NEXION TECHNOLOGIES LIMITED

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

Interim Report 2021

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

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

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

This 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 2021, together with the comparative unaudited figures of the corresponding period in 2020, as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2021

		(Unaudited) For the three months ended 30 June		**(Unaudited) For the six months ended 30 June**	
		2021	2020	**2021**	2020
	Notes	***US$'000***	*US$'000*	***US$'000***	*US$'000*
Revenue	*4*	**609**	3,503	**1,054**	6,367
Other income	*5*	**41**	105	**62**	205
Cost of inventories sold		**(129)**	(63)	**(203)**	(247)
Staff costs and related expenses		**(224)**	(233)	**(388)**	(436)
Subcontracting fee		**(9)**	(3,220)	**(43)**	(5,402)
Sales and marketing expenses		**(209)**	(39)	**(422)**	(583)
Depreciation and amortisation		**(212)**	(396)	**(432)**	(795)
Impairment loss on trade receivable	*13(a)*	**–**	(400)	**–**	(400)
General and administrative expenses		**(370)**	(344)	**(709)**	(855)
Loss before income tax	*6*	**(503)**	(1,087)	**(1,081)**	(2,146)
Income tax expenses	*7*	**(5)**	(4)	**(5)**	(4)

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

For the six months ended 30 June 2021

		(Unaudited) For the three months ended 30 June		(Unaudited) For the six months ended 30 June	
		2021	2020	**2021**	2020
	Notes	***US$'000***	*US$'000*	***US$'000***	*US$'000*
Loss for the period		**(508)**	(1,091)	**(1,086)**	(2,150)
Other comprehensive loss					
Item that may be reclassified subsequently to profit or loss:					
Exchange difference arising on translation of foreign operations		**12**	83	**(15)**	(100)
Other comprehensive loss for the period		**12**	83	**(15)**	(100)
Total comprehensive loss for the period attributable to owners of the Company		**(496)**	(1,008)	**(1,101)**	(2,250)
(Loss)/profit for the period attributable to:					
Equity holders of the Company		**(522)**	(1,128)	**(1,096)**	(2,181)
Non-controlling interests		**14**	37	**10**	31
		(508)	(1,091)	**(1,086)**	(2,150)
Total comprehensive (loss)/income attributable to:					
Equity holders of the Company		**(513)**	(1,045)	**(1,110)**	(2,281)
Non-controlling interests		**17**	37	**9**	31
		(496)	(1,008)	**(1,101)**	(2,250)
Loss per share for loss attributable to equity holders of the Company, basic and diluted *(US cents)*	*8*	**(0.07)**	(0.15)	**(0.15)**	(0.30)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2021

	Notes	(Unaudited) 30 June 2021 US$'000	(Audited) 31 December 2020 US$'000
Non-current assets			
Property, plant and equipment	*10*	**1,313**	1,454
Goodwill	*11*	**2,455**	–
Intangible assets	*12*	**1,962**	2,198
		5,730	3,652
Current assets			
Inventories		**90**	1
Trade and other receivables	*13*	**2,313**	3,053
Bank balances and cash		**4,453**	5,191
		6,856	8,245
Current liabilities			
Contingent consideration payable	*14*	**867**	–
Trade and other payables	*15*	**2,149**	2,098
Income tax payables		**81**	76
		3,097	2,174
Net current assets		**3,759**	6,071
Total assets less current liabilities		**9,489**	9,723
Non-current liabilities			
Contingent consideration payable	*14*	**867**	–
Other payable	*15*	**350**	350
Deferred tax liabilities		**1**	1
		1,218	351
NET ASSETS		**8,271**	9,372
Capital and reserves			
Share capital	*16*	**923**	923
Reserves		**7,402**	8,512
Equity attributable to equity holders of the Company		**8,325**	9,435
Non-controlling interests		**(54)**	(63)
TOTAL EQUITY		**8,271**	9,372

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2021

	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*	Fair value reserve *US$'000*	Accumulated profits/ (losses) *US$'000*	Total *US$'000*	Non-controlling interests *US$'000*	Total *US$'000*
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
At 1 January 2021 (Audited)	**923**	**9,919**	**650**	**42**	**-**	**(2,099)**	**9,435**	**(63)**	**9,372**
(Loss)/profit for the period	**-**	**-**	**-**	**-**	**-**	**(1,096)**	**(1,096)**	**10**	**(1,086)**
Other comprehensive loss:									
Item that may be subsequently reclassified to profit or loss									
Exchange difference arising on translation of foreign operations	**-**	**-**	**-**	**(14)**	**-**	**-**	**(14)**	**(1)**	**(15)**
Total comprehensive (loss)/ income for the period	**-**	**-**	**-**	**(14)**	**-**	**(1,096)**	**(1,110)**	**9**	**(1,101)**
At 30 June 2021 (Unaudited)	**923**	**9,919**	**650**	**28**	**-**	**(3,195)**	**8,325**	**(54)**	**8,271**

