



NEXION TECHNOLOGIES LIMITED

(Incorporated in the Cayman Islands with limited liability)

Stock code: 8420

INTERIM REPORT 2022



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 2022, together with the comparative unaudited figures of the corresponding period in 2021, as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2022

		(Unaudited) For the three months ended 30 June		(Unaudited) For the six months ended 30 June	
		2022	2021	2022	2021
	Notes	US\$'000	US\$'000	US\$'000	US\$'000
Revenue	4	3,503	609	4,261	1,054
Other income	5	54	41	110	62
Cost of inventories sold		(2,904)	(129)	(3,047)	(203)
Staff costs and related expenses		(262)	(224)	(555)	(388)
Subcontracting fee		(103)	(9)	(103)	(43)
Sales and marketing expenses		(9)	(209)	(20)	(422)
Depreciation and amortisation		(183)	(212)	(397)	(432)
General and administrative expenses		(363)	(370)	(705)	(709)
Finance costs	6	(1)	-	(2)	-
Loss before income tax	7	(268)	(503)	(458)	(1,081)
Income tax expenses	8	(6)	(5)	(6)	(5)

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

For the six months ended 30 June 2022

	Notes	(Unaudited) For the three months ended 30 June		(Unaudited) For the six months ended 30 June	
		2022 US\$'000	2021 US\$'000	2022 US\$'000	2021 US\$'000
Loss for the period		(274)	(508)	(464)	(1,086)
Other comprehensive loss					
<i>Item that may not be reclassified to profit or loss:</i>					
Surplus on revaluation of building	11	16	–	16	–
<i>Items that may be reclassified subsequently to profit or loss:</i>					
Release of exchange reserve upon disposal of subsidiaries	20	(14)	–	(14)	–
Exchange difference arising on translation of foreign operations		70	12	88	(15)
Other comprehensive income/(loss) for the period		72	12	90	(15)
Total comprehensive loss for the period attributable to owners of the Company		(202)	(496)	(374)	(1,101)
(Loss)/profit for the period attributable to:					
Equity holders of the Company		(279)	(522)	(482)	(1,096)
Non-controlling interests		5	14	18	10
		(274)	(508)	(464)	(1,086)
Total comprehensive (loss)/income attributable to:					
Equity holders of the Company		(193)	(513)	(378)	(1,110)
Non-controlling interests		(9)	17	4	9
		(202)	(496)	(374)	(1,101)
Loss per share for loss attributable to equity holders of the Company, basic and diluted (US cents)	9	(0.04)	(0.07)	(0.07)	(0.15)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2022

		(Unaudited) 30 June 2022 US\$'000	(Audited) 31 December 2021 US\$'000
	Notes		
Non-current assets			
Property, plant and equipment	11	12	1,173
Right-of-use assets	12	95	103
Intangible assets	13	1,333	1,644
Goodwill	14	674	686
		2,114	3,606
Current assets			
Inventories		108	78
Trade and other receivables	15	2,328	4,634
Bank balances and cash		3,684	5,276
Income tax recoverables		21	–
		6,141	9,988
Current liabilities			
Trade and other payables	16	1,990	7,043
Lease liabilities	12	70	65
Income tax payables		–	24
		2,060	7,132
Net current assets		4,081	2,856
Total assets less current liabilities		6,195	6,462
Non-current liabilities			
Lease liabilities	12	24	36
Deferred tax liabilities		1	1
		25	37
NET ASSETS		6,170	6,425
Capital and reserves			
Share capital	17	923	923
Reserves		5,274	5,533
Equity attributable to equity holders of the Company		6,197	6,456
Non-controlling interests		(27)	(31)
TOTAL EQUITY		6,170	6,425

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2022

	Attributable to equity holders of the Company							Total US\$'000	Non- controlling interests US\$'000	Total US\$'000
	Share capital US\$'000 (Note 17)	Share premium US\$'000	Capital reserve US\$'000	Exchange reserve US\$'000	Revaluation reserve US\$'000 (Note 11)	Share-based payments reserve US\$'000 (Note 19)	Accumulated losses US\$'000			
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: <i>Item that may be subsequently reclassified to profit or loss</i>										
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
At 1 January 2022 (Audited)	923	9,919	650	(53)	-	222	(5,205)	6,456	(31)	6,425
(Loss)/profit for the period	-	-	-	-	-	-	(482)	(482)	18	(464)
Other comprehensive income/(loss): <i>Item that may not be reclassified to profit or loss</i>										
Surplus on revaluation reserve <i>Item that may be subsequently reclassified to profit or loss</i>	-	-	-	-	16	-	-	16	-	16
Release of exchange reserve upon disposal of subsidiaries (Note 20)	-	-	-	(14)	-	-	-	(14)	-	(14)
Exchange difference arising on translation of foreign operations	-	-	-	102	-	-	-	102	(14)	88
Total comprehensive income/(loss) for the period	-	-	-	88	16	-	(482)	(378)	4	(374)
Transactions with owners: <i>Contributions and distributions</i>										
Recognition of cash-out share-based payments liabilities (Note 19)	-	-	-	-	-	119	-	119	-	119
Changes in ownership interests Transfer of reserve upon disposal of subsidiaries (Note 20)	-	-	-	-	(16)	-	16	-	-	-
Total transactions with owners	-	-	-	-	(16)	119	16	119	-	119
At 30 June 2022 (Unaudited)	923	9,919	650	35	-	341	(5,671)	6,197	(27)	6,170

