NEXION TECHNOLOGIES LIMITED

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

Interim Report
2020

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

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

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

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

RESULTS

The board of directors (the "Board") of the Company hereby announces the unaudited condensed consolidated financial statements of the Group for the six months ended 30 June 2020, together with the comparative unaudited figures of the corresponding period in 2019, as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2020

		(Unaudited) For the three months ended 30 June		(Unaudited) For the six months ended 30 June	
		2020	2019	**2020**	2019
	Notes	***US$'000***	*US$'000*	***US$'000***	*US$'000*
Revenue	*4*	**3,503**	717	**6,367**	992
Other income	*5*	**105**	29	**205**	92
Cost of inventories sold		**(63)**	(117)	**(247)**	(283)
Staff costs and related expenses		**(233)**	(158)	**(436)**	(318)
Subcontracting fee		**(3,220)**	(139)	**(5,402)**	(139)
Sales and marketing expenses		**(39)**	(12)	**(583)**	(12)
Depreciation and amortisation		**(396)**	(244)	**(795)**	(435)
Impairment loss on trade receivable	*14(a)*	**(400)**	—	**(400)**	—
General and administrative expenses		**(344)**	(440)	**(855)**	(765)
Loss before income tax	*6*	**(1,087)**	(364)	**(2,146)**	(868)
Income tax expense	*7*	**(4)**	—	**(4)**	—

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

For the six months ended 30 June 2020

	Notes	(Unaudited) For the three months ended 30 June 2020 US$'000	(Unaudited) For the three months ended 30 June 2019 US$'000	(Unaudited) For the six months ended 30 June 2020 US$'000	(Unaudited) For the six months ended 30 June 2019 US$'000
Loss for the period		**(1,091)**	(364)	**(2,150)**	(868)
Other comprehensive loss					
Item that will not be reclassified to profit or loss:					
Change in fair value of financial assets at designated fair value through other comprehensive income ("Designated FVOCI")	*13*	**—**	(38)	**—**	(81)
Item that may be reclassified subsequently to profit or loss:					
Exchange difference arising on translation of foreign operations		**83**	(22)	**(100)**	7
Other comprehensive loss for the period		**83**	(60)	**(100)**	(74)
Total comprehensive loss for the period attributable to owners of the Company		**(1,008)**	(424)	**(2,250)**	(942)
(Loss)/profit for the period attributable to:					
Equity holders of the Company		**(1,128)**	(364)	**(2,181)**	(868)
Non-controlling interests		**37**	—	**31**	—
		(1,091)	(364)	**(2,150)**	(868)
Total comprehensive (loss)/income attributable to:					
Equity holders of the Company		**(1,045)**	(424)	**(2,281)**	(942)
Non-controlling interests		**37**	—	**31**	—
		(1,008)	(424)	**(2,250)**	(942)
Loss per share for loss attributable to equity holders of the Company, basic and diluted ***(US cents)***	*8*	**(0.15)**	(0.06)	**(0.30)**	(0.14)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2020

	Notes	(Unaudited) 30 June 2020 US$'000	(Audited) 31 December 2019 US$'000
Non-current assets			
Property, plant and equipment	10	**2,186**	2,681
Investment property	11	**1,111**	1,149
Intangible assets	12	**1,762**	2,034
Financial assets at Designated FVOCI	13	**17**	17
Other receivable	14	**205**	205
		5,281	6,086
Current assets			
Inventories		**5**	—
Trade and other receivables	14	**5,363**	5,459
Bank balances and cash		**5,054**	6,191
		10,422	11,650
Current liabilities			
Trade and other payables	15	**2,352**	2,294
Income tax payables		**157**	153
		2,509	2,447
Net current assets		**7,913**	9,203
Total assets less current liabilities		**13,194**	15,289
Non-current liabilities			
Deferred tax liabilities		**144**	144
NET ASSETS		**13,050**	15,145
Capital and reserves			
Share capital	16	**923**	923
Reserves		**11,940**	14,221
Equity attributable to equity holders of the Company		**12,863**	15,144
Non-controlling interests		**187**	1
TOTAL EQUITY		**13,050**	15,145