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2021

		(Unaudited) Six months ended 30 June	
		2021	2020
	Note	***US$'000***	*US$'000*
OPERATING ACTIVITIES			
Cash generated from/(used in) operations		**175**	(1,206)
Income tax paid		**–**	–
Net cash generated from/(used in) operating activities		**175**	(1,206)
INVESTING ACTIVITIES			
Interest received		**6**	4
Acquisition of property, plant and equipment		**–**	(3)
Additions to intangible assets		**(42)**	(68)
Cash outflow from acquisition of a subsidiary, net	*18*	**(836)**	–
Net cash used in investing activities		**(872)**	(67)
FINANCING ACTIVITY			
Capital injection from a non-controlling shareholder		**–**	155
Net cash from financing activity		**–**	155
Net decrease in cash and cash equivalents		**(697)**	(1,118)
Effect of foreign exchange rate change, net		**(41)**	(19)
Cash and cash equivalents at the beginning of the reporting period		**5,191**	6,191
Cash and cash equivalents at the end of the reporting period, represented by bank balances and cash		**4,453**	5,054

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2021

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 2021, 2/F, Zhonghui Building 16 Henan South Road, Huangpu 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 2021 (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 2020, 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 2020 (the "2020 Consolidated Financial Statements").

The Interim Consolidated Financial Statements have been prepared on the historical costs basis, except for building and contingent consideration payable, 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 2020 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 2021 and 2020 is as follows:

	Cyber infrastructure solutions *US$'000*	Cyber security solutions *US$'000*	SaaS *US$'000*	Total *US$'000*
Six months ended 30 June 2021 (Unaudited)				
Revenue from external customers and reportable segment revenue	**290**	**233**	**531**	**1,054**
Reportable segment results (Adjusted EBITDA)	**(190)**	**115**	**(133)**	**(208)**
Depreciation and amortisation *(Note)*	**270**	**161**	**1**	**432**
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

3. SEGMENT INFORMATION (Continued)

Reconciliation of reportable segment results

	(Unaudited) For the six months ended 30 June 2021 US$'000	2020 US$'000
Reportable segment results (Adjusted EBITDA)	**(208)**	(521)
Interest income	**6**	47
Depreciation and amortisation	**(432)**	(795)
Unallocated expenses	**(447)**	(877)
Loss before income tax	**(1,081)**	(2,146)
Income tax expenses	**(5)**	(4)
Loss for the period	**(1,086)**	(2,150)

Remark: Unallocated depreciation to reportable segment amounted to approximately US$7,000 for 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, and intangible assets ("Specified Non-current Assets"). The geographical location of revenue is based on the location of end users. The geographical location of the Specified Non-current Assets is based on the physical location of the assets (in the case of property, plant and equipment; the location of operation to which they are located; in the case of intangible assets, the location of operations).

(a) Revenue from external customers

	(Unaudited) For the six months ended 30 June	
	2021	2020
	US$'000	*US$'000*
Hong Kong	**–**	45
Malaysia	**19**	–
Myanmar	**128**	181
Philippines	**48**	37
Singapore	**327**	228
South Korea	**–**	14
Taiwan	**1**	154
The PRC	**531**	5,708
	1,054	6,367

(b) Specified Non-current Assets

	(Unaudited)	(Audited)
	30 June	31 December
	2021	2020
	US$'000	*US$'000*
Hong Kong	**29**	35
Singapore	**1,322**	1,413
The PRC	**1,924**	2,204
	3,275	3,652

4. REVENUE

	(Unaudited) For the three months ended 30 June		(Unaudited) For the six months ended 30 June	
	2021	2020	**2021**	2020
	US$'000	*US$'000*	***US$'000***	*US$'000*
Revenue from contracts with customers within IFRS 15				
– at a point in time				
Cyber infrastructure solutions	**107**	–	**232**	277
Cyber security solutions	**193**	139	**233**	213
SaaS	**274**	3,217	**531**	5,708
– over time				
Maintenance and support service income	**35**	147	**58**	169
	609	3,503	**1,054**	6,367

5. OTHER INCOME

	(Unaudited) For the three months ended 30 June		(Unaudited) For the six months ended 30 June	
	2021	2020	**2021**	2020
	US$'000	*US$'000*	***US$'000***	*US$'000*
Exchange gain, net	**21**	23	**21**	23
Interest income	**4**	16	**6**	47
Government grants	**16**	60	**35**	118
Rental income	**–**	6	**–**	17
	41	105	**62**	205

