



NEXION TECHNOLOGIES LIMITED

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

Together We ● Innovate

THIRD QUARTERLY
REPORT
2017

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

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

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

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

RESULTS

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

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the nine months ended 30 September 2017

		(Unaudited) For the three months ended 30 September		(Unaudited) For the nine months ended 30 September	
		2017	2016	2017	2016
	Note	US\$'000	US\$'000	US\$'000	US\$'000
Revenue	4	2,000	302	4,224	2,989
Other income		–	58	71	100
Cost of inventories sold		(987)	(89)	(1,714)	(900)
Staff costs and related expenses		(248)	(213)	(658)	(517)
Depreciation and amortisation		(67)	(82)	(186)	(237)
Other operating expenses		(379)	(77)	(544)	(333)
Expenses for the Initial Listing		–	(109)	(1,633)	(109)
Profit/(loss) before income tax	5	319	(210)	(440)	993
Income tax credit/(expenses)	6	15	–	(42)	(184)
Profit/(loss) and total comprehensive income/(loss) for the period		334	(210)	(482)	809
Earnings/(loss) per share, basic and diluted (US cents)	7	0.06	(0.05)	(0.09)	0.20

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the nine months ended 30 September 2017

	Share capital US\$ '000	Share premium US\$ '000	Capital reserve US\$ '000	Accumulated profits US\$ '000	Total US\$ '000
At 1 January 2017 (Audited)	-	1,200	650	3,529	5,379
Loss and total comprehensive loss for the period	-	-	-	(482)	(482)
Transactions with owners:					
<i>Contributions and distributions</i>					
Capitalisation Issue (Note b)	577	(577)	-	-	-
Issue of new shares by way of public offer (Note c)	192	9,039	-	-	9,231
Transaction costs attributable to issue of new shares	-	(932)	-	-	(932)
Total transactions with owners	769	7,530	-	-	8,299
At 30 September 2017 (Unaudited)	769	8,730	650	3,047	13,196
At 1 January 2016 (Audited)	-	-	627	2,253	2,880
Profit and total comprehensive income for the period	-	-	-	809	809
Transactions with owners:					
<i>Contributions and distributions</i>					
Issue of share capital (Note a)	-	1,200	-	-	1,200
Additional capital contribution made by the then shareholders of a subsidiary	-	-	23	-	23
Total transactions with owners	-	1,200	23	-	1,223
At 30 September 2016 (Unaudited)	-	1,200	650	3,062	4,912

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY *(Continued)*

For the nine months ended 30 September 2017

Notes:

- a) On 30 June 2016, 15,000 new shares were issued and allotted at Hong Kong Dollars (“HK\$”) 624 per share to Vantage Network Global Limited (“Vantage Network (BVI)”) at a total consideration of HK\$9,360,000 (equivalent to approximately US\$1,200,000).
- b) On 16 June 2017, 449,900,000 shares of HK\$0.01 each were issued and allotted to the existing shareholders, credited as fully paid at par by way of capitalisation of the sum of HK\$4,499,000 (equivalent to approximately US\$577,000) standing to be credit of the share premium account of the Company (the “Capitalisation Issue”).
- c) On 16 June 2017, the public offer of 150,000,000 shares of the Company of HK\$0.01 each at the offer price of HK\$0.48 per public offer share of the sum of HK\$72,000,000 (equivalent to approximately US\$9,231,000) were issued and allotted.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the nine months ended 30 September 2017

1. CORPORATE INFORMATION

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

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

The unaudited condensed consolidated financial statements are presented in United States Dollars ("US\$"), unless otherwise stated.

2. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES

The unaudited condensed consolidated financial statements of the Group for the nine months ended 30 September 2017 (the "Third Quarterly Financial Statements") are prepared in accordance with the applicable disclosure requirements of Chapter 18 of the GEM Listing Rules.

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

The Third Quarterly Financial Statements include an explanation of events and transactions that are significant to an understanding of the changes in financial performance of the Group since 31 December 2016, and therefore, do not include all of the information required for full set of financial statements prepared in accordance with the International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Boards (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 Group's audited financial information for the year ended 31 December 2016 included in the Accountant's Report as set out in Appendix I of the prospectus dated 6 June 2017 (the "2016 Financial Information") (the "Prospectus").

2. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES

(Continued)

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

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

Completion of reorganisation

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

Adoption of new/revised IFRSs

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

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

3. SEGMENT INFORMATION

The executive Directors have been identified as the chief operating decision-makers. The executive Directors review the Group's internal reports in order to assess performance and allocate resources. Management has determined the operating segments based on these reports.

Based on the products, solutions and services offered by the Group to the customers, the executive Directors consider that the operating segments of the Group comprise (i) cyber infrastructure solutions and (ii) cyber security solutions.

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

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

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

	Cyber infrastructure solutions US\$'000	Cyber security solutions US\$'000	Total US\$'000
Nine months ended 30 September 2017 (Unaudited)			
Revenue from external customers and reportable segment revenue	2,903	1,321	4,224
Reportable segment results (Adjusted EBITDA)	621	991	1,612
Depreciation and amortisation	32	154	186

3. SEGMENT INFORMATION *(Continued)*

	Cyber infrastructure solutions US\$ '000	Cyber security solutions US\$ '000	Total US\$ '000
Nine months ended 30 September 2016 (Unaudited)			
Revenue from external customers and reportable segment revenue	1,590	1,399	2,989
Reportable segment results (Adjusted EBITDA)	263	1,234	1,497
Depreciation and amortisation	29	208	237

Reconciliation of reportable segment results

	(Unaudited) For the nine months ended 30 September	
	2017 US\$ '000	2016 US\$ '000
Reportable segment results (Adjusted EBITDA)	1,612	1,497
Interest income	1	3
Depreciation and amortisation	(186)	(237)
Unallocated expenses	(1,867)	(270)
(Loss)/profit before income tax	(440)	993
Income tax expenses	(42)	(184)
(Loss)/profit for the period	(482)	809

3. SEGMENT INFORMATION *(Continued)*

Information about geographical areas

The following table sets out information about the geographical location of the Group's revenue from external customers. The geographical location of revenue is based on the location of end users.

Revenue from external customers

	(Unaudited)	
	For the nine months ended 30 September	
	2017 US\$'000	2016 US\$'000
Hong Kong	16	3
Indonesia	41	40
Laos	26	11
Malaysia	1,268	414
Myanmar	144	195
Philippines	2,106	453
Singapore	614	718
South Korea	–	176
Taiwan	–	198
Thailand	4	732
United States	–	3
Vietnam	5	46
	4,224	2,989

4. REVENUE

	(Unaudited)		(Unaudited)	
	For the three months		For the nine months	
	ended 30 September		ended 30 September	
	2017	2016	2017	2016
	<i>US\$'000</i>	<i>US\$'000</i>	<i>US\$'000</i>	<i>US\$'000</i>
Cyber infrastructure solutions	1,373	108	2,579	1,399
Cyber security solutions	391	82	1,321	1,399
Maintenance and support service income	236	112	324	191
	2,000	302	4,224	2,989

5. PROFIT/(LOSS) BEFORE INCOME TAX

This is stated after charging/(crediting):

	(Unaudited)		(Unaudited)	
	For the three months		For the nine months	
	ended 30 September		ended 30 September	
	2017	2016	2017	2016
	<i>US\$'000</i>	<i>US\$'000</i>	<i>US\$'000</i>	<i>US\$'000</i>
Amortisation of intangible assets	53	65	142	188
Depreciation of property, plant and equipment	14	17	44	49
Exchange loss/(gain), net	12	6	(40)	(24)

6. INCOME TAX (CREDIT)/EXPENSES

	(Unaudited)		(Unaudited)	
	For the three months		For the nine months	
	ended 30 September		ended 30 September	
	2017	2016	2017	2016
	US\$'000	US\$'000	US\$'000	US\$'000
Current tax				
Singapore corporate income tax (credit)/ expense ("Singapore CIT")	(15)	–	42	48
Malaysia corporate income tax expense ("Malaysia CIT")	–	–	–	136
Total income tax (credit)/expenses for the period	(15)	–	42	184

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

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

Malaysia CIT is calculated at 24% of the estimated assessable profits for the nine months ended 30 September 2017 and 2016. Global Expert Team Sdn. Bhd. ("GET (Malaysia)") enjoys tax rate of 19% and 18% on the first Malaysian Ringgit ("RM") 500,000 and remaining balance of the estimated assessable profits at tax rate of 24% for the nine months ended 30 September 2016 and 2017 respectively.