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2020

	Attributable to equity holders of the Company									
	Share capital *US$'000* *(Note 16)*	Share premium *US$'000*	Capital reserve *US$'000*	Exchange reserve *US$'000*	Statutory reserve *US$'000*	Fair value reserve *US$'000*	Accumulated profits *US$'000*	Total *US$'000*	Non-controlling interests *US$'000*	Total *US$'000*
At 1 January 2019 (Audited)	769	8,730	650	(72)	121	(615)	6,311	15,894	–	15,894
Loss for the period	–	–	–	–	–	–	(868)	(868)	–	(868)
Other comprehensive loss:										
Item that will not be reclassified to profit or loss										
Change in fair value of Designated FVOCI	–	–	–	–	–	(81)	–	(81)	–	(81)
Item that may be subsequently reclassified to profit or loss										
Exchange difference arising on translation of foreign operations	–	–	–	7	–	–	–	7	–	7
Total comprehensive income/(loss) for the period	–	–	–	7	–	(81)	(868)	(942)	–	(942)
At 30 June 2019 (Unaudited)	**769**	**8,730**	**650**	**(65)**	**121**	**(81)**	**5,443**	**14,952**	**–**	**14,952**
At 1 January 2020 (Audited)	923	9,919	650	21	–	(696)	4,327	15,144	1	15,145
(Loss)/profit for the period	**–**	**–**	**–**	**–**	**–**	**–**	**(2,181)**	**(2,181)**	**31**	**(2,150)**
Other comprehensive loss:										
Item that may be subsequently reclassified to profit or loss										
Exchange difference arising on translation of foreign operations	**–**	**–**	**–**	**(100)**	**–**	**–**	**–**	**(100)**	**–**	**(100)**
Total comprehensive (loss)/income for the period	**–**	**–**	**–**	**(100)**	**–**	**–**	**(2,181)**	**(2,281)**	**31**	**(2,250)**
Capital injection from a non-controlling shareholder	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**155**	**155**
At 30 June 2020 (Unaudited)	**923**	**9,919**	**650**	**79**	**–**	**(696)**	**2,146**	**12,863**	**187**	**13,050**

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2020

	(Unaudited)	
	Six months ended 30 June	
	2020	2019
	US$'000	*US$'000*
Cash used in operations	**(1,206)**	(397)
Income tax paid	**—**	(313)
Net cash used in operating activities	**(1,206)**	(710)
INVESTING ACTIVITIES		
Interest received	**4**	6
Acquisition of property, plant and equipment	**(3)**	(1,214)
Additions to intangible assets	**(68)**	(131)
Net cash used in investing activities	**(67)**	(1,339)
FINANCING ACTIVITY		
Capital injection from a non-controlling shareholder	**155**	—
Net cash from financing activity	**155**	—
Net decrease in cash and cash equivalents	**(1,118)**	(2,049)
Effect of foreign exchange rate change, net	**(19)**	(9)
Cash and cash equivalents at the beginning of the reporting period	**6,191**	7,818
Cash and cash equivalents at the end of the reporting period, represented by bank balances and cash	**5,054**	5,760

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2020

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 were listed on GEM of the Stock Exchange. The address of the Company's registered office is PO Box 309, Ugland House, Grand Cayman, KY1-1104, Cayman Islands and its principal place of business in Singapore and the People's Republic of China (the "PRC") is situated at Unit #10–03, Novelty Bizcentre, 18 Howard Road, Singapore 369585 and Room 2704, China Insurance Building, 166 East Lujiazui Road, Pudong New District, Shanghai, the PRC, respectively.

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

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 2020 (the "Interim Consolidated Financial Statements") are prepared in accordance with the applicable disclosure requirements of Chapter 18 of the GEM Listing Rules.

The preparation of the Interim Consolidated 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 Consolidated 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 2019, 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 2019 (the "2019 Consolidated Financial Statements").

The Interim Consolidated Financial Statements have been prepared on the historical costs basis, except for building, investment property and financial assets at Designated FVOCI, which are measured at fair value.

2. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES

(Continued)

The accounting policies and methods of computation applied in the preparation of the Interim Consolidated Financial Statements are consistent with those applied in the preparation of the 2019 Consolidated Financial Statements.

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 period.

At the date of authorisation of the Interim Consolidated 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; (ii) cyber security solutions; and (iii) SaaS.

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

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

In addition, the 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 2020 and 2019 is as follows:

	Cyber infrastructure solutions *US$'000*	Cyber security solutions *US$'000*	SaaS *US$'000*	Total *US$'000*
Six months ended 30 June 2020 (Unaudited)				
Revenue from external customers and reportable segment revenue	**446**	**213**	**5,708**	**6,367**
Reportable segment results (Adjusted EBITDA)	**58**	**(382)**	**(197)**	**(521)**
Impairment loss on trade receivable	**—**	**400**	**—**	**400**
Depreciation and amortisation *(Note)*	**434**	**353**	**1**	**788**
Six months ended 30 June 2019 (Unaudited)				
Revenue from external customers and reportable segment revenue	537	455	—	992
Reportable segment results (Adjusted EBITDA)	123	187	—	310
Depreciation and amortisation *(Note)*	290	144	—	434

3. SEGMENT INFORMATION (Continued)

Reconciliation of reportable segment results

	(Unaudited) For the six months ended 30 June	
	2020	2019
	US$'000	*US$'000*
Reportable segment results (Adjusted EBITDA)	**(521)**	310
Interest income	**47**	18
Depreciation and amortisation	**(795)**	(435)
Unallocated expenses	**(877)**	(761)
Loss before income tax	**(2,146)**	(868)
Income tax expense	**(4)**	—
Loss for the period	**(2,150)**	(868)

Note: Depreciation not included in the measurement of reportable segment results (Adjusted EBITDA) amounted to approximately US$7,000 *(six months ended 30 June 2019: approximately US$1,000)* during the six months ended 30 June 2020.