6. LOSS BEFORE INCOME TAX

This is stated after charging:

	(Unaudited) For the three months ended 30 June		(Unaudited) For the six months ended 30 June	
	2021	2020	**2021**	2020
	US$'000	*US$'000*	***US$'000***	*US$'000*
Amortisation of intangible assets	**141**	165	**283**	334
Depreciation of property, plant and equipment	**71**	231	**149**	461

7. INCOME TAX EXPENSES

	(Unaudited) For the three months ended 30 June		(Unaudited) For the six months ended 30 June	
	2021	2020	**2021**	2020
	US$'000	*US$'000*	***US$'000***	*US$'000*
Current tax				
Singapore corporate income tax				
Current period	**1**	–	**1**	–
Under provision in prior year	**4**	–	**4**	–
PRC enterprise income tax				
Current period	**–**	4	**–**	4
	5	4	**5**	4
Deferred tax	**–**	–	**–**	–
Total income tax expenses for the period	**5**	4	**5**	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 2021 and 2020.

7. INCOME TAX EXPENSES (Continued)

Hong Kong profits tax is calculated at 16.5% *(Six months ended 30 June 2020: 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 2020: 25%)* of the estimated assessable profits for the six months ended 30 June 2021 based on the existing legislation, interpretations and practices in respect thereof.

During the six months ended 30 June 2021 and 2020, Singapore corporate income tax ("CIT") is calculated at 17% of the estimated assessable profits with CIT rebate of 25%, capped at Singapore Dollars ("SG$") 15,000. 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$190,000 of normal chargeable income during the six months ended 30 June 2021 and 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**	
	2021	2020	**2021**	2020
	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	**(508)**	(1,091)	**(1,086)**	(2,150)
	Number of shares *('000)*			
Weighted average number of ordinary shares for basic and diluted loss per share calculation	**720,000**	720,000	**720,000**	720,000
	US cents	*US cents*	***US cents***	*US cents*
Basic and diluted loss per share	**(0.07)**	(0.15)	**(0.15)**	(0.30)

Diluted 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 2021 and 2020.

9. DIVIDENDS

The Directors did not recommend a payment of an interim dividend for the six months ended 30 June 2021 *(Six months ended 30 June 2020: nil)*.

10. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2021, the Group did not incurred expenditure on additions to property, plant and equipment *(Six months ended 30 June 2020: approximately US$3,000)*, the Group incurred approximately US$5,000 *(six months ended 30 June 2020: nil)* on additions through acquisition of a subsidiary *(Note 1B)*. No disposal of property, plant and equipment was incurred during the six months ended 30 June 2021 and 2020.

11. GOODWILL

	(Unaudited) 30 June 2021 ***US$'000***	(Audited) 31 December 2020 *US$'000*
At the beginning of the reporting period	**–**	–
Acquired through acquisition of a subsidiary *(Note 18)*	**2,455**	–
At the end of the reporting period	**2,455**	–

12. INTANGIBLE ASSETS

During the six months ended 30 June 2021, the Group incurred approximately US$42,000 *(Six months ended 30 June 2020: approximately US$68,000)* on additions to the intangible assets. All intangible assets are available for use at 30 June 2021 and 31 December 2020.

13. TRADE AND OTHER RECEIVABLES

	Notes	(Unaudited) 30 June 2021 US$'000	(Audited) 31 December 2020 US$'000
Trade receivables from third parties		**631**	1,359
Less: Loss allowance	*(a)*	**(5)**	(5)
	(a)	**626**	1,354
Other receivables			
Prepayments		**384**	686
Deposits and other receivables		**1,071**	781
Receivable on disposal of a subsidiary	*(b)*	**232**	232
		1,687	1,699
		2,313	3,053

(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 2021 US$'000	(Audited) 31 December 2020 US$'000
Within 30 days	**85**	135
31 to 60 days	**146**	127
61 to 90 days	**42**	159
91 to 180 days	**49**	242
181 to 365 days	**140**	426
Over 1 year	**164**	265
	626	1,354

13. TRADE AND OTHER RECEIVABLES (Continued)

(a) (Continued)

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 2021 *US$'000*	(Audited) 31 December 2020 *US$'000*
Not yet due	**65**	288
Past due:		
With 30 days	**144**	123
31 to 60 days	**57**	163
61 to 90 days	**6**	77
91 to 180 days	**55**	203
181 to 365 days	**135**	363
Over 1 year	**164**	137
	561	1,066
	626	1,354

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 2021. The information about the exposure to credit risk and ECL for trade receivables using a provision matrix at 30 June 2021 and 31 December 2020 are summarised below.

