# NEXION TECHNOLOGIES LIMITED

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

# 2018
## FIRST QUARTERLY REPORT

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

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

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

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*This report, for which the directors 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 of 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 three months ended 31 March 2018, together with the comparative unaudited figures of the corresponding period in 2017, as follows:

# CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

*For the three months ended 31 March 2018*

| | | (Unaudited) For the three months ended 31 March | |
|---|---|---|---|
| | Note | **2018** *US$'000* | 2017 *US$'000* |
| **Revenue** | *4* | **2,445** | 1,513 |
| Other income | | **159** | 21 |
| Cost of inventories sold | | **(1,663)** | (502) |
| Staff costs and related expenses | | **(372)** | (252) |
| Depreciation and amortisation | | **(141)** | (51) |
| Other operating expenses | | **(455)** | (96) |
| Share-based payments expense | *9* | **(316)** | – |
| Listing expenses | | **–** | (176) |
| **(Loss)/Profit before income tax** | *5* | **(343)** | 457 |
| Income tax expenses | *6* | **(54)** | (68) |
| **(Loss)/Profit for the period attributable to owners of the Company** | | **(397)** | 389 |
| **Other comprehensive loss** | | | |
| *Item that may be subsequently reclassified to profit or loss:* | | | |
| Exchange difference on consolidation | | **(125)** | – |
| **Total comprehensive (loss)/income for the period attributable to owners of the Company** | | **(522)** | 389 |
| **(Loss)/Earnings per share, basic and diluted (US cents)** | *7* | **(0.07)** | 0.09 |

# CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

*For the three months ended 31 March 2018*

| | | Reserves | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | Share capital US$'000 | Share premium US$'000 | Capital reserve US$'000 | Share options reserve US$'000 | Statutory reserve US$'000 | Exchange reserve US$'000 | Accumulated profits US$'000 | Total US$'000 |
| At 1 January 2018 (Audited) | 769 | 8,730 | 650 | – | 121 | 14 | 4,588 | 14,872 |
| Loss for the period | – | – | – | – | – | – | (397) | (397) |
| **Other comprehensive loss** | | | | | | | | |
| Exchange difference on consolidation | – | – | – | – | – | (125) | – | (125) |
| **Total comprehensive loss for the period** | – | – | – | – | – | (125) | (397) | (522) |
| **Transaction with owners:** | | | | | | | | |
| *Contribution and distribution* | | | | | | | | |
| Equity-settled share-based payments *(Note 9)* | – | – | – | 316 | – | – | – | 316 |
| **Total transaction with owners** | – | – | – | 316 | – | – | – | 316 |
| **At 31 March 2018 (Unaudited)** | 769 | 8,730 | 650 | 316 | 121 | (111) | 4,191 | 14,666 |
| At 1 January 2017 (Audited) | – | 1,200 | 650 | – | – | – | 3,529 | 5,379 |
| Profit and total comprehensive income for the period | – | – | – | – | – | – | 389 | 389 |
| At 31 March 2017 (Unaudited) | – | 1,200 | 650 | – | – | – | 3,918 | 5,768 |

# NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

*For the three months ended 31 March 2018*

## 1. CORPORATE INFORMATION

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

The principal activity of the Company is an investment holding company. The Company together with its subsidiaries are principally engaged in 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 three months ended 31 March 2018 (the "First Quarterly Financial Statements") are prepared in accordance with the applicable disclosure requirements of Chapter 18 of the GEM Listing Rules.

The preparation of the First 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, incomes and expenses on a year to date basis. Actual results may differ from these estimates.

The First 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 2017, and therefore, do not include all of the information required for full set of financial statements prepared in accordance with the International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards 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 audited consolidated financial statements of the Group for the year ended 31 December 2017 (the "2017 Financial Statements").

## 2. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES

*(Continued)*

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

The accounting policies and methods of computation applied in the preparation of the First Quarterly Financial Statements are consistent with those applied in the preparation of the 2017 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 First 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 impact of IFRS 16 as set out in the 2017 Financial Statements, the Directors 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, including maintenance and support service income; and (ii) cyber security solutions.

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

## 3. SEGMENT INFORMATION *(Continued)*

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-markers for review.