3. SEGMENT INFORMATION (Continued)

Information about geographical areas

The following table sets out information about the geographical location of (i) the Group's revenue from external customers; and (ii) the Group's property, plant and equipment, investment property 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 or investment property, 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	
	2020	2019
	US$'000	*US$'000*
Hong Kong	**45**	181
Malaysia	**—**	277
Myanmar	**181**	213
The PRC	**5,708**	—
Philippines	**37**	78
Singapore	**228**	229
South Korea	**14**	14
Taiwan	**154**	—
	6,367	992

(b) Specified Non-current Assets

	(Unaudited)	(Audited)
	30 June	31 December
	2020	2019
	US$'000	*US$'000*
Hong Kong	**47**	58
Singapore	**4,503**	5,292
The PRC	**509**	514
	5,059	5,864

4. REVENUE

	(Unaudited) For the three months ended 30 June		(Unaudited) For the six months ended 30 June	
	2020	2019	**2020**	2019
	US$'000	*US$'000*	***US$'000***	*US$'000*
Revenue from contracts with customers within IFRS 15				
— at a point in time				
Cyber infrastructure solutions	**—**	162	**277**	336
Cyber security solutions	**139**	448	**213**	455
SaaS	**3,217**	—	**5,708**	—
— over time				
Maintenance and support service income	**147**	107	**169**	201
	3,503	717	**6,367**	992

5. OTHER INCOME

	(Unaudited) For the three months ended 30 June		(Unaudited) For the six months ended 30 June	
	2020	2019	**2020**	2019
	US$'000	*US$'000*	***US$'000***	*US$'000*
Exchange gain, net	**23**	8	**23**	19
Interest income	**16**	13	**47**	18
Government grants	**60**	—	**118**	39
Rental income	**6**	8	**17**	16
	105	29	**205**	92

6. 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	
	2020	2019	**2020**	2019
	US$'000	*US$'000*	***US$'000***	*US$'000*
Amortisation of intangible assets	**165**	65	**334**	133
Depreciation of property, plant and equipment	**231**	179	**461**	302
Exchange gain, net	**(68)**	(8)	**(23)**	(19)

7. INCOME TAX EXPENSE

	(Unaudited) For the three months ended 30 June		(Unaudited) For the six months ended 30 June	
	2020	2019	**2020**	2019
	US$'000	*US$'000*	***US$'000***	*US$'000*
Current tax				
Singapore corporate income tax				
Current period	**—**	—	**—**	—
PRC enterprise income tax				
Current period	**4**	—	**4**	—
	4	—	**4**	—
Deferred tax	**—**	—	**—**	—
Total income tax expense for the period	**4**	—	**4**	—

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 2020 and 2019.

7. INCOME TAX EXPENSE (Continued)

Hong Kong profits tax is calculated at 16.5% *(six months ended 30 June 2019: 16.5%)* of the estimated assessable profits arising in or derived from Hong Kong. The Group's subsidiary established in the PRC is subject to enterprise income tax of the PRC at 25% *(six months ended 30 June 2019: 25%)* of the estimated assessable profits for the six months ended 30 June 2020 based on the existing legislation, interpretations and practices in respect thereof.

Singapore corporate income tax ("CIT") is calculated at 17% *(six months ended 30 June 2019: 17%)* of the estimated assessable profits with CIT rebate of 25% *(six months ended 30 June 2019: without CIT rebate)*, capped at Singapore Dollars ("SG$") 15,000 *(six months ended 30 June 2019: nil)* during the six months ended 30 June 2020. Singapore incorporated companies can also enjoy 75% *(six months ended 30 June 2019: 75%)* tax exemption on the first SG$10,000 *(six months ended 30 June 2019: SG$10,000)* of normal chargeable income and a further 50% *(six months ended 30 June 2019: 50%)* tax exemption on the next SG$190,000 *(six months ended 30 June 2019: SG$190,000)* of normal chargeable income during the six months ended 30 June 2020.

8. LOSS PER SHARE

The calculation of basic and diluted 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**	
	2020	2019	**2020**	2019
	US$'000	*US$'000*	***US$'000***	*US$'000*
Loss for the period attributable to the owners of the Company, used in basic and diluted loss per share calculation	**(1,091)**	(364)	**(2,150)**	(868)
	Number of shares *('000)*			
Weighted average number of ordinary shares for basic and diluted loss per share calculation	**720,000**	600,000	**720,000**	600,000
	US cents	*US cents*	***US cents***	*US cents*
Basic and diluted loss per share	**(0.15)**	(0.06)	**(0.30)**	(0.14)

Diluted earning loss per share is same as the basic loss per share as there are no dilutive potential ordinary shares in existence during the six months ended 30 June 2020 and 2019.

9. DIVIDENDS

The Directors did not recommend a payment of an interim dividend for the six months ended 30 June 2020 *(six months ended 30 June 2019: nil)*.

10. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2020, the Group incurred expenditures on additions to property, plant and equipment with total cost of approximately US$3,000 *(six months ended 30 June 2019: approximately US$1,214,000)*. No disposal of property, plant and equipment was incurred during the period *(six months ended 30 June 2019: nil)*.