13. TRADE AND OTHER RECEIVABLES (Continued)

(a) (Continued)

At 30 June 2021

	Expected loss rate %	Gross carrying amount US$'000	Loss allowance US$'000	Net carrying amount US$'000	Credit-impaired
Trade receivables					
Not past due		**65**	**–**	**65**	**No**
1–365 days past due		**397**	**–**	**397**	**No**
Over 1 year past due	**30%**	**169**	**(5)**	**164**	**No**
		631	**(5)**	**626**	

At 31 December 2020

	Expected loss rate %	Gross carrying amount US$'000	Loss allowance US$'000	Net carrying amount US$'000	Credit-impaired
Trade receivables					
Not past due	–	288	–	288	No
1–365 days past due	–	929	–	929	No
Over 1 year past due	4%	142	(5)	137	No
		1,359	(5)	1,354	

13. TRADE AND OTHER RECEIVABLES (Continued)

(a) (Continued)

At 30 June 2021 and 31 December 2020, the Group did not recognise loss allowance on trade receivables. The movement in the loss allowance for trade receivables is summarised below.

	(Unaudited) 30 June 2021 *US$'000*	(Audited) 31 December 2020 *US$'000*
At the beginning of the reporting period	**5**	5
Increase in allowance	**–**	400
Write-off	**–**	(400)
At the end of the reporting period	**5**	5

The Group does not hold any collateral over the trade receivables at 30 June 2021 and 31 December 2020.

Other receivables include deposits and other receivables 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 2021.

13. TRADE AND OTHER RECEIVABLES (Continued)

(a) (Continued)

At 30 June 2021, the Group did not recognise loss allowance *(31 December 2020: approximately US$583,000)* on other receivables. The movement in the loss allowance for the balances is summarised below.

	(Unaudited) **30 June** **2021** ***US$'000***	(Audited) 31 December 2020 *US$'000*
At the beginning of the reporting period	**1,166**	583
Increase in allowance	**–**	583
At the end of the reporting period	**1,166**	1,166

(b) On 31 December 2019, the Group disposed the entire equity interests in 蘇州訊科易通訊技術有限公司 to an independent third party at a consideration of HK$3,200,000 (equivalent to approximately US$410,000). At 30 June 2021 and 31 December 2020, part of the consideration of approximately US$232,000 is unsettled, interest-free and repayable within one year.

14. CONTINGENT CONSIDERATION PAYABLE

	(Unaudited) 30 June 2021 US$'000	(Audited) 31 December 2020 US$'000
At fair value:		
At the beginning of the reporting period	–	–
Arising from acquisition of a subsidiary *(Note 18)*	**1,748**	–
Exchange alignment	**(14)**	–
At the end of the reporting period	**1,734**	–
Analysed by:		
Non-current	**867**	–
Current	**867**	–
	1,734	–

The contingent consideration arrangement arising from the acquisition of Storm Front to be settled in the form of cash and new shares to be allotted and issued by the Company depending on the achievement of the targets as stipulated in the sale and purchase agreement in respect of the acquisition.

Pursuant to the Agreement, subject to the fulfilment of the Profit Guarantee 2021, the Company shall pay to the Vendors SG$1,166,500 (equivalent to approximately US$874,000), of which SG$291,500 (equivalent to approximately US$218,000) shall be satisfied in cash and SG$875,000 (equivalent to approximately US$656,000) shall be satisfied by the issue of such Consideration Shares equivalent to SG$875,000 (equivalent to approximately US$656,000) ("Tranche 2 Payment"), provided always that the number of Consideration Shares to be issued shall not exceed the Maximum Consideration Shares. Where the Consideration Shares issued pursuant to the Tranche 2 Payment is not sufficient to satisfy the consideration amount of SG$875,000 (equivalent to approximately US$656,000) the remaining balance shall be satisfied by cash.

14. CONTINGENT CONSIDERATION PAYABLES (Continued)

Subject to the fulfilment of the Profit Guarantee 2022, the Company shall pay to the Vendors SG$1,166,500 (equivalent to approximately US$874,000), of which SG$291,500 (equivalent to approximately US$218,000) shall be satisfied in cash and SG$875,000 (equivalent to approximately US$656,000) shall be satisfied by the issue of such Consideration Shares equivalent to SG$875,000 (equivalent to approximately US$656,000) ("Tranche 3 Payment"), provided always that the total number of Consideration Shares issued pursuant to the Tranche 2 Payment and the Tranche 3 Payment (in aggregate) shall not exceed the Maximum Consideration Shares. Where the Consideration Shares issued pursuant to the Tranche 3 Payment is not sufficient to satisfy the consideration amount of SG$875,000 (equivalent to approximately US$656,000), the remaining balance shall be satisfied in cash.

