subsidiary (collectively, the "GET Group") at a cash consideration of approximately US$256,000. The completion of the disposal of the GET Group took place on the same date.

19. DISPOSAL OF SUBSIDIARIES (Continued)

GET GROUP (Continued)

An analysis of the net assets of the GET Group at the date on which the Group lost control (i.e. 28 March 2018), was as follows:

	US$'000 (Unaudited)
Property, plant and equipment	3
Intangible assets	178
Inventories	2
Other receivables	11
Cash and cash equivalents	104
Total assets	298
Trade and other payables	3
Deferred tax liabilities	20
Total liabilities	23
Net assets disposed of	275

	For the six months ended 30 June 2018 *US$'000* (Unaudited)
Loss on disposal of the GET Group:	
Consideration	256
Less: Net assets disposed of	(275)
	19
Net cash inflow arising on disposal:	
Consideration received in cash and cash equivalents	256
Cash and cash equivalents disposed of	(104)
	152

MANAGEMENT DISCUSSION AND ANALYSIS

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.

In 2017, the Group established new companies in Hong Kong and the PRC to embrace new opportunities from the increase in the demand of information infrastructure system enhancement and upgrade along with The 13th Five-Year National Informatisation Plan ("十三五"國家信息化規劃) as promulgated by the State Council of the PRC in December 2016. During the six months ended 30 June 2018, the Group acquired two properties located in Singapore for the development of new Group's headquarter and R&D centre. The Group will strengthen itself as an all-rounded ICT solution provider in Asia Pacific region by investing substantially in the R&D team for the development of new products and enhancement of the existing products and services continuously for potential customers.

For the six months ended 30 June 2018, the profit of the reportable segment results (Adjusted EBITDA) in cyber infrastructure solutions was increased to approximately US$786,000 *(For the six months ended 30 June 2017: approximately US$204,000)*. The increase was mainly due to the completion of parts of a substantial project for two clients based in Myanmar. Regarding the profit of the reportable segment results (Adjusted EBITDA) in cyber security solutions, the amount was increased to approximately US$850,000 *(For the six months ended 30 June 2017: approximately US$800,000)*. The increase was mainly contributed by the projects located in Malaysia and Thailand during the period. For the six months ended 30 June 2018, the Group's revenue from external customers based in Malaysia, Myanmar, Philippines and the PRC accounted for approximately 84% *(For the six months ended 30 June 2017: approximately 71%)* of the total Group's revenue. The Group expects the demand of the Group's services and products from the clients based in these countries, especially the PRC, will remain strong in the future.

In order to enhance the core competence of cyber infrastructure solutions and cyber security solutions, diversify the Group's business risks and utilise its internet resources and capabilities, the Group will continue to explore and expand the business to new markets, such as Europe, Middle East and Africa regions. During the period, the Group carried out feasibility study on the market in Frankfurt and Dubai for potential business development in the future.

During the period, the Group continued the development of IT ecosystem for the potential customers in the market.

Looking forward, the Group expects the market in the second half of the year of 2018 will become more challenging and full of uncertainties due to the recent tensed relationship and the trade war between the PRC and the United States of America (the "USA").

In addition, the normalisation of interest rate in the USA will continuously strengthen the US$. It will alternatively impose pressure on the depreciation of the currency in emerging economy such as Southeast Asia and the PRC, which are the major markets of the Company.

The Group will observe the latest market change and employ suitable business strategy so as to cope with the fast changing global economy in the future.

PRINCIPAL RISKS AND UNCERTAINTIES

The Directors believe major risk factors relevant to the Group have been disclosed in the section headed "Risk Factors" in the prospectus dated 6 June 2017 (the "Prospectus").

COMPARISON OF BUSINESS OBJECTIVE WITH ACTUAL BUSINESS PROGRESS

The following is a comparison of the Group's business plan as set out in the Prospectus with actual business progress for the six months ended 30 June 2018.