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2022

	Note	2022 US\$'000	2021 US\$'000
OPERATING ACTIVITIES			
Cash generated (used in)/from operations		(2,754)	175
Income tax paid		(49)	–
Net cash (used in)/from operating activities		(2,803)	175
INVESTING ACTIVITIES			
Interest received		11	6
Acquisition of plant and equipment		(2)	–
Additions of right-of-use assets		(9)	–
Additions to intangible assets		–	(42)
Net cash outflow on acquisition of a subsidiary		–	(836)
Net cash inflow on disposal of subsidiaries	20	1,126	–
Net cash from/(used in) investing activities		1,126	(872)
FINANCING ACTIVITIES			
Repayment of lease liabilities		(37)	–
Interest paid		(2)	–
Net cash used in financing activities		(39)	–
Net decrease in cash and cash equivalents		(1,716)	(697)
Cash and cash equivalents at the beginning of the reporting period		5,276	5,191
Effect of foreign exchange rate changes, net		124	(41)
Cash and cash equivalents at the end of the reporting period, represented by bank balances and cash		3,684	4,453

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2022

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 2022 (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 2021, 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 2021 (the "2021 Consolidated Financial Statements").

The Interim Consolidated Financial Statements have been prepared on the historical costs basis, except for building, which is 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 2021 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 2022 and 2021 is as follows:

	Cyber infrastructure solutions <i>US\$'000</i>	Cyber security solutions <i>US\$'000</i>	SaaS <i>US\$'000</i>	Total <i>US\$'000</i>
Six months ended 30 June 2022				
(Unaudited)				
Revenue from external customers and reportable segment revenue	2,073	1,945	243	4,261
Reportable segment results (Adjusted EBITDA)	38	41	57	136
Depreciation and amortisation	205	173	19	397
Employee benefit expenses arisen in profit guarantee	-	85	-	85
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	270	161	1	432

3. SEGMENT INFORMATION (Continued)
Reconciliation of reportable segment results

	(Unaudited)	
	For the six months ended 30 June	
	2022	2021
	<i>US\$'000</i>	<i>US\$'000</i>
Reportable segment results (Adjusted EBITDA)	136	(208)
Interest income	11	6
Depreciation and amortisation	(397)	(432)
Unallocated expenses	(208)	(447)
Loss before income tax	(458)	(1,081)
Income tax expenses	(6)	(5)
Loss for the period	(464)	(1,086)

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

(a) Revenue from external customers

	(Unaudited) For the six months ended 30 June	
	2022 US\$'000	2021 US\$'000
Malaysia	120	19
Myanmar	159	128
Philippines	44	48
Singapore	1,860	327
Taiwan	–	1
The PRC	272	531
Vietnam	1,806	–
	4,261	1,054

(b) Specified Non-current Assets

	(Unaudited) 30 June 2022 US\$'000	(Audited) 31 December 2021 US\$'000
Hong Kong	3	14
Malaysia	1	–
Singapore	744	1,894
The PRC	1,366	1,698
	2,114	3,606

4. REVENUE

	(Unaudited)		(Unaudited)	
	For the three months		For the six months	
	ended 30 June		ended 30 June	
	2022	2021	2022	2021
	US\$'000	US\$'000	US\$'000	US\$'000
<i>Revenue from contracts with customers within IFRS 15</i>				
- at a point in time				
Cyber infrastructure solutions	1,885	107	2,035	232
Cyber security solutions	1,514	193	1,945	233
SaaS	81	274	243	531
- over time				
Maintenance and support service income	23	35	38	58
	3,503	609	4,261	1,054

5. OTHER INCOME

	Note	(Unaudited)		(Unaudited)	
		For the three months		For the six months	
		ended 30 June		ended 30 June	
		2022	2021	2022	2021
		US\$'000	US\$'000	US\$'000	US\$'000
Exchange gain, net		-	21	-	21
Interest income		4	4	11	6
Gain on disposal of subsidiaries	20	43	-	43	-
Government grants		5	16	48	35
Other		2	-	8	-
		54	41	110	62

6. FINANCE COSTS

	(Unaudited)		(Unaudited)	
	For the three months ended 30 June		For the six months ended 30 June	
	2022	2021	2022	2021
	US\$'000	US\$'000	US\$'000	US\$'000
Finance charges on lease liabilities	1	-	2	-

7. LOSS BEFORE INCOME TAX

This is stated after charging/(crediting):

	(Unaudited)		(Unaudited)	
	For the three months ended 30 June		For the six months ended 30 June	
	2022	2021	2022	2021
	US\$'000	US\$'000	US\$'000	US\$'000
Amortisation of intangible assets	141	141	283	283
Depreciation of property, plant and equipment	42	71	114	149
Exchange (gain)/loss, net	(6)	-	2	-

8. INCOME TAX EXPENSES

	(Unaudited)		(Unaudited)	
	For the three months ended 30 June		For the six months ended 30 June	
	2022	2021	2022	2021
	US\$'000	US\$'000	US\$'000	US\$'000
Current tax				
PRC enterprise income tax	-	-	-	-
Malaysia corporate income tax	-	-	-	-
Singapore corporate income tax				
Current period	6	1	6	1
Under provision in prior year	-	4	-	4
	6	5	6	5
Deferred tax	-	-	-	-
	6	5	6	5

The Group entities established in the Cayman Islands and the British Virgin Islands (the "BVI") are exempted from income tax. No provision for Hong Kong profits tax has been made as the Group had no assessable profits arising in or derived from Hong Kong during the six months ended 30 June 2022 and 2021.