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 three months ended 31 March 2018 and 2017 is as follows:

| | Cyber infrastructure solutions<br>*US$'000* | Cyber security solutions<br>*US$'000* | Total<br>*US$'000* |
|---|---|---|---|
| **Three months ended 31 March 2018 (Unaudited)** | | | |
| Revenue from external customers and reportable segment revenue | **2,370** | **75** | **2,445** |
| Reportable segment results (Adjusted EBITDA) | **504** | **60** | **564** |
| Depreciation and amortisation *(Note)* | **72** | **68** | **140** |
| Three months ended 31 March 2017 (Unaudited) | | | |
| Revenue from external customers and reportable segment revenue | 788 | 725 | 1,513 |
| Reportable segment results (Adjusted EBITDA) | 212 | 551 | 763 |
| Depreciation and amortisation *(Note)* | 11 | 40 | 51 |

## 3. SEGMENT INFORMATION *(Continued)*

### Reconciliation of reportable segment results

| | (Unaudited) For the three months ended 31 March | |
|---|---|---|
| | **2018** | 2017 |
| | ***US$'000*** | *US$'000* |
| Reportable segment results (Adjusted EBITDA) | **564** | 763 |
| Interest income | **1** | 1 |
| Depreciation and amortisation | **(141)** | (51) |
| Unallocated expenses | **(767)** | (256) |
| (Loss)/Profit before income tax | **(343)** | 457 |
| Income tax expenses | **(54)** | (68) |
| (Loss)/Profit for the period | **(397)** | 389 |

*Note:* Depreciation not included in the measurement of reportable segment results (Adjusted EBITDA) amounted to approximately US$1,000 *(For the three months ended 31 March 2017: Nil)* during the three months ended 31 March 2018.

## 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 three months ended 31 March | |
|---|---|---|
| | **2018** | 2017 |
| | ***US$'000*** | *US$'000* |
| Hong Kong | **3** | 9 |
| Indonesia | **75** | – |
| Laos | **2** | 2 |
| Malaysia | **2** | 682 |
| Myanmar | **2,099** | 103 |
| People's Republic of China ("PRC") | **173** | – |
| Philippines | **7** | 383 |
| Singapore | **83** | 328 |
| Vietnam | **1** | 6 |
| | **2,445** | 1,513 |

## 4. REVENUE

| | (Unaudited) For the three months ended 31 March | |
|---|---|---|
| | **2018** | 2017 |
| | ***US$'000*** | *US$'000* |
| Cyber infrastructure solutions | **2,302** | 739 |
| Cyber security solutions | **75** | 725 |
| Maintenance and support service income | **68** | 49 |
| | **2,445** | 1,513 |

## 5. (LOSS)/PROFIT BEFORE INCOME TAX

This is stated after charging/(crediting):

| | (Unaudited) For the three months ended 31 March | |
|---|---|---|
| | **2018** | 2017 |
| | ***US$'000*** | *US$'000* |
| Amortisation of intangible assets | **65** | 36 |
| Depreciation of property, plant and equipment | **76** | 15 |
| Exchange gain, net | **(138)** | (17) |
| Loss on disposal of subsidiaries | **19** | – |

## 6. INCOME TAX EXPENSES

| | (Unaudited) For the three months ended 31 March | |
|---|---|---|
| | **2018** | 2017 |
| | ***US$'000*** | *US$'000* |
| **Current tax** | | |
| Singapore corporate income tax | | |
| Current period | **54** | 68 |
| Total income tax expenses for the period | **54** | 68 |

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.

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

Singapore corporate income tax ("CIT") is calculated at 17% *(2017:17%)* of the estimated assessable profits with corporate income tax rebate of 20% *(2017: 40%)*, capped at Singapore Dollars ("SG$") 10,000 *(2017: SG$15,000)* for the three months ended 31 March 2018. Singapore incorporated companies can also enjoy 75% tax exemption on the first SG$10,000 of normal chargeable income and a further 50% tax exemption on the next SG$290,000 of normal chargeable income during the three months ended 31 March 2018 and 2017.

## 6. INCOME TAX EXPENSES *(Continued)*

In addition, the Singapore incorporated companies can enjoy tax deductions/allowances of 400% (comprising a 300% "enhanced deductions/allowance", subject to a cap, and a 100% "base deductions/allowance") on their capital expenditure incurred on qualifying research and development activities and acquisition of qualifying information technology equipment under the "Productivity and Innovation Credit" scheme launched by the Singapore government for the three months ended 31 March 2017.

Malaysia CIT is calculated at 24% of the estimated assessable profits for the three months ended 31 March 2018 and 2017. Global Expert Team Sdn. Bhd. ("GET (Malaysia)") enjoys tax rate of 18% on the first Malaysian Ringgit ("RM") 500,000 and remaining balance of the estimated assessable profits at tax rate of 24% for the three months ended 31 March 2018 and 2017.

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

## 7. (LOSS)/EARNINGS PER SHARE

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

| | (Unaudited) For the three months ended 31 March | |
|---|---|---|
| | **2018** | 2017 |
| | ***US$'000*** | *US$'000* |
| (Loss)/Profits for the period attributable to owners of the Company, used in basic and diluted (loss)/earnings per share calculation | **(397)** | 389 |

| | Number of shares ('000) | |
|---|---|---|
| Weighted average number of ordinary shares for basic and diluted (loss)/earnings per share calculation | **600,000** | 450,000 |

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

## 8. DIVIDEND

The Directors did not recommend a payment of an interim dividend for the three months ended 31 March 2018 *(2017: Nil)*.