For more details of acquisition of Storm Front, please refer to Note 18 of this report and the Company's announcements dated 7 April 2021 and 5 May 2021.

Where:

"Consideration Shares" means the new shares of the Company to be allotted and issued to the Vendors at the Issue Price, for the purpose of settling the consideration.

"Issue Price" means the issue price per Consideration Share calculated based upon the average closing price per share of the Company as quoted on the Stock Exchange for the last five consecutive trading days immediately preceding the date of issue of such Consideration Shares for fulfilment of the Tranche 2 Payment and the Tranche 3 Payment respectively.

"Maximum Consideration Shares" means 19,800,000 Shares, being the maximum number of Consideration Shares to be issued for fulfilment of both the Tranche 2 Payment and the Tranche 3 Payment.

"Profit Guarantee 2021" means the net profit of Storm Front shall not be less than SG$500,000 for the period from 1st January 2021 to 31st December 2021.

"Profit Guarantee 2022" means the net profit of Storm Front shall not be less than SG$500,000 for the period from 1st January 2022 to 31st December 2022.

15. TRADE AND OTHER PAYABLES

	Notes	(Unaudited) 30 June 2021 US$'000	(Audited) 31 December 2020 US$'000
Trade payables to third parties	*(a)*	**165**	286
Other payables			
Accruals and other payables		**1,347**	1,350
Receipt in advance	*(b)*	**637**	462
Payable on acquisition of intangible assets	*(c)*	**350**	350
		2,334	2,162
		2,499	2,448
Analysed by:			
Current		**2,149**	2,098
Non-current		**350**	350
		2,499	2,448

(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 2021 US$'000	(Audited) 31 December 2020 US$'000
Within 30 days	**24**	23
31 to 60 days	**16**	19
61 to 90 days	**6**	–
Over 90 days	**119**	244
	165	286

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 2021 and year ended 31 December 2020 are as follows:

	(Unaudited) 30 June 2021 *US$'000*	(Audited) 31 December 2020 *US$'000*
At the beginning of the reporting period	**462**	942
Recognised as revenue	**(132)**	(397)
Receipt of advances or recognition of receivables	**307**	311
At the end of reporting period	**637**	462

Included in the amount of transaction price allocated to the remaining performance obligations that are unsatisfied (or partially unsatisfied) at 30 June 2021 and 31 December 2020 is approximately US$637,000 and approximately US$462,000, respectively, which is expected to be recognised as revenue within one year.

(c) During the year ended 31 December 2020, the Group has acquired several software copyrights with a total consideration of US$1,700,000 which recognised as "Intangible assets", and has settled US$1,350,000. In accordance to the software copyrights transfer agreement, the remaining consideration of US$350,000 is repayable on or before 31 August 2022.

16. SHARE CAPITAL

	Number of shares		Equivalent to
		HK$	*US$*
Ordinary share of HK$0.01 each			
Authorised:			
At 30 June 2021 and 31 December 2020	6,000,000,000	60,000,000	7,692,308
Issued and fully paid:			
At 30 June 2021 and 31 December 2020	720,000,000	720,000,000	923,077

17. OPERATING LEASE COMMITMENTS

At 30 June 2021, the Group was committed to lease contracts in relation to properties of approximately US$72,000 for short-term leases *(31 December 2020: approximately US$10,000)*.

18. BUSINESS ACQUISITION DURING THE PERIOD

On 7 April 2021, the Company, as a purchaser, entered into a conditional sale and purchase agreement (the "Agreement") with two independent third parties (the "Vendors"). Pursuant to the Agreement, the Vendors have agreed to sell and the Company has agreed to purchase entire issued share capital of Storm Front Pte. Ltd ("Storm Front") for a maximum consideration of SG$3,500,000, which shall be satisfied 50% by cash and 50% by way of the allotment and issue of consideration shares, subject to adjustment on guaranteed profits (the "Acquisition").

The Acquisition was completed on 5 May 2021, which has been account for business acquisition. The transaction costs of approximately US$22,000 have been excluded from the consideration transferred and included in "administrative expenses" in the condensed consolidated statement of profit or loss and other comprehensive income for the six months ended 30 June 2021.

18. BUSINESS ACQUISITION DURING THE PERIOD (Continued)

The principal activity of Strom Front is provision of smart technology services in workspace, community and cloud, and retail sale of security and fire-fighting equipment. The fair value of the assets acquired and liabilities assumed recognised at the acquisition date are set out below:

	US$'000
Non-current assets	
Plant and equipment	5
Current assets	
Trade and other receivables	156
Cash and cash equivalents	44
Inventories	13
Current liabilities	
Trade and other payables	(45)
Total identificable net assets at fair value	173
Goodwill arising on acquisition *(Note 11)*	2,455
Total consideration	2,628
Consideration satisified by:	
Cash consideration paid	880
Fair value of contingent consideration payable *(Note 14)*	1,748
	2,628
Net cash outflow arising from the acquisition	
Cash consideration paid	(880)
Cash and cash equivalents acquired	44
	(836)

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 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.