8. INCOME TAX EXPENSES (Continued)

Hong Kong profits tax is calculated at 16.5% (*Six months ended 30 June 2021: 16.5%*) of the estimated assessable profits arising in or derived from Hong Kong. The Group's subsidiaries established in the PRC are subject to enterprise income tax of the PRC at 25% (*Six months ended 30 June 2021: 25%*) of the estimated assessable profits for the six months ended 30 June 2022 based on the existing legislation, interpretations and practices in respect thereof.

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 during the six months ended 30 June 2022 and 2021. 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 2022 and 2021.

Malaysia CIT is calculated at 24% of the estimated assessable profits for the six months ended 30 June 2022 and 2021. Malaysia incorporated entities with paid-up capital of Malaysian Ringgit ("RM") 2.5 million or less enjoy tax rate of 17% on the first RM600,000 and remaining balance of the estimated assessable profits at tax rate of 24% for the six months ended 30 June 2022 and 2021.

9. 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	
	2022 US\$'000	2021 US\$'000	2022 US\$'000	2021 US\$'000
Loss for the period attributable to the owners of the Company, used in basic and diluted loss per share calculation	(279)	(522)	(482)	(1,096)
	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
	<i>US cents</i>	<i>US cents</i>	<i>US cents</i>	<i>US cents</i>
Basic and diluted loss per share	(0.04)	(0.07)	(0.07)	(0.15)

9. LOSS PER SHARE (Continued)

At 30 June 2022, the performance-based conditions of the Profit Guarantee 2021 and the Profit Guarantee 2022 (as defined in Note 19 to the Interim Consolidated Financial Statements) are not regarded as satisfied, and thus the contingently issuable ordinary shares are not treated as outstanding for the six months ended 30 June 2022 and are not included in the calculation of diluted loss per share. As a result, diluted loss per share is the same as basic loss per share for the six months ended 30 June 2022.

Diluted loss per share was the same as the basic loss per share for the six months ended 30 June 2021 as there were no dilutive potential ordinary shares.

10. DIVIDENDS

The Directors did not recommend a payment of an interim dividend for the six months ended 30 June 2022 (*Six months ended 30 June 2021: Nil*).

11. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2022, the Group incurred approximately US\$2,000 on additions to plant and equipment (*Six months ended 30 June 2021: Nil*).

During the six months ended 30 June 2022, the Group disposed a building with fair value at SG\$1,500,000 (equivalent to approximately US\$1,107,000) upon disposal of the entire equity interests in Fortune Shoreline Limited ("Fortune Shoreline") and its subsidiary, Nexion Investment Pte. Ltd (collectively, the "Fortune Shoreline Group") (*Six months ended 30 June 2021: No disposal of property, plant and equipment was incurred*).

Revaluation of building

At the date of disposal of Fortune Shoreline Limited, the valuation on the building (located in Singapore) was conducted by an independent professional qualified valuer using direct comparison approach by making reference to comparable sales evidence as available in the relevant market. Sales prices of comparable properties in close proximity adjusted for differences in key valuation attributes, such as size, was used to value the properties. The most significant input into this valuation approach is price per square foot. Building is classified as Level 2 under fair value hierarchy. There were no transfers into or out of Level 2 during the six months ended 30 June 2022 and the year ended 31 December 2021.

11. PROPERTY, PLANT AND EQUIPMENT (Continued)

Revaluation of building (Continued)

The fair value of the building is a level 2 recurring fair value measurement. A reconciliation of the opening and closing fair value balance is provided below:

	(Unaudited) 30 June 2022 US\$'000	(Audited) 31 December 2021 US\$'000
At the beginning of the reporting period	1,088	1,149
Depreciation	(7)	(23)
Surplus on revaluation	16	–
Exchange alignment	10	(38)
Disposal of subsidiaries (Note 20)	(1,107)	–
At the end of the reporting period	–	1,088

12. RIGHT-OF-USE ASSETS AND LEASE LIABILITIES

Right-of-use assets

	Office premises	
	(Unaudited) 30 June 2022 US\$'000	(Audited) 31 December 2021 US\$'000
Reconciliation of carrying amount		
At the beginning of the reporting period	103	–
Addition	31	132
Depreciation	(36)	(23)
Disposal of subsidiaries	–	(6)
Exchange alignment	(3)	–
At the end of the reporting period	95	103
At the end of the reporting period		
Cost	152	126
Accumulated depreciation	(57)	(23)
Net carrying amount	95	103

12. RIGHT-OF-USE ASSETS AND LEASE LIABILITIES (Continued)

Lease liabilities

	(Unaudited) 30 June 2022 US\$'000	(Audited) 31 December 2021 US\$'000
Current portion	70	65
Non-current portion	24	36
	94	101

The Group leases office premises for its operation and the lease terms of two years. The total cash outflow for lease was approximately US\$37,000 for the six months ended 30 June 2022 (*Six months ended 30 June 2021: Nil*).