11. INVESTMENT PROPERTY

	(Unaudited) **30 June** **2020** ***US$'000***	(Audited) 31 December 2019 *US$'000*
At the beginning of the reporting period	**1,149**	2,313
Transfer to property, plant and equipment	**—**	(1,149)
Changes in fair value	**—**	(46)
Exchange alignment	**(38)**	31
At the end of the reporting period	**1,111**	1,149

The Group's investment property is situated in Singapore. The Directors have determined that the investment property is a commercial asset, based on the nature, characteristics and risks of the property. As at 30 June 2020, the management of the Group estimated the fair value of the investment property by reference to the recent market transactions and considered that the fair value is approximately close to its carrying amount.

12. INTANGIBLE ASSETS

During the six months ended 30 June 2020, the Group incurred approximately US$68,000 *(six months ended 30 June 2019: approximately US$131,000)* on additions to the intangible assets.

The carrying amount of intangible assets yet to be available for use at 30 June 2020 were approximately US$68,000 *(31 December 2019: approximately US$117,000)*.

13. FINANCIAL ASSETS AT DESIGNATED FVOCI

The balance represented certain equity securities listed in Hong Kong and the Group irrevocably designated those investments in equity securities as financial assets at Designated FVOCI because these equity securities represent investments that the Group intends to hold for long term strategic purposes.

At 30 June 2020 and 31 December 2019, the fair value of financial assets at Designated FVOCI is determined on the basis of quoted market price.

No investments in financial assets at Designated FVOCI have been disposed of during the six months ended 30 June 2020 and the year ended 31 December 2019. There were no transfers of any cumulative gain or loss arising from financial assets at Designated FVOCI within equity during the six months ended 30 June 2020 and the year ended 31 December 2019.

14. TRADE AND OTHER RECEIVABLES

	Notes	**(Unaudited) 30 June 2020 *US$'000***	(Audited) 31 December 2019 *US$'000*
Trade receivables from third parties		**2,608**	2,905
Less: Loss allowance	*(a)*	**(405)**	(5)
	(a)	**2,203**	2,900
Other receivables			
Prepayments		**763**	491
Deposits and other receivables		**956**	622
Deposits on investments	*(b)*	**384**	384
Loans to third parties	*(c)*	**852**	857
Receivable on disposal of a subsidiary	*(d)*	**410**	410
		3,365	2,764
		5,568	5,664
Analysed by:			
Non-current		**205**	205
Current		**5,363**	5,459
		5,568	5,664

14. TRADE AND OTHER RECEIVABLES (Continued)

(a) The Group normally grants credit terms up to 90 days, from the date of issuance of invoices, to its customers and specific progress billing arrangement with the last instalment paid up to 6 months after delivery may be agreed with individual customers as approved by the management on a case by case basis. The ageing analysis of trade receivables based on invoice date (net of allowance) at the end of each reporting period is as follows:

	(Unaudited) **30 June** **2020** ***US$'000***	(Audited) 31 December 2019 *US$'000*
Within 30 days	**101**	778
31 to 60 days	**47**	146
61 to 90 days	**113**	54
91 to 180 days	**314**	593
181 to 365 days	**773**	225
Over 1 year	**855**	1,104
	2,203	2,900

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

	(Unaudited) **30 June** **2020** ***US$'000***	(Audited) 31 December 2019 *US$'000*
Not yet due	**194**	926
Past due:		
With 30 days	**52**	228
31 to 60 days	**113**	89
61 to 90 days	**86**	211
91 to 180 days	**400**	138
181 to 365 days	**503**	1,204
Over 1 year	**855**	104
	2,009	1,974
	2,203	2,900

14. TRADE AND OTHER RECEIVABLES (Continued)

(a) (Continued)

The Group's customer base consists of a wide range of customers and the trade receivables are categorised by common risk characteristics that are representative of the customers' abilities to pay all amounts due in accordance with the contractual terms. The Group applies a simplified approach in calculating expected credit losses ("ECL") for trade receivables and recognises a loss allowance based on lifetime ECL at each reporting date and specifically estimated the ECL for each debtor by reference to its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment. There was no change in the estimation techniques or significant assumptions made during the six months ended 30 June 2020. The information about the exposure to credit risk and ECL for trade receivables using a provision matrix at 30 June 2020 and 31 December 2019 are summarised below.

At 30 June 2020

	Expected loss rate	**Gross carrying amount**	**Loss allowance**	**Net carrying amount**	**Credit-impaired**
	%	*US$'000*	*US$'000*	*US$'000*	
Trade receivable					
Not past due	**—**	**194**	**—**	**194**	**No**
1–365 days past due	**—**	**1,154**	**—**	**1,154**	**No**
Over 1 year past due	**32%**	**1,260**	**(405)**	**855**	**No**
		2,608	**(405)**	**2,203**	

At 31 December 2019

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

14. TRADE AND OTHER RECEIVABLES (Continued)

(a) (Continued)

At 30 June 2020, the Group recognised loss allowance of approximately US$405,000 *(31 December 2019: approximately US$5,000)* on trade receivables. The movement in the loss allowance for trade receivables is summarised below.

	(Unaudited) 30 June 2020 *US$'000*	(Audited) 31 December 2019 *US$'000*
At the beginning of the reporting period	**5**	—
Increase in allowance	**400**	5
At the end of the reporting period	**405**	5

The Group does not hold any collateral over the trade receivables at 30 June 2020 *(31 December 2019: nil)*.