Business objectives for the six months ended 30 June 2018 as set out in the Prospectus	Actual business development for the six months ended 30 June 2018
To acquire and equip the testing centre with testing equipment for testing the reliability, performance, and features of the Group's cyber security solutions.	The Group has already procured part of the necessary equipment for the establishment of the testing centre.
To acquire and equip the demonstration laboratory with equipment for demonstrative purposes for real-time simulation and to upgrade the Group's R&D software and hardware for its R&D team in Singapore for design, database and project management purposes.	The Group has already procured part of the necessary equipment for the establishment of the demonstration laboratory and upgrade of R&D team.
To recruit two professional service engineers with relevant qualifications and with approximately 5 years of relevant experience to be based in Singapore to assist in the Group's pre-sales and after-sales technical support.	One professional service engineer was employed during the period ended 30 June 2018, while the another vacancy is still under the hiring process.
To establish a regional office and lease a service office in Dubai, United Arab Emirates ("UAE") as the Group's representative office for market coverage in Middle East & Africa region.	The Group carried out business feasibility study on the establishment of the regional office in Dubai, UAE.

Business objectives for the six months ended 30 June 2018 as set out in the Prospectus	Actual business development for the six months ended 30 June 2018
To recruit two senior technical sales engineers with the relevant qualifications and with approximately 5 years of relevant experience to be based at the Group's regional office in Dubai, UAE to better support the Group's existing and prospective clients for proof of concept, onsite visits and support in the Middle East & Africa region.	The Group will proceed with the employment process once the results of feasibility study are satisfied with the management's expectation.
To maintain and support the operation of the services.	The Group monitored and improved the services and products offered to the customers regularly during the period.
To promote and market the services through events and social media.	Regular marketing promotion was carried out by the Group's marketing team regularly during the period.

IMPORTANT EVENTS

ACQUISITION OF TWO PROPERTIES IN SINGAPORE

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

DISPOSAL OF SUBSIDIARIES

In order to minimise the operation costs and enhance the business efficiency, the Group disposed GET Group (the "Disposal") to an independent third party during the period. The principal activities of GET Group are investment holding, provision of cyber security solutions service and R&D in Malaysia. The Disposal transaction resulted in a loss on disposal of approximately US$19,000 and was completed on 28 March 2018. The R&D functions will be centralised in Singapore and supported by the PRC team afterwards. 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 19 to the Interim Financial Statements.

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 on GEM on 16 June 2017 through the public offer of 150,000,000 shares of HK$0.01 each in the share capital of the Company (the "Share(s)") 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 30 June 2018, the net proceeds from the Listing had been applied as follows:

	Adjusted use of net proceeds		**Actual use of net proceeds up to the six months ended 30 June 2018**	
	HK$'000	*US$'000*	*HK$'000*	*US$'000*
To acquire and renovate a new property as the Group's headquarter and R&D Centre	15,023	1,926	15,023	1,926
To develop new products, upgrade existing products and strengthen R&D team	5,585	716	1,022	131
To expand sales and marketing team	6,146	788	328	42
To develop Netsis Hybrid Converge Hub in Singapore	6,217	797	5,226	670
To develop Netsis Security Hub in Hong Kong	14,204	1,821	5,795	743
Working capital over the period	4,820	618	4,789	614
	51,995	6,666	32,183	4,126

As at the date of this report, the unutilised proceeds were placed in interest-bearing deposits with authorised financial institutions or licensed banks in Hong Kong.

The business objectives, future plans and planned use of proceeds as stated in the Prospectus were based on the best estimation and assumption of future market conditions made by the Group at the time of preparing the Prospectus while the proceeds were applied based on the actual development of the Group's business and the industry.

FINANCIAL REVIEW

REVENUE

The major revenue streams of the Group derived from both of the cyber infrastructure solutions and cyber security solutions. For the six months ended 30 June 2018, the Group recorded the total revenue of approximately US$4,754,000 *(For the six months ended 30 June 2017: approximately US$2,224,000)*, which were generated by cyber infrastructure solutions business of approximately US$3,827,000 *(For the six months ended 30 June 2017: approximately US$1,294,000)* and cyber security solutions business of approximately US$927,000 *(For the six months ended 30 June 2017: approximately US$930,000)*.

COST OF INVENTORIES SOLD

The Group's cost of inventories sold was increased from approximately US$727,000 for the six months ended 30 June 2017 to approximately US$2,409,000 for the six months ended 30 June 2018. The increase was mainly due to the purchase of hardware components for the substantial project on cyber infrastructure solutions of a client based in Myanmar.

STAFF COSTS AND RELATED EXPENSES

For the six months ended 30 June 2018, the Group recorded staff costs and related expenses of approximately US$820,000 *(For the six months ended 30 June 2017: approximately US$410,000)*. 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 increased from approximately US$165,000 for the six months ended 30 June 2017 to approximately US$645,000 for the six months ended 30 June 2018, which was mainly due to the fair value loss of financial assets through profit or loss and the increased professional fees incurred after the Listing.