At 30 June 2022, the weighted average effective interest rate for the lease liabilities of the Group was 3.9% per annum (*At 31 December 2021: 5.1%*).

13. INTANGIBLE ASSETS

During the six months ended 30 June 2022, the Group did not incurred expenditure on additions to the intangible assets (*Six months ended 30 June 2021: approximately US\$42,000*). All intangible assets are available for use at 30 June 2022 and 31 December 2021.

14. GOODWILL

	(Unaudited) 30 June 2022 US\$'000	(Audited) 31 December 2021 US\$'000
At the beginning of the reporting period	686	–
Acquired through acquisition of a subsidiary (<i>Note 19</i>)	–	707
Exchange alignment	(12)	(21)
At the end of the reporting period	674	686
Cost	674	686
Accumulated impairment losses	–	–
	674	686

15. TRADE AND OTHER RECEIVABLES

		(Unaudited) 30 June 2022 US\$'000	(Audited) 31 December 2021 US\$'000
Trade receivables from third parties		377	2,861
<i>Less: Loss allowance</i>	<i>(a)</i>	(5)	(5)
	<i>(a)</i>	372	2,856
Other receivables			
Prepayments		1,143	1,071
Deposits and other receivables	<i>(b), (c)</i>	813	707
		1,956	1,778
		2,328	4,634

- (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 2022 US\$'000	(Audited) 31 December 2021 US\$'000
Within 30 days	47	2,447
31 to 60 days	27	66
61 to 90 days	4	149
91 to 180 days	53	127
181 to 365 days	237	38
Over 1 year	4	29
	372	2,856

15. 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 2022 US\$'000	(Audited) 31 December 2021 US\$'000
Not yet due	44	2,444
<hr/>		
Past due:		
With 30 days	30	68
31 to 60 days	5	86
61 to 90 days	–	146
91 to 180 days	98	45
181 to 365 days	192	44
Over 1 year	3	23
	328	412
	372	2,856

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 2022. The information about the exposure to credit risk and ECL for trade receivables using a provision matrix at 30 June 2022 and 31 December 2021 are summarised below.

15. TRADE AND OTHER RECEIVABLES (Continued)

(a) (Continued)

At 30 June 2022

	Expected loss rate %	Gross carrying amount US\$'000	Loss allowance US\$'000	Net carrying amount US\$'000	Credit- impaired
Trade receivables					
Not past due		44	–	44	No
1–365 days past due		325	–	325	No
Over 1 year past due	63%	8	(5)	3	No
		377	(5)	372	

At 31 December 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		2,444	–	2,444	No
1–365 days past due		389	–	389	No
Over 1 year past due	18%	28	(5)	23	No
		2,861	(5)	2,856	

15. TRADE AND OTHER RECEIVABLES (Continued)

(a) (Continued)

At 30 June 2022 and 31 December 2021, the Group did not recognise loss allowance on trade receivables. There is no movement in the loss allowance for trade receivables during the six months ended 30 June 2022 and the year ended 31 December 2021.

The Group does not hold any collateral over the trade receivables at 30 June 2022 and 31 December 2021.

- (b) Other receivables include deposits and other receivables and receivable on disposal of a subsidiary. Impairment on other receivables is measured on 12-month 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 2022.

15. TRADE AND OTHER RECEIVABLES (Continued)

(b) (Continued)

At 30 June 2022, the Group recognised loss allowance of approximately US\$1,606,000 (31 December 2021: approximately US\$1,606,000) on other receivables. The movement in the loss allowance for the balances is summarised below.

	(Unaudited)	(Audited)
	30 June	31 December
	2022	2021
	US\$'000	US\$'000
At the beginning of the reporting period	1,606	1,166
Increase in allowance	–	440
	<hr/>	<hr/>
At the end of the reporting period	1,606	1,606

(c) During the year ended 31 December 2020, the Group has terminated the potential investments entered in previous year and related deposit on these investments of HK\$3,000,000 (equivalent to approximately US\$384,000), which were paid during the year ended 31 December 2019. At 30 June 2022, such deposit of approximately US\$90,000 (31 December 2021: approximately US\$115,000) is remain unsettled.

16. TRADE AND OTHER PAYABLES

		(Unaudited) 30 June 2022 <i>US\$'000</i>	(Audited) 31 December 2021 <i>US\$'000</i>
	<i>Notes</i>		
Trade payables to third parties	<i>(a)</i>	201	1,112
Other payables			
Accruals and other payables	<i>(b)</i>	1,385	3,287
Receipt in advance	<i>(c)</i>	246	2,486
Payable on acquisition of intangible assets	<i>(d)</i>	158	158
		1,789	5,931
		1,990	7,043

- (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 2022 <i>US\$'000</i>	(Audited) 31 December 2021 <i>US\$'000</i>
Within 30 days	72	989
31 to 60 days	4	35
61 to 90 days	30	34
Over 90 days	95	54
	201	1,112

16. TRADE AND OTHER PAYABLES (Continued)

- (b) Included in accruals and other payables at 30 June 2022 were payables to subcontractors of approximately US\$414,000 (31 December 2021: approximately US\$1,281,000) and accrued employee benefits expenses arisen in profit guarantee of approximately US\$622,000 (31 December 2021: approximately US\$655,000).
- (c) 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 2022 and year ended 31 December 2021 are as follows:

	(Unaudited)	(Audited)
	30 June	31 December
	2022	2021
	US\$'000	US\$'000
At the beginning of the reporting period	2,486	462
Recognised as revenue	(2,395)	(323)
Receipt of advances or recognition of receivables	155	2,395
Disposal of subsidiaries	-	(48)
	<hr/>	<hr/>
At the end of reporting period	246	2,486

Included in the amount of transaction price allocated to the remaining performance obligations that are unsatisfied (or partially unsatisfied) at 30 June 2022 is approximately US\$246,000 (31 December 2021: approximately US\$2,486,000), which is expected to be recognised as revenue within one year.