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

In estimating the ECL, the Group has taken into account the financial position of the counterparties by reference to, among others, its management or audited accounts and available press information, adjusted for forward-looking factors that are specific to the counterparties and general economic conditions of the industry in which the counterparties operate, in estimating the probability of default of the financial asset, as well as the loss upon default. There was no change in the estimation techniques or significant assumptions made during the six months ended 30 June 2020.

At 30 June 2020, the Group recognised loss allowance of approximately US$583,000 *(31 December 2019: US$583,000)* on the balances. The movement in the loss allowance for the balances is summarised below.

	(Unaudited) 30 June 2020 *US$'000*	(Audited) 31 December 2019 *US$'000*
At the beginning of the reporting period	**583**	—
Increase in allowance	**—**	583
At the end of the reporting period	**583**	583

14. TRADE AND OTHER RECEIVABLES (Continued)

(b) The amounts represented the refundable deposits to two independent third parties on potential investments in Hong Kong at carrying amount (net of loss allowance) of HK$1,500,000 (equivalent to approximately US$192,000) and HK$1,500,000 (equivalent to approximately US$192,000).

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

(c) At the end of the reporting periods, loan to a third parties are unsecured, carries fixed interest rates at 4% to 4.4% *(31 December 2019: 4% to 4.4%)* per annum, and are repayable within one year. The loan to a third party is not yet past due as at 30 June 2020 and 31 December 2019.

15. TRADE AND OTHER PAYABLES

	Notes	**(Unaudited) 30 June 2020 *US$'000***	(Audited) 31 December 2019 *US$'000*
Trade payables to third parties	*(a)*	**674**	524
Other payables			
Accruals and other payables		**1,071**	828
Receipt in advance	*(b)*	**607**	942
		1,678	1,770
		2,352	2,294

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

	(Unaudited) 30 June 2020 *US$'000*	(Audited) 31 December 2019 *US$'000*
Within 30 days	**138**	171
31 to 60 days	**—**	91
61 to 90 days	**—**	4
Over 90 days	**536**	252
	674	524

15. TRADE AND OTHER PAYABLES (Continued)

(b) The movements (excluding those arising from increases and decreases both occurred within the same periods) of receipt in advance from contracts with customer within IFRS 15 during the six months ended 30 June 2020 and year ended 31 December 2019 are as follows:

	(Unaudited) 30 June 2020 *US$'000*	(Audited) 31 December 2019 *US$'000*
At the beginning of the reporting period	**942**	694
Recognised as revenue	**(710)**	(667)
Receipt of advances or recognition of receivables	**375**	936
Disposal of a subsidiary	**—**	(21)
At the end of reporting period	**607**	942

Included in the amount of transaction price allocated to the remaining performance obligations that are unsatisfied (or partially unsatisfied) at 30 June 2020 and 31 December 2019 is approximately US$607,000 and approximately US$942,000, respectively, which is expected to be recognised as revenue within one year.

16. SHARE CAPITAL

	Number of shares	*HK$*	**Equivalent to** *US$*
Ordinary share of HK$0.01 each			
Authorised:			
At 30 June 2020 and 31 December 2019	6,000,000,000	60,000,000	7,692,308
Issued and fully paid:			
At 30 June 2020 and 31 December 2019	720,000,000	720,000,000	923,077

17. OPERATING LEASE COMMITMENTS

The Group as lessor

The Group leases out its investment property to a third party under operating leases with lease terms of 2 years *(31 December 2019: 2 years)*.

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

At 30 June 2020 (Unaudited)	***US$'000***
Year 1	**33**
Year 2	**11**
	44

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

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

The Group as lessee

At 30 June 2020, the Group was committed to lease contracts in relation to properties of approximately US$31,000 for short-term leases *(31 December 2019: approximately US$10,000)*.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS OVERVIEW AND OUTLOOK

The Group is a well-established information and communications technology ("ICT") solution provider headquartered in Singapore focusing on provision of cyber infrastructure and cyber security solutions. Starting from 2019, the Group set up an office in Shanghai, the PRC focusing on SaaS business.

Established in 2002, the Group started as a system integration service provider providing services to telecommunications service providers. Having gradually diversified its ICT services, the Group is now a regional provider of cyber infrastructure solutions in Southeast Asia. By working with various technology vendors, the Group acquired the experience and expertise to evolve to an ICT solution provider. Leveraging on its research and development ("R&D") capabilities, the Group successfully developed its technologies and SaaS system to provide cyber security solutions and SaaS respectively.

In view of huge and rapid growing domestic sharing economy business in the PRC, the Group carried out reallocation of internal resources, made adjustments to orientation and cooperated with business partners with abundant experience to enhance the development of the Group's SaaS business in the PRC.

CYBER INFRASTRUCTURE SOLUTIONS SEGMENT AND CYBER SECURITY SOLUTIONS SEGMENT

For the six months ended 30 June 2020, the reportable segment results (Adjusted EBITDA) in cyber infrastructure solutions segment and cyber security solutions segment were profit of approximately US$58,000 *(six months ended 30 June 2019: profit of approximately US$123,000)* and loss of approximately US$382,000 *(six months ended 30 June 2019: profit of approximately US$187,000)*, respectively. Decrease in segment results were mainly affected by decline in revenue due to impact of the outbreak of Coronavirus Disease 2019 Coronavirus Disease 2019 ("COVID-19") in January 2020 and impairment loss on trade receivable of approximately US$400,000.