The Group has been actively considering and exploring various opportunities to facilitate its business growth according to the market conditions with an aim to enhance the value of shareholders of the Company (the "Shareholders"). On 5 May 2021, the acquisition of Storm Front Pte. Ltd is completed. Upon the completion, Storm Front has become a wholly-owned subsidiary of the Company and its financial results has been consolidated into the Company's condensed consolidated financial statements (the "Acquisition").

Strom Front is a company incorporated in Singapore with limited liability, its principal activities are provision of smart technology services in workspace, community and cloud, and retail sale of security and fire-fighting equipment. Established in 2018, Storm Front has successfully deployed its smart technology solutions branded WerkDone to more than 100 clients and 50,000 end users in Singapore, it also maintains business relationship with six global business partners as it looks to take its services across borders.

The Board considers that the Acquisition provides an excellent opportunity that complements and strengthens the Group's existing business segments and expands into the enterprise digital transformation area and smart technology industry. It is also expected that the Group will continuously benefit from the rapid revenue growth and technical knowhow of Storm Front.

During the six months ended 30 June 2021, the Company also established an operation base in Malaysia by setting up a wholly-owned subsidiary and reallocated its internal resources to expand its current business of cyber security solutions services into Malaysia. Due to continuous lockdown in Malaysia during the period, the management expected that the business in Malaysia will be kicked off in third quarter of 2021 and the Group's existing business and market will be expanded.

CYBER INFRASTRUCTURE SOLUTIONS SEGMENT AND CYBER SECURITY SOLUTIONS SEGMENT

For the six months ended 30 June 2021, the reportable segment results (Adjusted EBITDA) in cyber infrastructure solutions segment and cyber security solutions segment were loss of approximately US$190,000 *(Six months ended 30 June 2020: profit of approximately US$58,000)* and profit of approximately US$115,000 *(Six months ended 30 June 2020: loss of approximately US$382,000)*, respectively.

During the six months ended 30 June 2021, the outbreak of Coronavirus Disease 2019 (the "COVID-19") and coup in Myanmar have continuously affected the Group's operations in the negotiation of new projects with existing customers and the seeking out of potential customers of the Group. To maintain local business in Singapore, the Group has explored and offered advanced security solutions to cloud service providers and customers in terms of visibility, protection, compliance, and operations. The markets outside Singapore are still limited due to recent spike in COVID-19 cases and continuous business and travelling restriction, the Group has continuously maintained customer relationships and businesses through online communications. Engineers deployed onsite such as in the Malaysia, Myanmar and Philippines do continue to service the customers with limited onsite and physical interactions with customers.

The Group anticipates continuing challenges in next coming months, to ensure less impact to the Group's operation and structure, the Group is focusing on ensuring that all ongoing projects and maintenance be secured in both cyber infrastructure solutions segment and cyber security solutions segment. The Group will continue to work on opportunities and explore the market with the current and new technological offerings acquired through partnerships.

Despite COVID-19 and coup in Myanmar adversely affected the Group's business, result from cyber security solutions segment has improved through acquisition of Strom Front. It is expected that the Group will continuously benefit from the rapid revenue growth and technical knowhow of Storm Front.

SAAS SEGMENT

For the six months ended 30 June 2021, the reportable segment result (Adjusted EBITDA) in SaaS segment was loss of approximately US$133,000 *(Six months ended 30 June 2020: loss of approximately US$197,000)*. Decrease in loss was mainly attributable to decrease in advertisement fee incurred for the developed SaaS business.

COVID-19 and Sino-US trade war were the main risk and challenge during the six months ended 30 June 2021, which the Group expected that would maintain for a long period to its SaaS business. To minimise business risk of the Group as well as seize the business opportunities by provision of larger level of flexibility to customers, the Group has changed its role from a principal as an agent in SaaS business since the second half year of 2020 by revising some contract terms under mutual agreement among the Group and its customers.

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 2021, the Group recorded a total revenue of approximately US$1,054,000 *(Six months ended 30 June 2020: approximately US$6,367,000)*, which were generated from cyber infrastructure solutions segment of approximately US$290,000 *(Six months ended 30 June 2020: approximately US$446,000)*, cyber security solutions segment of approximately US$233,000 *(Six months ended 30 June 2020: approximately US$213,000)* and SaaS segment of approximately US$531,000 *(Six months ended 30 June 2020: approximately US$5,708,000)*. The decrease was mainly due to the change of business model of the Group from principal to agent in SaaS business since the second half year of 2020 by revising some contract terms under mutual agreement among the Group and its customers.