- (d) 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\$1,542,000 as at 30 June 2022 (31 December 2021: US\$1,542,000). In accordance to the software copyrights transfer agreement, the remaining consideration of US\$158,000 (31 December 2021: US\$158,000) is repayable on or before 31 August 2022.

17. SHARE CAPITAL

	Number of shares	Equivalent to HK\$	Equivalent to US\$
Ordinary share of HK\$0.01 each			
Authorised:			
At 30 June 2022 and 31 December 2021	6,000,000,000	60,000,000	7,692,308
Issued and fully paid:			
At 30 June 2022 and 31 December 2021	720,000,000	7,200,000	923,077

18. OPERATING LEASE COMMITMENTS

At 30 June 2022, the Group was committed to lease contracts in relation to properties of approximately US\$9,000 for short-term leases (*31 December 2021: approximately US\$2,000*).

19. ACQUISITION OF A SUBSIDIARY

On 7 April 2021, the Company 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 acquire the entire equity interest of Storm Front Pte. Ltd ("Storm Front") at a maximum consideration of SG\$3,500,000 (equivalent to approximately US\$2,628,000), which will be satisfied 50% by cash and 50% by way of the allotment and issue of consideration shares (the "Consideration Shares"), subject to adjustment on guaranteed profits (the "Acquisition").

Pursuant to the Agreement and announcement of the Company dated 15 October 2021, part of the consideration payables are subject to the net profit performance of Storm Front for two periods from 1 January 2021 to 31 March 2022 and from 1 April 2022 to 31 March 2023 (the "Profit Guarantee 2021" and the "Profit Guarantee 2022", respectively). The Profit Guarantee 2021 and the Profit Guarantee 2022 indicates the net profit of Storm Front shall not be less than SG\$500,000 (equivalent to approximately US\$375,000) for each of the periods.

The consideration of the Acquisition would be settled in the following manners:

- (a) SG\$1,167,000 (equivalent to approximately US\$880,000) was paid to the Vendors in cash as the first instalment of the consideration upon completion of the Acquisition; and

19. ACQUISITION OF A SUBSIDIARY (Continued)

- (b) two performance-based consideration with aggregate amount of SG\$2,333,000 (equivalent to approximately US\$1,677,000) would be settled by cash of SG\$583,000 (equivalent to approximately US\$419,000) and issue of Consideration Shares of SG\$1,750,000 (equivalent to approximately US\$1,258,000) upon the satisfaction of the Profit Guarantee 2021 and the Profit Guarantee 2022.

Subject to the fulfilment of each Profit Guarantee, the Company shall pay to the Vendors SG\$1,166,500 (equivalent to approximately US\$838,000), of which SG\$291,500 (equivalent to approximately US\$210,000) shall be satisfied in cash and SG\$875,000 (equivalent to approximately US\$629,000) shall be satisfied by the issue of the Consideration Shares equivalent to SG\$875,000 (equivalent to approximately US\$629,000) (the "Payments"), provided always that the number of the Consideration Shares to be issued shall not exceed the maximum consideration shares of 19,800,000 (the "Maximum Consideration Shares"). Where the Consideration Shares issued pursuant to the Payments are not sufficient to satisfy the consideration amount of SG\$875,000 (equivalent to approximately US\$629,000), the remaining balance shall be satisfied in cash.

In the event of Storm Front does not achieve at least 60% of the Profit Guarantee 2021 and the Profit Guarantee 2022, the Payments shall be waived respectively. In the event of Storm Front achieves at least 60% of the Profit Guarantee 2021 and the Profit Guarantee 2022, the Payments (both in cash and in the consideration shares) shall be pro-rated by the achievement percentage (more than 60%) against the Profit Guarantee 2021 and the Profit Guarantee 2022 respectively.

In the opinion of the directors, the nature of the Profit Guarantee 2021 and the Profit Guarantee 2022 is to remunerate the Vendors for future services. The Consideration Shares to be issued and cash to be paid are therefore accounted for as share-based payments and other employee benefits expenses respectively.

For more details on the accounting recognition of the Acquisition, please refer to Note 26 to the 2021 Consolidated Financial Statements.

The auditing of the Profit Guarantee 2021 was completed in July 2022. Pursuant to the audit report of the Profit Guarantee 2021, the net profit of Storm Front was approximately SG\$506,000 (equivalent to approximately US\$377,000), which has exceeded the Profit Guarantee 2021 of SG\$500,000 (equivalent to approximately US\$372,000). The Vendors have fulfilled their obligations in relation to the Profit Guarantee 2021 and thus the Company is required to satisfy one of the Payments of SG\$1,166,500 (equivalent to US\$838,000) in accordance with the terms of the Agreement.