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

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

7. EARNINGS/(LOSS) PER SHARE

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

	(Unaudited)		(Unaudited)	
	For the three months ended 30 September		For the nine months ended 30 September	
	2017	2016	2017	2016
	<i>US\$ '000</i>	<i>US\$ '000</i>	<i>US\$ '000</i>	<i>US\$ '000</i>
Profit/(loss) for the period attributable to the owners of the Company, used in basic and diluted earnings/(loss) per share calculation	334	(210)	(482)	809
	Number of shares ('000)			
Weighted average number of ordinary shares for basic and diluted earnings/(loss) per share calculation	600,000	450,000	508,791	405,411

The calculation of the weighted average number of ordinary shares for the purpose of calculating basic and diluted earnings/(loss) per share for the periods has been determined based on the assumption that the Capitalisation Issue had occurred on 1 January 2016 and having considered the impact of the shares subscribed by the Strategic Investor (as defined in the Prospectus) on 30 June 2016.

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

8. DIVIDEND

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

9. SIGNIFICANT EVENT AFTER THE REPORTING PERIOD

On 20 October 2017, the Group accepted options offered by two independent third party vendors in relation to the acquisition of two properties located in Singapore at a consideration of SG\$1,526,840 (equivalent to approximately US\$1,115,000) and SG\$1,550,000 (equivalent to approximately US\$1,132,000) respectively.

Further details of the proposed acquisition are set out in the Company's announcement dated 20 October 2017. The proposed acquisition has not been completed as at the date of authorisation of the Third Quarterly Financial Statements.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS OVERVIEW AND OUTLOOK

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

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

Looking forward, the Directors considered the cyber infrastructure solutions market and cyber securities solution market will grow continuously. Due to the economy of the developing countries in the Asia Pacific region growing steadily, which attracts considerable multinational enterprises and foreign investments, more organisations will keen to be equipped with proper cyber infrastructure for international communication and information interaction so as to safeguard their interests. In addition, it urges enterprises or governments to manage the data and information delivered over the internet and to enhance cyber security because of the increases in the information exposure, risks of internet content management and possibility of cyber-crimes. As mentioned in the sections headed “Summary” and “Business” in the Prospectus, the Group intends to develop its cyber infrastructure solution business focusing on system integration in the People’s Republic of China (“PRC”) due to the size and unique characteristics of the PRC market and plans to finance such development using proceeds from the Pre-IPO Investment as stated in the Prospectus. The 13th Five-Year National Informatisation Plan (“十三五”國家信息化規劃) promulgated by the State Council of the PRC in December 2016 encouraged the establishment and continuous upgrading of information infrastructure system. The Directors believe that listing on the Stock Exchange, being one of the internationally recognised stock exchange that is closest and most accessible to China, would be particularly beneficial to the business expansion plan of the Group in China as the Company would enhance its corporate

image to its potential customers in China with the listing status. Therefore, immediately subsequent to the listing of the Group on the GEM, the Group established a new company in China (the “PRC Subsidiary”). With a view of building a well-established client base in China, the Group is currently exploring viable business opportunities and prospective clients in industries with high growth potential for its cyber infrastructure solution services.

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

PRINCIPAL RISKS AND UNCERTAINTIES

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

FINANCIAL REVIEW

Revenue

The major revenue streams of the Group derived from both of the cyber infrastructure solutions and cyber security solutions business. For the nine months ended 30 September 2017, the Group recorded the total revenue of approximately US\$4,224,000 (2016: approximately US\$2,989,000), which were generated by cyber infrastructure solutions business of approximately US\$2,903,000 (2016: approximately US\$1,590,000) and cyber security solutions business of approximately US\$1,321,000 (2016: approximately US\$1,399,000). The substantial increase in revenue from cyber infrastructure solutions business was mainly due to the completion of two cyber infrastructure solution projects in the Philippines with high contract value.

Cost of inventories sold

The Group’s cost of inventories sold increased from approximately US\$900,000 for the nine months ended 30 September 2016 to approximately US\$1,714,000 for the nine months ended 30 September 2017. The increase was generally in line with the growth of cyber infrastructure solutions business. As there are more hardware components being used in the cyber infrastructure solutions business.

Staff costs and related expenses

For the nine months ended 30 September 2017, the Group recorded staff costs and related expenses of approximately US\$658,000 (2016: approximately US\$517,000). The increase was mainly due to the aggregate effect of the increase in salaries and bonus of employees and Directors, and the number of employees for the expansion of the Group's business.