LOSS AND TOTAL COMPREHENSIVE LOSS FOR THE PERIOD

For the six months ended 30 June 2018, there was no significant change in the customer mix of the Company. Excluding the impact of the Listing expenses, the Group recorded a decrease in the profit for the period from approximately US$817,000 for the six months ended 30 June 2017 to loss for the period of approximately US$200,000 for the six months ended 30 June 2018. The loss was mainly due to the increase in staff costs incurred for the business development in the PRC, the recognition of share-based payments expense in relation to the grant of share options of the Company during the period, the fair value loss of financial assets through profit or loss and the increased professional fees incurred after the Listing.

LIQUIDITY AND FINANCIAL RESOURCES

At 30 June 2018, the Group had current assets of approximately US$13,186,000 *(31 December 2017: approximately US$15,455,000)* including bank balances and cash of approximately US$9,068,000 *(31 December 2017: approximately US$9,492,000)* which are principally denominated in HK$, Singapore dollars ("SG$"), Renminbi ("RMB") and US$, and the Group did not have any bank borrowings and debts. Total assets were approximately US$17,324,000 *(31 December 2017: approximately US$16,961,000)* and total liabilities were approximately US$2,392,000 *(31 December 2017: approximately US$2,089,000)*. The gearing ratio is not available, since the Group had no bank borrowings and no debts as at 30 June 2018 and 31 December 2017.

SHARE CAPITAL

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

TREASURY POLICY

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

FOREIGN EXCHANGE EXPOSURE

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

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.

SIGNIFICANT INVESTMENT, MATERIAL ACQUISITIONS AND DISPOSALS AND FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

Save as the Disposal and those disclosed in this report, the Group has no significant investment, or any material acquisitions or disposal of subsidiaries, associated companies or joint ventures for the six months ended 30 June 2018. Save as disclosed in the Prospectus and in this report, there was no plan authorised by the Board for any material investments or additions of capital assets as at the date of this report.

CHARGE ON THE GROUP'S ASSETS

There was no charge on the Group's assets as at 30 June 2018 and 31 December 2017.

DIVIDEND

The Directors do not recommend a payment of an interim dividend for the six months ended 30 June 2018 *(2017: Nil)*.

EMPLOYEES INFORMATION

As at 30 June 2018, the Group had a total number of 37 employees *(2017: 31 employees)* (including executive Directors). During the period under review, the total staff costs amount to approximately US$820,000 *(For the six months ended 30 June 2017: approximately US$410,000)*, representing an increase of approximately US$410,000 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.

CONTINGENT LIABILITIES

As at 30 June 2018, the Group did not have any contingent liabilities *(2017: Nil)*.

CAPITAL COMMITMENT

As at 30 June 2018, the Group did not have material capital commitment.

As at 31 December 2017, the Group had commitment, net of deposits paid of approximately US$115,000, of approximately US$2,186,000 principally related to the acquisition of two properties located in Singapore.

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

As at 30 June 2018, the interests and short positions of the directors or chief executives 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 Rules 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	Approximate percentage of issued share capital
Mr. Foo Moo Teng ("Mr. Foo") *(Chairman, Executive Director and Chief Executive Officer) (Note)*	Interest in a controlled corporation	272,686,500	45.4%

Note: Alpha Sense Investments Limited ("Alpha Sense (BVI)") is an investment holding company incorporated in the 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 30 June 2018, none of the directors or chief executives of the Company had any 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 Rules 5.46 to 5.67 of the GEM Listing Rules to be notified to the Company and the Stock Exchange.

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

As at 30 June 2018, so far as known to any Director, the following persons (other than the directors and chief executives 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	Approximate percentage of issued share capital
Alpha Sense (BVI)	Beneficial owner	272,686,500	45.4%
Vantage Network Global Limited ("Vantage Network (BVI)") *(Note)*	Beneficial owner	48,145,000	8.0%
Vast Mega Limited *(Note)*	Interest in a controlled corporation	48,145,000	8.0%
China Smartpay Group Holdings Limited *(Note)*	Interest in a controlled corporation	48,145,000	8.0%

Note: 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 GEM 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).

Save as disclosed above, as at 30 June 2018, 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.

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.