During the six months ended 30 June 2020, the outbreak of COVID-19 continuously affected the negotiation of new projects with existing customers and the seeking out of potential customers of the Group. To minimise the adverse effect of the outbreak of COVID-19, the Group made use of teleconference to communicate with customers and business partners in view of the travel restrictions and actively worked out more alternative business plans. However, for those projects in some countries whereby most of the processes are manual and the governments have been mandating strict quarantine, it is strenuous for the Group to secure the opportunities and this significantly impacted the revenue of both segments. The Group temporarily lost the sales activities but engineering support and maintenance were still available to customers.

During the six months ended 30 June 2020, Singapore government (the "Government") announced the implementation of an elevated set of safe distancing measures, as a circuit breaker to pre-empt the trend of increasing local transmission of COVID-19 (the "Measures"). Under the Measures, the Government closed most of the physical workplace premises and imposed entry restrictions on certain places in Singapore from 7 April 2020 to 1 June 2020 (inclusive) (the "Suspension Period"), save for those providing essential services and in selected economic sectors which are critical for the local and the global supply chains. From 2 June 2020, the Government has embarked on a three-phased approach to resume activities safely. Up to the date of this report, the Government has gradually re-opened economic activities that do not pose high risk of transmission (the "Phase One Period"), which has brought favourable prosperity to economic activities in Singapore.

During the Suspension Period and the Phase One Period, management and staff of the Group in Singapore have been working from home and making use of teleconference with customers and partners. The Group has sufficient capacity to continue its administrative and finance operations with minimal impact on its services and deliverables. Moreover, the Group has been continuously engaging with customers to follow-up on those opportunities that are critical to customers. The Group is continuously working for key customers on some infrastructure upgrade opportunities and the Group is highly motivated to win the maintenance renewal agreements to keep the Group operations secured. Besides, the management has also implemented a training plan for engineers to uplift the Group's certifications and to boost the morale of engineers.

Due to the extensive business shutdowns to contain the spread of the COVID-19 all over the world since early March 2020, pursuant to the latest world economic outlook growth projections, which was launched by the International Monetary Fund in April 2020, it is expected that the global economy and countries of Association of Southeast Asian Nations will shrink by 3.0% and 0.6% respectively in 2020. It is believed that the imminent global economic downturn due to the recent situation of the outbreak of COVID-19 will result in a decrease in the demand on both cyber infrastructure solutions business and cyber security solutions business.

The Group will continue to stay alert to the development and situation of the COVID-19, continue to assess its impacts on the financial position and operating results of the Group and take necessary action to maintain stability of the Group's businesses. Recently, many countries like Singapore, Philippines, and Myanmar are slowly opening the business with limitations for international passengers, it is expected that the Group will win more business opportunities in the coming quarters of 2020.

SAAS SEGMENT

For the six months ended 30 June 2020, the reportable segment result (Adjusted EBITDA) in SaaS segment was loss of approximately US$197,000 *(six months ended 30 June 2019: nil)*. Loss on segment result was mainly attributable to professional fee and advertisement fee incurred in the development stage of SaaS business to expand market share in the PRC.

During the six months ended 30 June 2020, the Group's customer base in SaaS business involved different industries like insurance industry, logistic industry, etc. and different provinces in the PRC like Hunan, Shanghai, Shandong, Zhejiang, etc., which broadened and brought considerable source of income to the Group. The Group will continuously make effort on diversifying customer base to expand market share in SaaS business in the PRC.

On 24 April 2020, Naixin (Shanghai) Technologies Services Co., Ltd.* (耐信（上海）科技服務有限公司, "Naixin") and SIC Electronic Bill Platform Information Service Co., Ltd.* (國信電子票據平台信息服務有限公司, "SIC Electronic", and together with Naixin, the "Parties") have entered into a sales channel cooperation framework agreement (the "Cooperation Framework Agreement"), for a term from the date of execution of the Cooperation Framework Agreement (i.e. 24 April 2020) to 18 March 2022. Pursuant to the Cooperation Framework Agreement, the Parties will cooperate with each other to provide: (i) tax control severs-based electronic bills integration development, application and services; (ii) tax control disk pack-based electronic bills integration development, application and services; (iii) value-added tax invoices input and output items management system; and (iv) financial tax bills small tool software, to the customers in the PRC. For more information, please refer to the Company's announcement dated 24 April 2020.

As part of the business expansion plan, the Group will continue to explore the possibility of cooperation with more potential business partners to diversify service types and customers base to ensure the long-term steady development of the SaaS segment.

Since March 2020, the outbreak of COVID-19 in the PRC has been mitigated, the Group's customers and business partners in the PRC were permitted to resume their operations. Despite the fact that corporate performance has fallen sharply compared to the past after the resumption of operations, which caused the Group's SaaS business to progress later than

* *For identification purposes only*

expected, in view of the huge and rapid growing domestic sharing economy business in the PRC, management team and business partner with abundant experience and intelligent and diversified SaaS system, the Group remains optimistic in the development of SaaS business.