## 9. SHARE OPTION SCHEME

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

| | Number of share options |
|---|---|
| At 1 January 2018 | – |
| Granted during the period *(Note)* | 28,800,000 |
| At 31 March 2018 | 28,800,000 |

*Note:*

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

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

## 9. SHARE OPTION SCHEME *(Continued)*

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

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

During the three months ended 31 March 2018, with reference to the fair value of the share options granted, the Group recognised approximately HK$2,466,000 (equivalent to approximately US$316,000) *(For the three months ended 31 March 2017: Nil)* as the share-based payments expense.

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

In 2017, the Group established new companies in Hong Kong and the PRC to embrace new opportunities from the increase in the demand of information infrastructure system enhancement and upgrade along with The 13th Five-Year National Informatisation Plan ("十三五"國家信息化規劃) as promulgated by the State Council of the PRC in December 2016. The Group also accepted the options to acquire two properties located in Singapore for the development of new Group's headquarter and R&D centre and such transactions were completed on 9 January 2018 and 14 February 2018 respectively. The Group will strengthen itself as an all-rounded ICT solution provider in Asia Pacific region by investing substantially in the R&D team for the development of new products and enhancement of the existing products and services continuously for potential customers.

For the three months ended 31 March 2018, the reportable segment results (Adjusted EBITDA) in cyber infrastructure solutions was increased from the profit of approximately US$212,000 to approximately US$504,000. The increase was mainly due to the completion of parts of a substantial project for a client based in Myanmar. Regarding the reportable segment results (Adjusted EBITDA) in cyber security solutions, the amount was decreased from approximately US$551,000 to US$60,000. The decrease was mainly due to the completion of cyber security projects in late 2017 whereas the new projects are still under preliminary negotiation. The revenue of a new project for a client based in Malaysia and Thailand with the contract sums of approximately US$391,000 and US$247,000 respectively are expected to be recognised throughout the year of 2018. For the three months ended 31 March 2018, the Group's revenue from external customers based in Malaysia, Myanmar, Philippines and the PRC accounted for approximately 93% *(For the three months ended 31 March 2017: approximately 77%)* of the total Group's revenue. The Group expects the demand of the Group's services and products from the clients based in these countries, especially the PRC, will remain strong in the future.

In order to enhance the core competence of cyber infrastructure solutions and cyber security solutions, diversify the Group's business risks and utilise its internet resources and capabilities, the Group will continue to explore and expand the business to new markets, such as Europe, Middle East and Africa regions. During the period, the Group carried out feasibility study on the market in Frankfurt and Dubai for potential business development in the future. In view of the rapid evolution of industry structure and fast-changing consumer behaviour, the Group will strive to make good use of excess cash from its operations and continue to exercise additional prudence to invest in the self R&D department, improve existing products and services to customers, enrich Information Technology ("IT") content and media so as to sharpen the competitive advantages of the Group in the market. In the PRC, the young generation is playing an important role and is becoming the major consumers in the IT-related business. The substantial involvement of the use of social networks has been changing the IT users' behaviour across the country. The Group believes there is a new opportunity for implementing the strategy of cross-selling and enhancing cost exchanges in China by offering an "IT ecosystem" to the customers. The IT ecosystem is a new concept which aims at bundling the IT products and services with the enhancement of the living standards and experience of users. It consists of three major core elements of cyber infrastructure solutions, cyber security solutions as well as IT contents and media. The IT ecosystem does not only enable seamless communications throughout all installed hardware components, software and additional IT contents and media, if any, but also connects with the users' application habit so as to enhance the overall users' experience and customers' retention. It also enables the Group to create value to the shareholders by taking benefit from the synergy of the newly developed IT ecosystem.

The Group believes that its listing status along with its strong R&D capabilities in developing technologies and solutions, diversified geographical reach and established customer base would enhance its corporate profile and benefit brand image among its existing and potential customers. The Group will benefit from an increasing demand for the IT ecosystem and 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. For the three months ended 31 March 2018, the Group recorded the total revenue of approximately US$2,445,000 *(For the three months ended 31 March 2017: approximately US$1,513,000)*, which were generated by cyber infrastructure solutions business of approximately US$2,370,000 *(For the three months ended 31 March 2017: approximately US$788,000)* and cyber security solutions business of approximately US$75,000 *(For the three months ended 31 March 2017: approximately US$725,000)*.