19. ACQUISITION OF A SUBSIDIARY (Continued)

For more information about the Acquisition, please refer to the Company's announcements dated 7 April 2021, 20 April 2021, and 5 May 2021. For more information about the extension of fulfilment of profit guarantee, please refer to the Company's announcement dated 15 October 2021.

For more information on the fulfilment of Profit Guarantee 2021, please refer to Note 21 to the Interim Consolidated Financial Statements and the Company's announcement dated 1 August 2022.

20. DISPOSAL OF SUBSIDIARIES

On 5 May 2022, the Group entered into a conditional sale and purchase agreement with an independent third party (the "Purchaser") to dispose the entire equity interests in Fortune Shoreline and assign a shareholder's loan of Fortune Shoreline Group (as defined per below) at total consideration of approximately US\$1,166,000 (the "Disposal"). The Disposal was completed on 18 May 2022.

Fortune Shoreline is a company incorporated in the British Virgin Islands with limited liability in 2017 and an indirect wholly-owned subsidiary of the Company. It is principally engaged in investment holding. Nexion Investment Pte. Ltd, the sole wholly-owned subsidiary of Fortune Shoreline is a company incorporated in Singapore with limited liability in 2017 and is principally engaged in property holding, which is used for commercial office of the subsidiaries of the Group.

The details of the Disposal are as follows:

	Fortune Shoreline Group US\$'000
Net assets disposed of	
Property, plant and equipment	1,110
Other receivables	4
Bank balances and cash	40
Amount due to immediate holding company assigned to the Purchaser	(1,166)
Other payables	(15)
Income tax payables	(2)
	(29)
Release of exchange reserve upon disposal of subsidiaries	(14)
Gain on disposal of subsidiaries	43
	-

20. DISPOSAL OF SUBSIDIARIES (Continued)

Analysis of net outflow of cash and cash equivalents in respect of the Disposal is as follows:

	Fortune Shoreline Group US\$'000
Cash consideration	1,166
Cash and cash equivalents disposed of	(40)
Net inflow of cash and cash equivalents	1,126

21. EVENT AFTER THE REPORTING PERIOD

Fulfilment of the Profit Guarantee 2021 in relation to the Acquisition

The auditing of the Profit Guarantee 2021 was completed in July 2022. Pursuant to the audit report of the Profit Guarantee 2021, the net profit of Storm Front was approximately SG\$506,000 (equivalent to approximately US\$377,000), which has exceeded the Profit Guarantee 2021 of SG\$500,000 (equivalent to approximately US\$372,000). The Vendors have fulfilled their obligations in relation to the Profit Guarantee 2021 and thus the Company is required to satisfy one of the Payments of SG\$1,166,500 (equivalent to approximately US\$858,000) in accordance with the terms of the Agreement.

Pursuant to the Agreement, upon fulfilment of the Profit Guarantee 2021, the Company is required to satisfy the Payment of SG\$1,166,500 (equivalent to approximately US\$858,000) by way of payment of SG\$291,500 (equivalent to approximately US\$214,000) in cash with the balance of SG\$875,000 (equivalent to approximately US\$644,000) being satisfied by way of issue of the Consideration Shares. As a result of the fulfilment of the Profit Guarantee 2021, on 1 August 2022, a total of 19,800,000 Consideration Shares, being the Maximum Consideration Shares, for settling the Payment were allotted and issued to the Vendors at issue price of HK\$0.1822 per Consideration Share under the general mandate of the Company, which was passed at the Company's annual general meeting on 20 May 2022 as an ordinary resolution. As the number of Consideration Shares issued pursuant to the Payment is not sufficient to satisfy the consideration amount of SG\$875,000 (equivalent to approximately US\$644,000), the remaining balance was satisfied by way of cash.

For more information on the fulfilment of Profit Guarantee 2021, please refer to the Company's announcement dated 1 August 2022.

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 solutions and cyber security solutions. Starting from 2019, the Group set up an office in Shanghai, the PRC focusing on SaaS business in view of huge and rapid growing domestic sharing economy business in the PRC.

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 and cyber security 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.

The Group has been actively considering and exploring various opportunities and flexibly change its business strategies to facilitate its business growth. On 5 May 2021, the Company acquired the entire equity interest of Storm Front. Storm 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. During the year ended 31 December 2021, the Group 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.

During the six months ended 30 June 2022 and up to the date of this report, the Group strives to strengthen its Group’s existing business segments and explore markets into the enterprise digital transformation area and smart technology industry.

CYBER INFRASTRUCTURE SOLUTIONS SEGMENT AND CYBER SECURITY SOLUTIONS SEGMENT

For the six months ended 30 June 2022, the reportable segment results (Adjusted EBITDA) in the cyber infrastructure solutions segment were profit of approximately US\$38,000 (*Six months ended 30 June 2021: loss of approximately US\$190,000*). The increase is mainly due to cost control of the Group.

For the six months ended 30 June 2022, the reportable segment results (Adjusted EBITDA) in the cyber security solutions segment were profit of approximately US\$41,000 (*Six months ended 30 June 2021: profit of approximately US\$115,000*). The decrease is mainly due to the increase in employee benefits expenses arisen in profit guarantee in respect of profit guarantee from the Acquisition to approximately US\$85,000 (*Six months ended 30 June 2021: Nil*) and rendered services with lower gross profit margin.