COST OF INVENTORIES SOLD

The Group's cost of inventories sold decreased from approximately US$247,000 for the six months ended 30 June 2020 to approximately US$203,000 for the six months ended 30 June 2021. 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 2021, the Group recorded staff costs and related expenses of approximately US$388,000 *(Six months ended 30 June 2020: approximately US$436,000)*. The decrease was mainly due to the decrease in average number of employees with relatively higher remuneration packages during the six months ended 30 June 2021.

SUBCONTRACTING FEE

For the six months ended 30 June 2021, the Group recorded subcontracting fee of approximately US$43,000 *(Six months ended 30 June 2020: approximately US$5,402,000)* for technology vendors and individual service providers to provide subcontracting services on SaaS business. The decrease was mainly due to the change of business model of the Group from principal to agent in SaaS business since the second half year of 2020.

SALES AND MARKETING EXPENSES

For the six months ended 30 June 2021, the Group recorded sales and marketing expenses of approximately US$422,000 *(Six months ended 30 June 2020: approximately US$583,000)*. The decrease was mainly due to less advertisement incurred for developed SaaS business of the Group.

GENERAL AND ADMINISTRATIVE EXPENSES

The amount of general and administrative expenses decreased from approximately US$855,000 for the six months ended 30 June 2020 to approximately US$709,000 for the six months ended 30 June 2021. The decrease was mainly due to decrease in professional fee due to cost control during the six months ended 30 June 2021.

LOSS FOR THE PERIOD

The Group recorded a decrease in loss for the period from approximately US$2,150,000 for the six months ended 30 June 2020 to approximately US$1,086,000 for the six months ended 30 June 2021. The decrease in loss was mainly due to the aggregate effect of the decrease in loss for reportable segment results (Adjusted EBITDA) in cyber security solutions segment and SaaS segment, and decrease in amortisation and depreciation due to impairment loss on property, plant and equipment and intangible assets of approximately US$1,246,000 during the year ended 31 December 2020.

LIQUIDITY AND FINANCIAL RESOURCES

As at 30 June 2021, the Group had current assets of approximately US$6,856,000 *(31 December 2020: approximately US$8,245,000)* including bank balances and cash of approximately US$4,453,000 *(31 December 2020: approximately US$5,191,000)* which are principally denominated in HK$, Malaysian Ringgit, Renminbi, SG and US$, and the Group did not have any bank borrowings and debts. Total assets were approximately US$12,586,000 *(31 December 2020: approximately US$11,897,000)* and total liabilities were approximately US$4,315,000 *(31 December 2020: approximately US$2,525,000)*. The gearing ratio is not available, since the Group had no bank borrowings and no debts as at 30 June 2021 and 31 December 2020.

SHARE CAPITAL

As at 30 June 2021 and 31 December 2020, 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 2021 and 31 December 2020, 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

Save as disclosed in Note 14 to the unaudited condensed consolidated financial statements in this report, the Group did not have any material contingent liabilities as at 30 June 2021 and 31 December 2020.

SIGNIFICANT INVESTMENT, MATERIAL ACQUISITIONS AND DISPOSALS

Save as disclosed in Note 18 to the unaudited condensed consolidated financial statements in this report, the Group did not have significant investment, material acquisitions and disposal during the six months ended 30 June 2021 and 2020.

CHARGE ON THE GROUP'S ASSETS

There was no charge on the Group's assets as at 30 June 2021 and 31 December 2020.

DIVIDEND

The Directors did not recommend a payment of an interim dividend for the six months ended 30 June 2021 *(Six months ended 30 June 2020: nil)*.

EMPLOYEES INFORMATION

As at 30 June 2021, the Group had a total number of 34 employees *(30 June 2020: 26 employees)* (including executive Directors). During the six months ended 30 June 2021, the total staff costs amount to approximately US$388,000 *(Six months ended 30 June 2020: approximately US$436,000)*, representing a decrease of approximately US$48,000 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 2021, the Group has operating lease commitments as lessee in respect of rentals payables for its office premises, amounted to approximately US$72,000 *(31 December 2020: approximately US$10,000)*.

The Group did not have any material capital commitment as at 30 June 2021 and 31 December 2020.

USE OF NET PROCEEDS

On 24 February 2021, the Board resolved to reallocate the use in its unutilised net proceeds (the "Unultilised Net Proceeds") from the issue of new shares of the Company at the time of its listing on GEM on 16 June 2017. The Unultilised Net Proceeds of approximately HK$4,781,000 (equivalent to approximately US$613,000) was changed and reallocated from the expansion of sales and marketing team to general working capital.