For the six months ended 30 June 2018, the Company had complied with the applicable code provisions of the Code with the exception of the deviation from code provision A.2.1 as explained below:

Code provision A.2.1 of the Code requires that the roles of chairman and chief executive officer should be separate and not performed by the same individual. Given that 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 required under 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 had complied with the Code as set out in Appendix 15 to the GEM Listing Rules for the six months ended 30 June 2018.

DIRECTORS' INTEREST IN COMPETING BUSINESS

Up to the date of this report, none of the controlling shareholders, Directors, substantial shareholders of the Company and their respective close 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 had purchased, sold or redeemed any of the Company's listed securities during the six months ended 30 June 2018.

CODE OF CONDUCT REGARDING SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted a code of conduct regarding securities transactions by Directors on terms no less than the required standard of dealings as set out in Rules 5.48 to 5.67 of the GEM Listing Rules as the code of conduct for securities transactions by the Directors in respect of the Shares ("the Code of Conduct"). The Company also made specific enquiry 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 for the six months ended 30 June 2018.

INTERESTS OF COMPLIANCE ADVISER

In accordance with Rule 6A.19 of the GEM Listing Rules, our Group has appointed Southwest Securities (HK) Capital Limited as our compliance adviser, which provides 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 "Scheme") has been adopted by way of shareholders' written resolution passed on 31 May 2017. The terms of the Scheme are in accordance with the provisions of Chapter 23 of the GEM Listing Rules.

On 3 January 2018, the Company offered to grant a total of 28,800,000 share options (the "Option(s)") at an exercise price of HK$0.61 per Share to certain eligible participants (the "Grantees") pursuant to the Scheme. The Grantees are entitled, subject to the terms and conditions of the grant and upon exercise, to subscribe for a total of 28,800,000 Shares. Details are set out in the Company's announcement dated 3 January 2018 and note 10 to the Interim Financial Statements.

Immediately after the grant of the 28,800,000 Options on 3 January 2018, only up to 31,200,000 Shares may be issued pursuant to the grant of further options under the Scheme unless there is a refreshment of the scheme mandate limit. Therefore, as approved by the shareholders of the Company at the annual general meeting of the Company held on 18 May 2018 (the "AGM"), the scheme mandate limit has been refreshed and the maximum number of Shares which may be issued upon exercise of all Options to be granted under the Scheme is 60,000,000 Shares, being 10% of the Shares in issue as at the date of the AGM. For details, please refer to the circular of the Company dated 11 April 2018 and the announcement of the Company dated 18 May 2018.

Movements of the Options granted under the Scheme during the six months ended 30 June 2018 are as follows:

					Number of underlying Shares comprised in Options				
Name or category of participants	**Date of grant**	**Exercise period**	**Exercise price** *HK$*	**Closing price immediately before the date of grant** *HK$*	**Options outstanding as at 1 January 2018**	**Options granted during the period**	**Exercised during the period**	**Cancelled/ lapsed during the period**	**Outstanding as at 30 June 2018**
Employee and others:									
In aggregate	3 January 2018	From 3 January 2018 to 3 January 2028 (both dates inclusive)	0.61	0.62	–	7,200,000	–	–	7,200,000
	3 January 2018	From 3 January 2019 to 3 January 2028 (both dates inclusive)	0.61	0.62	–	14,400,000	–	–	14,400,000
	3 January 2018	From 3 January 2020 to 3 January 2028 (both dates inclusive)	0.61	0.62	–	7,200,000	–	–	7,200,000
					–	28,800,000	–	–	28,800,000

Other than as disclosed above, no other Option was granted, cancelled, exercised or lapsed pursuant to the Scheme during the six months ended 30 June 2018 and none of the directors or chief executive of the Company or their respective spouses or children under 18 years of age were granted or exercised any right to subscribe for any equity or debt securities of the Company or any of its associated corporations within the meaning of the SFO.

AUDIT COMMITTEE

The Company has established an audit committee of the Company (the "Audit Committee") with written terms of reference in compliance with Rules 5.28 to 5.29 of the GEM Listing Rules and the Corporate Governance Code in Appendix 15 to the GEM Listing Rules for the purpose of reviewing and supervising the Company's financial reporting and internal control procedures. As at 30 June 2018, 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 chairlady of the Audit Committee.

The Group's unaudited condensed consolidated financial statements for the six months ended 30 June 2018 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, 10 August 2018

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.