During the six months ended 30 June 2022, Coronavirus Disease 2019 (the “COVID-19”) pandemic, the emergence of new variants thereof, and political instability in Myanmar have continuously affected the Group’s operations, in particular, the negotiation of new projects with existing customers, and the seeking out of potential customers of the Group. However, The Group’s businesses in both segments have recovered gradually as more and more countries gradually adopt to life with the COVID-19 pandemic, and as a result of high vaccination rate reducing the severity illness and outbreaks.

The streamlined COVID-19 pandemic measures launched by the Ministry of Health (“MoH”) in Singapore in March 2022 and the easing of standard operating procedure requirements on COVID-19 pandemic launched by the MoH in Malaysia are also important road markers to resume economic activities in both Singapore and Malaysia, where are the bases of operation of both segments. The Group will continue to work on opportunities and explore the markets with the current and new technological offerings.

SAAS SEGMENT

For the six months ended 30 June 2022, the reportable segment result (Adjusted EBITDA) in the SaaS segment was profit of approximately US\$57,000 (*Six months ended 30 June 2021: loss of approximately US\$133,000*). The increase was mainly attributable to decrease in advertisement fee incurred for the developed SaaS business.

During the six months ended 30 June 2022, a series of pandemic prevention measures have been implemented by the PRC government in Shanghai due to the outbreak of Omicron variant, which have suspended the projects under negotiation and business activities in Shanghai. The Group expects that the outbreak of Omicron variant in Shanghai would continue to affect the SaaS business in the coming quarters. The Group will continue to adopt digital communication platforms to communicate with customers and business partners in view of the restrictions from the pandemic prevention measures and actively work out more alternative business plans.

The Group will also continuously endeavour to diversify its customer base and to expand its market share the in SaaS business.

FINANCIAL REVIEW

REVENUE

The major revenue streams of the Group derived from provision of the cyber infrastructure solutions business, the cyber security solutions business and the SaaS business. For the six months ended 30 June 2022, the Group recorded a total revenue of approximately US\$4,261,000 (*Six months ended 30 June 2021: approximately US\$1,054,000*), which were generated from the cyber infrastructure solutions business of approximately US\$2,073,000 (*Six months ended 30 June 2021: approximately US\$290,000*), the cyber security solutions business of approximately US\$1,945,000 (*Six months ended 30 June 2021: approximately US\$233,000*) and the SaaS segment business of approximately US\$243,000 (*Six months ended 30 June 2021: approximately US\$531,000*). The increase in revenue from the cyber infrastructure solutions business was mainly due to the completion of substantial projects in Vietnam whereas the scale of new projects completed were relatively significant; the increase in revenue from the cyber security solutions business was mainly due to the Acquisition and establishment of an operation base in Malaysia in late 2021; and the decrease in revenue from the SaaS business was mainly due to the implementation of a series of pandemic prevention measures by the PRC government.

COST OF INVENTORIES SOLD

The Group's cost of inventories sold increased from approximately US\$203,000 for the six months ended 30 June 2021 to approximately US\$3,047,000 for the six months ended 30 June 2022. The increase was mainly due to increase in the number of purchase of hardware components.

STAFF COSTS AND RELATED EXPENSES

For the six months ended 30 June 2022, the Group recorded staff costs and related expenses of approximately US\$555,000 (*Six months ended 30 June 2021: approximately US\$388,000*). The increase was mainly due to the increase in employee benefits expenses arisen in profit guarantee from the Acquisition to approximately US\$85,000 (*Six months ended 30 June 2021: Nil*). Details are set out in Note 19 to the Interim Consolidated Financial Statements.

SUBCONTRACTING FEE

For the six months ended 30 June 2022, the Group recorded subcontracting fee of approximately US\$103,000 (*Six months ended 30 June 2021: approximately US\$43,000*) for individual service providers to provide subcontracting services in the cyber security solutions business and the SaaS business.

SALES AND MARKETING EXPENSES

For the six months ended 30 June 2022, the Group recorded sales and marketing expenses of approximately US\$20,000 (*Six months ended 30 June 2021: approximately US\$422,000*). 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\$709,000 for the six months ended 30 June 2021 to approximately US\$705,000 for the six months ended 30 June 2022. There was no material fluctuation between two periods.

LOSS FOR THE PERIOD

The Group recorded a decrease in loss for the period from approximately US\$1,086,000 for the six months ended 30 June 2021 to approximately US\$464,000 for the six months ended 30 June 2022. The decrease in loss was mainly due to the aggregate effect of the increase reportable segment results (Adjusted EBITDA) in the cyber infrastructure solutions segment and the SaaS segment, and decrease in unallocated general and administrative expenses due to cost control of the Group.

LIQUIDITY AND FINANCIAL RESOURCES

As at 30 June 2022, the Group had current assets of approximately US\$6,141,000 (*31 December 2021: approximately US\$9,988,000*) including bank balances and cash of approximately US\$3,684,000 (*31 December 2021: approximately US\$5,276,000*) which are principally denominated in HK\$, RM, Renminbi, SG\$ and US\$, and the Group did not have any bank borrowings and debts. Total assets were approximately US\$8,255,000 (*31 December 2021: approximately US\$13,594,000*) and total liabilities were approximately US\$2,085,000 (*31 December 2021: approximately US\$7,169,000*). The gearing ratio is not available, since the Group had no bank borrowings and no debts as at 30 June 2022 and 31 December 2021.