Other operating expenses

The Group's other operating expenses comprise mainly of sales and marketing expenses and administrative expenses. The amount of other operating expenses increased from approximately US\$333,000 for the nine months ended 30 September 2016 to approximately US\$544,000 for the nine months ended 30 September 2017, which was mainly due to the increase in the amount of rental expenses, travelling expenses and the professional fees incurred after the Initial Listing.

Profit/(loss) and total comprehensive income/(loss) for the period

For the nine months ended 30 September 2017, there was no significant change in the customer mix of the Company. Excluding the impact of the listing expenses, the Group recorded an increase in the profit for the period from approximately US\$918,000 for the nine months ended 30 September 2016 to approximately US\$1,151,000 for the nine months ended 30 September 2017. The increase was mainly due to the increase in the amount of revenue from cyber infrastructure solution business as a result from the completion of two cyber infrastructure solution projects in the Philippines with high contract value during the nine months ended 30 September 2017.

Share capital

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

Treasury policy

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

Foreign exchange exposure

Most of the Group's assets, liabilities and transactions are denominated in US\$. For the Group's Hong Kong operation, as the exchange rate between HK\$ and US\$ is pegged, the Directors consider that the Group has no significant foreign exchange exposures. Up to the nine months ended 30 September 2017, the PRC subsidiary has not yet started any business operation. Foreign exchange risk arising from the normal course of operations is considered to be minimal.

Significant investment, material acquisitions and disposals

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

Subsequent to the reporting period, the Group accepted the options to purchase two properties located in Singapore as the new headquarter and for the upgrade of R&D facilities at a consideration of SG\$1,526,840 (approximately US\$1,115,000) and SG\$1,550,000 (approximately US\$1,132,000), respectively on 20 October 2017. Details of the acquisitions are set out in the announcement headed "Discloseable Transactions – Acquisition of Properties in Singapore" dated on 20 October 2017.

Charge on the Group's assets

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

Employees information

As at 30 September 2017, the Group had a total number of 33 employees (2016: 31 employees) (including executive Directors). During the period under review, the total staff costs amount to approximately US\$658,000 (2016: approximately US\$517,000), representing an increase of approximately US\$141,000 over the prior period.

The salaries and benefits of the Group's employees were kept at a market level and employees were rewarded on a performance-related basis within the general framework of the Group's salary and bonus system, which is reviewed annually. During the nine months ended 30 September 2017, no share options were granted to employees of the Group.

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

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

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

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

Note:

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

Save as disclosed above, as at 30 September 2017, none of the Directors or chief executive of the Company had any interest or short position in the shares, underlying shares or debentures of the Company or any of its associated corporations which were required (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); or (b) pursuant to Section 352 of the SFO, to be entered in the register referred therein; or (c) pursuant to Rule 5.46 to 5.47 of the GEM Listing Rules to be notified to the Company and the Stock Exchange.

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

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

Long position in shares or underlying shares of the Company

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

Notes:

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

Save as disclosed above, as at 30 September 2017, the Directors were not aware of any other persons (other than the Directors and chief executive of the Company) who had interests or short positions in the shares and underlying shares of the Company which would fall to be disclosed under the provisions of Divisions 2 and 3 of Part XV of the SFO as recorded in the register required to be kept under Section 336 of the SFO.

CORPORATE GOVERNANCE CODE

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

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

Code provision A.2.1 of the Code requires that the roles of chairman and chief executive officer should be separate and not performed by the same individual. 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 from the Listing Date to 30 September 2017.

DIRECTORS' INTEREST IN COMPETING BUSINESS

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

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

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

CODE OF CONDUCT REGARDING SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted a code of conduct regarding securities transactions by Directors on terms no less than the required standard of dealings as set out in Rules 5.48 to 5.67 of the GEM Listing Rules as the code of conduct for securities transactions by the Directors in respect of the Shares ("the Code of Conduct"). The Company also made specific enquiry with all Directors, and the Company was not aware of any non-compliance with the required standard as set out in the Code of Conduct from the Listing Date to 30 September 2017.

INTERESTS OF COMPLIANCE ADVISER

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

SHARE OPTION SCHEME

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

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

AUDIT COMMITTEE

The Company has established an audit committee with written terms of reference in compliance with Rule 5.28 and 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 September 2017, the audit committee comprised three independent non-executive Directors, namely Ms. Lim Joo Seng, Mr. Park Jee Ho and Mr. Chan Ming Kit. Ms. Lim Joo Seng is the chairman of the audit committee.

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

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

Hong Kong, 13 November 2017

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