FINANCIAL REVIEW

REVENUE

The major revenue streams of the Group derived from provision of cyber infrastructure solutions, cyber security solutions and SaaS. For the six months ended 30 June 2020, the Group recorded a total revenue of approximately US$6,367,000 *(six months ended 30 June 2019: approximately US$992,000)*, which were generated from cyber infrastructure solutions segment of approximately US$446,000 *(six months ended 30 June 2019: approximately US$537,000)*, cyber security solutions segment of approximately US$213,000 *(six months ended 30 June 2019: approximately US$455,000)* and SaaS segment of approximately US$5,708,000 *(six months ended 30 June 2019: nil)*. The decrease in revenue from cyber infrastructure solutions segment and cyber security solutions segment was mainly due to impact of the outbreak of COVID-19.

COST OF INVENTORIES SOLD

The Group's cost of inventories sold decreased from approximately US$283,000 for the six months ended 30 June 2019 to approximately US$247,000 for the six months ended 30 June 2020. The decrease was mainly due to decrease in the number of purchase of hardware components.

STAFF COSTS AND RELATED EXPENSES

For the six months ended 30 June 2020, the Group recorded staff costs and related expenses of approximately US$436,000 *(six months ended 30 June 2019: approximately US$318,000)*. The increase was mainly due to the aggregate effect of the increase in salaries of employees and the number of employees for the expansion of the Group's business.

SUBCONTRACTING FEE

For the six months ended 30 June 2020, the Group recorded subcontracting fee of approximately US$5,402,000 *(six months ended 30 June 2019: approximately US$139,000)* for technology vendors and individual service providers to provide subcontracting services on cyber security solutions business and SaaS business. The increase was mainly due to the introduction of SaaS business of the Group during the six months ended 30 June 2020.

SALES AND MARKETING EXPENSES

For the six months ended 30 June 2020, the Group recorded sales and marketing expenses of approximately US$583,000 *(six months ended 30 June 2019: approximately US$12,000)*. It represented advertisement fee for promotion of SaaS business in the PRC.

GENERAL AND ADMINISTRATIVE EXPENSES

The amount of general and administrative expenses increased from approximately US$765,000 for the six months ended 30 June 2019 to approximately US$855,000 for the six months ended 30 June 2020. The increase was mainly due to increase in professional fee incurred for development and expansion of SaaS business, and the Group's overall business strategies.

LOSS FOR THE PERIOD

The Group recorded an increase in loss for the period from approximately US$868,000 for the six months ended 30 June 2019 to approximately US$2,150,000 for the six months ended 30 June 2020. The increase in loss was mainly due to the aggregate effect of the decrease in reportable segment results (Adjusted EBITDA) and increase in depreciation and amortisation due to increase in additions of plant and equipment and internally developed technologies with finite useful lives to enhance the Group's technologies and research and development capabilities during the year ended 31 December 2019.

LIQUIDITY AND FINANCIAL RESOURCES

As at 30 June 2020, the Group had current assets of approximately US$10,422,000 *(31 December 2019: approximately US$11,650,000)* including bank balances and cash of approximately US$5,054,000 *(31 December 2019: approximately US$6,191,000)* which are principally denominated in HK$, SG$, Renminbi and US$, and the Group did not have any bank borrowings and debts. Total assets were approximately US$15,703,000 *(31 December 2019: approximately US$17,736,000)* and total liabilities were approximately US$2,653,000 *(31 December 2019: approximately US$2,591,000)*. The gearing ratio is not available, since the Group had no bank borrowings and no debts as at 30 June 2020 and 31 December 2019.

SHARE CAPITAL

As at 30 June 2020 and 31 December 2019, 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.

As at 30 June 2020 and 31 December 2019, the issued share capital of the Company was HK$7,200,000 (equivalent to approximately US$923,000) divided into 720,000,000 ordinary shares of HK$0.01 each.

TREASURY POLICY

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

FOREIGN EXCHANGE EXPOSURE

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

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

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

CONTINGENT LIABILITIES

The Group did not have any material contingent liabilities as at 30 June 2020 and 31 December 2019.

SIGNIFICANT INVESTMENT, MATERIAL ACQUISITIONS AND DISPOSALS

The Group has no significant investment, material acquisitions and disposal for the six months ended 30 June 2020 and 2019.

CHARGE ON THE GROUP'S ASSETS

There was no charge on the Group's assets as at 30 June 2020 and 31 December 2019.

DIVIDEND

The Directors did not recommend a payment of an interim dividend for the six months ended 30 June 2020 *(six months ended 30 June 2019: nil)*.

EMPLOYEES INFORMATION

As at 30 June 2020, the Group had a total number of 26 employees *(30 June 2019: 22 employees)* (including executive Directors). During the six months ended 30 June 2020, the total staff costs amount to approximately US$436,000 *(six months ended 30 June 2019: approximately US$318,000)*, representing an increase of approximately US$118,000 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.

A remuneration committee is set up for reviewing the Group's emolument policy and structure of all remuneration of the Directors and senior management of the Group, having regard to the Group's operating results, individual performance and comparable market practices. Besides, the Company maintains a share option scheme to attract and retain individuals with experience and ability and/or to reward them for their past contributions. Please refer to the paragraphs headed "Share Option Scheme" in this report for details of such scheme.