SHARE CAPITAL

As at 30 June 2022 and 31 December 2021, 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 2022 and 31 December 2021, 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 2022 and 31 December 2021.

SIGNIFICANT INVESTMENT, MATERIAL ACQUISITIONS AND DISPOSALS

Save as disclosed in Note 20 to the Interim Consolidated Financial Statements, the Group did not have significant investment, material acquisitions and disposal during the six months ended 30 June 2022 and 2021.

CHARGE ON THE GROUP'S ASSETS

There was no charge on the Group's assets as at 30 June 2022 and 31 December 2021.

DIVIDEND

The Directors did not recommend a payment of an interim dividend for the six months ended 30 June 2022 (*Six months ended 30 June 2021: Nil*).

EMPLOYEES INFORMATION

As at 30 June 2022, the Group had a total number of 31 employees (*30 June 2021: 34 employees*) (including executive Directors). During the six months ended 30 June 2022, the total staff costs amount to approximately US\$555,000 (*Six months ended 30 June 2021: approximately US\$388,000*), representing an increase of approximately US\$167,000 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 2022, the Group has operating lease commitments as lessee in respect of rentals payables for its office premises, amounted to approximately US\$9,000 (*31 December 2021: approximately US\$2,000*).

The Group did not have any material capital commitment as at 30 June 2022 and 31 December 2021.

RESIGNATION AND RE-DESIGNATION OF DIRECTORS

Effected from 31 January 2022, Mr. Roy Ho Yew Kee (“Mr. Ho”) has been re-designated from an executive Director to a non-executive Director due to his wishes to devote more time to his other businesses and personal commitments. Mr. Ho’s role in the remuneration committee of the Company remains unchanged.

For more information about the re-designation of Mr. Ho, please refer to the Company’s announcement dated 31 January 2022.

Effected from 31 May 2022, Mr. Foo Moo Teng (“Mr. Foo”) has resigned as an executive Director, the chairman of the Board (the “Chairman”), the chief executive officer of the Company (the “Chief Executive Officer”) and a member of the nomination committee of the Company (the “Nomination Committee”) due to his other businesses and personal commitments.

Mr. Ong Gim Hai (“Mr. Ong”), an executive Director, has been appointed as the Chairman, the Chief Executive Officer and a member of the Nomination Committee in place of Mr. Foo with effect from 31 May 2022.

Effected from 31 May 2022, Mr. Foo has ceased to act as the compliance officer of the Company (the “Compliance Officer”) and one of the authorised representatives (the “Authorised Representative”), and Mr. Ong has been appointed as the Compliance Officer under Rule 5.19 of the GEM Listing Rules and the Authorised Representative under 5.24 of the GEM Listing Rules.

For more information about the resignation of Mr. Foo and re-designation of Mr. Ong, please refer to the Company’s announcement dated 31 May 2022.

EVENT AFTER THE REPORTING PERIOD

Event after the reporting period of the Group is set out in Note 21 to the Interim Consolidated Financial Statements and the Company’s announcement dated 1 August 2022.

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

As at 30 June 2022, 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 2022, 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 Investments Limited ("Alpha Sense (BVI)") (Note 3)	Beneficial owner	154,838,000 (L) 154,838,000 (S)	21.51%
Foo Moo Feng ("Mr. Foo") (Note 3)	Interested in a controlled corporation	154,838,000 (L) 154,838,000 (S)	21.51%
UBS Group AG ("UBS") (Note 4)	Beneficial owner	134,450,000 (L)	18.67%
XOX (Hong Kong) Limited ("XOX Hong Kong") (Note 5)	Beneficial owner	117,848,500 (L)	16.37%
XOX Bhd (Note 5)	Interested in a controlled corporation	117,848,500 (L)	16.37%

Notes:

1. The Letter "L" demonstrates long position.
2. The Letter "S" demonstrates short position.
3. Alpha Sense (BVI) is an investment holding company incorporated in the British Virgin Islands and is wholly-owned by Mr. Foo. Mr. Foo has resigned as the Chairman, executive Director and Chief Executive Officer with effect from 31 May 2022. By virtue of the SFO, Mr. Foo is deemed to be interested in the 154,838,000 Shares held by Alpha Sense (BVI).
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).
5. 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). By virtue of the SFO, XOX Bhd is deemed to be interested in the 117,848,500 Shares held by XOX Hong Kong.

Save as disclosed above, as at 30 June 2022, 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 2022, the Company had complied with the applicable code provisions of the Code with the exception of the deviation from code provision C.2.1 as explained below:

Code provision C.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. Ong has in-depth knowledge and experience in the information technology and computer 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. Ong taking up both roles. Accordingly, the Company has not segregated the roles of its chairman and chief executive officer as required under code provision C.2.1 of the Code.

Except for the deviation from code provision C.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 2022.

INTERESTS IN COMPETING BUSINESS

During the six months ended 30 June 2022 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 2022.

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 2022.

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 2022, no share option had been granted, cancelled, exercised or lapsed pursuant to the Scheme. There was no share option outstanding as at 30 June 2022.

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 2022, 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 2022 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
Ong Gim Hai
Chairman and Executive Director

Hong Kong, 8 August 2022

As at the date of this report, the Board comprises one executive Director, namely Mr. Ong Gim Hai; one non-executive Director, namely Mr. Roy Ho Yew Kee 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.