The Directors consider that the change in the use of the Unultilised Net Proceeds is in the best interest of the Company and its Shareholders as a whole since it is more appropriate to meet the current business needs of the Company and enables the Company to invest its financial sources in a more beneficial and effective way so as to cooperate in the future development of the Company and grasp the potential business opportunities in the future.

Up to 30 June 2021, the Unultilised Net Proceeds had been applied as follows:

	Unultilised Net Proceeds as at 24 February 2021		Actual use of the new proceeds from 24 February 2021 to 30 June 2021	
	HK$'000	*US$'000*	*HK$'000*	*US$'000*
General working capital	4,781	613	4,781	613

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

As at 30 June 2021, the interests and short positions of the directors or chief executive of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO, which were required (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); or (b) pursuant to Section 352 of the SFO, to be entered in the register referred to therein; or (c) pursuant to Rule 5.46 to 5.67 of the GEM Listing Rules to be notified to the Company and the Stock Exchange, were as follows:

LONG POSITION IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY

Name of director and chief executive *(Note 1)*	Capacity/Nature	Number of Shares held/ interested in *(Note 2 and 3)*	Percentage of issued share capital
Mr. Foo Moo Teng *(chairman, executive director and chief executive officer)*	Interest in a controlled corporation	154,838,000 (L) 154,838,000 (S)	21.51%

Notes:

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

2. The Letter "L" demonstrates the Directors' long position in the shares of the Company or the relevant associated corporation.

3. The Letter "S" demonstrates the Directors' short position in the shares of the Company or the relevant associated corporation.

Save as disclosed above, as at 30 June 2021, none of the other Directors nor chief executives of the Company have registered an interest or short position in the shares, underlying shares or debentures of the Company or any of its associated corporations which were required (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); or (b) pursuant to Section 352 of the SFO, to be entered in the register referred to therein; or (c) pursuant to Rule 5.46 to 5.67 of the GEM Listing Rules to be notified to the Company and the Stock Exchange.

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

As at 30 June 2021, so far as known to any director, the following persons (other than the directors and chief executive of the Company) had interest or short positions in the shares and underlying shares of the Company which would fall to be disclosed under the provisions of Divisions 2 and 3 of Part XV of the SFO as recorded in the register required to be kept under Section 336 of the SFO:

LONG POSITION IN SHARES OR UNDERLYING SHARES OF THE COMPANY

Name of Shareholders	**Capacity/Nature**	**Number of Shares held/ interested in** *(Note 1 and 2)*	**Percentage of issued share capital**
Alpha Sense (BVI)	Beneficial owner	154,838,000 (L) 154,838,000 (S)	21.51%
XOX (Hong Kong) Limited ("XOX Hong Kong") *(Note 3)*	Beneficial owner	117,848,500 (L)	16.37%
XOX Bhd (Note 3)	Interested in a controlled corporation	117,848,500 (L)	16.37%
UBS Group AG ("UBS") *(Note 4)*	Beneficial owner	99,160,000 (L)	13.77%

Notes:

1. The Letter "L" demonstrates long position.

2. The Letter "S" demonstrates short position.

3. XOX Hong Kong is an investment holding company incorporated in Hong Kong and is wholly-owned by XOX Bhd. XOX Bhd is a company incorporated in Malaysia, the shares of which are listed on Bursa Malaysia (stock code: 0165).

4. UBS is an investment holding company incorporated in Switzerland, the shares of which are listed on SIX Swiss Exchange (stock code: UBSG: SW) and on the New York Stock Exchange (stock code: UBS).

Save as disclosed above, as at 30 June 2021, 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 2021, 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 2021.

INTERESTS IN COMPETING BUSINESS

During the six months ended 30 June 2021 and up to the date of this report, none of the 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 2021.

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 2021.

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 2021, no share option had been granted, cancelled, exercised or lapsed pursuant to the Scheme. There was no share option outstanding as at 30 June 2021.

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 2021, the Audit Committee comprised three independent non-executive Directors, namely Ms. Lim Joo Seng, Mr. Tang Chak Lam Gilbert and Mr. Yeung Chun Yue David. Ms. Lim Joo Seng is the Chairman of the Audit Committee.

The Group's unaudited condensed consolidated financial statements for the six months ended 30 June 2021 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, 9 August 2021

As at the date of this report, the Board comprises three executive Directors, namely Mr. Foo Moo Teng, Mr. Roy Ho Yew Kee and Mr. Ong Gim Hai; and three independent non-executive Directors, namely Ms. Lim Joo Seng, Mr. Tang Chak Lam Gilbert and Mr. Yeung Chun Yue David.

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.