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

COMMITMENTS

At 30 June 2020, the Group has operating lease commitments as lessor in respect of rentals receivable from its investment property, amounted to approximately US$44,000 *(31 December 2019: approximately US$66,000)*; and as lessee in respect of rentals payables for its office premises, amounted to approximately US$31,000 *(31 December 2019: approximately US$10,000)*.

The Group did not have any material capital commitment as at 30 June 2020 and 31 December 2019.

USE OF NET PROCEEDS FROM THE LISTING

The net proceeds from the issue of new shares of the Company at the time of its listing (the "Listing") on GEM on 16 June 2017 (the "Listing Date") through the public offer of 150,000,000 shares of HK$0.01 each in the share capital of the Company at the price of HK$0.48 per share, after deduction of the underwriting commission and actual expenses paid by the Group in connection thereto, were approximately HK$51,995,000, which is equivalent to approximately US$6,666,000. Up to 30 June 2020, the net proceeds from the Listing had been applied as follows:

	Adjusted use of net proceeds		Actual use of net proceeds from the Listing Date and up to 30 June 2020		Unutilised net proceeds up to 30 June 2020	
	HK$'000	*US$'000*	*HK$'000*	*US$'000*	*HK$'000*	*US$'000*
To acquire and renovate a new property as the Group's headquarter and R&D Centre	15,023	1,926	15,023	1,926	—	—
To develop new products, upgrade existing products and strengthen R&D team	5,585	716	5,585	716	—	—
To expand sales and marketing team	6,146	788	1,167	147	4,979	641 *(Note)*
To develop Netsis Hybrid Converge Hub in Singapore	6,217	797	6,217	797	—	—
To develop Netsis Security Hub in Hong Kong	14,204	1,821	14,204	1,821	—	—
Working capital over the period	4,820	618	4,820	618	—	—
	51,995	6,666	47,016	6,025	4,979	641

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

As at the date of this report, the unutilised proceeds from the Listing amounting to a total of approximately HK$4,979,000 (equivalent to approximately US$641,000) were placed in interest-bearing deposits with authorised financial institutions or licensed banks in Hong Kong.

For the unutilised net proceeds from the Listing up to 30 June 2020, the Company intends to use them in the same manner and proportions as described in the prospectus of the Company dated 6 June 2017. The expected completion timeline for utilising the remaining unused net proceeds is set out below:

	Expected timeline for utilising the remaining unused net proceeds *(Note 1)*
To expand sales and marketing team	From 1 July 2020 to 30 June 2021 *(Note 2)*

Note:

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

2. Due to the outbreak of COVID-19 in the first half of 2020, the original schedule for expansion of the sales and marketing team has changed. Therefore, the Board estimated that the time for utilising the remaining unused net proceeds will increase from one year (from 1 January 2020 to 31 December 2020) as stated in the annual report 2019 of the Company to 1.5 year (from 1 January 2020 to 30 June 2021).

USE OF NET PROCEEDS FROM THE PLACING

The net proceeds from the issue of new shares of the Company at the time of its completion of share placing under general mandate (the "Placing") on 19 September 2019 (the "Completion Date") through the share placing of 120,000,000 shares of HK$0.01 each in the share capital of the Company at the price of HK$0.09 per share, after deduction of issuing expenses incurred in relation to the Placing, were approximately HK$10,477,000, which is equivalent to approximately US$1,343,000. Up to 30 June 2020, the net proceeds from the Placing had been applied as follows:

	Use of net proceeds		**Actual use of net proceeds from the Completion Date and up to 30 June 2020**	
	HK$'000	*US$'000*	*HK$'000*	*US$'000*
To develop ICT services in the PRC	7,500	962	7,500	962
Working capital over the period	2,977	381	2,956	381
	10,477	1,343	10,456	1,343

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

As at 30 June 2020, 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	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	37.9%

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 of the Company (the "Shares") held by Alpha Sense (BVI).

Save as disclosed above, as at 30 June 2020, none of the Directors nor 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' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at 30 June 2020, so far as known to any Directors, 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 Shareholder	Capacity/Nature	Number of Shares or underlying Shares held/ interested in	Percentage of issued share capital
Alpha Sense (BVI)	Beneficial owner	272,686,500	37.9%

Save as disclosed above, as at 30 June 2020, 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 2020, 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 2020.

INTERESTS IN COMPETING BUSINESS

During the six months ended 30 June 2020 and 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 purchased, sold or redeemed any of the Company's listed securities during the six months ended 30 June 2020.

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 during the six months ended 30 June 2020.

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.

During the six months ended 30 June 2020, no share option had been granted, cancelled, exercised or lapsed pursuant to the Scheme. There was no share option outstanding as at 30 June 2020.

AUDIT COMMITTEE

The Company has established an audit committee of the Company ("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 2020, the Audit Committee comprised three independent non-executive Directors, namely Mr. Chan Ming Kit, Ms. Lim Joo Seng and Mr. Park Jee Ho. 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 2020 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 2020

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

This 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.