## Cost of inventories sold

The Group's cost of inventories sold was increased from approximately US$502,000 for the three months ended 31 March 2017 to approximately US$1,663,000 for the three months ended 31 March 2018. The increase was mainly due to the purchase of hardware components for the substantial project of a client based in Myanmar.

## Staff costs and related expenses

For the three months ended 31 March 2018, the Group recorded staff costs and related expenses of approximately US$372,000 *(For the three months ended 31 March 2017: approximately US$252,000)*. 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$96,000 for the three months ended 31 March 2017 to approximately US$455,000 for the three months ended 31 March 2018, which was mainly due to the fair value loss of financial assets through profit or loss and the increased professional fees incurred after the Listing.

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

## Loss and total comprehensive loss for the period

For the three months ended 31 March 2018, there was no significant change in the customer mix of the Company. Excluding the impact of the Listing expenses, the Group recorded a decrease in the profit for the period from approximately US$565,000 for the three months ended 31 March 2017 to loss for the period of approximately US$397,000 for the three months ended 31 March 2018. The loss was mainly due to the increase in staff costs incurred for the business development in the PRC, the recognition of share-based payments expense in relation to the grant of share options of the Company during the period, the fair value loss of financial assets through profit or loss and the increased professional fees incurred after the Listing.

## Share capital

As at 31 March 2018, the authorised share capital of the Company was HK$60,000,000 (equivalent to approximately US$7,692,000) divided into 6,000,000,000 shares of HK$0.01 each and the issued share capital of the Company was HK$6,000,000 (equivalent to approximately US$769,000) divided into 600,000,000 shares of HK$0.01 each.

## Treasury policy

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

## Foreign exchange exposure

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

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

## Significant investment, material acquisitions and disposals

The Group has no significant investment, material acquisitions and disposal for the three months ended 31 March 2018.

## Charge on the Group's assets

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

## Employees information

As at 31 March 2018, the Group had a total number of 55 employees (2017: *30 employees*) (including executive Directors). During the period under review, the total staff costs amount to approximately US$372,000 *(For the three months ended 31 March 2017: approximately US$252,000)*, representing an increase of approximately US$120,000 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.

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

As at 31 March 2018, the interests and short positions of the directors or chief executives of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the "SFO")), which were required (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); or (b) pursuant to Section 352 of the SFO, to be entered in the register referred therein; or (c) pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules to be notified to the Company and the Stock Exchange, were as follows:

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

| Name of Director and chief executive | Capacity/Nature | Number of shares held/ interested in | Percentage of issued share capital |
|---|---|---|---|
| Mr. Foo Moo Teng ("Mr. Foo") *(Chairman, Executive Director and Chief Executive Officer) (Note)* | Interest in a controlled corporation | 272,686,500 | 45.4% |

*Note:*

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

Save as disclosed above, as at 31 March 2018, none of the directors or chief executives of the Company had any interest or short position in the shares, underlying shares or debentures of the Company or any of its associated corporations which were required (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); or (b) pursuant to Section 352 of the SFO, to be entered in the register referred therein; or (c) pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules to be notified to the Company and the Stock Exchange.

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

As at 31 March 2018, so far as known to any Director, the following persons (other than the directors and chief executives of the Company) had interest or short positions in the shares and underlying shares of the Company which would fall to be disclosed under the provisions of Divisions 2 and 3 of Part XV of the SFO as recorded in the register required to be kept under Section 336 of the SFO:

## Long position in shares or underlying shares of the Company

| Name of Shareholders | Capacity/Nature | Number of shares or underlying shares held | Percentage of issued share capital |
|---|---|---|---|
| Alpha Sense (BVI) | Beneficial owner | 272,686,500 | 45.4% |
| Vantage Network Global Limited ("Vantage Network (BVI)") *(Note)* | Beneficial owner | 67,500,000 | 11.3% |
| Vast Mega Limited *(Note)* | Interest in a controlled corporation | 67,500,000 | 11.3% |
| China Smartpay Group Holdings Limited *(Note)* | Interest in a controlled corporation | 67,500,000 | 11.3% |

*Note:*

Vantage Network (BVI) is an investment holding company incorporated in the BVI and is held as to 100% by Vast Mega Limited, an investment holding company incorporated in the BVI which is in turn held as to 100% by China Smartpay Group Holdings Limited (Stock Code: 8325), a company listed on 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).

Save as disclosed above, as at 31 March 2018, the Directors were not aware of any other persons (other than the directors and chief executives of the Company) who had interests or short positions in the shares and underlying shares of the Company which would fall to be disclosed under the provisions of Divisions 2 and 3 of Part XV of the SFO as recorded in the register required to be kept under Section 336 of the SFO.

# CORPORATE GOVERNANCE CODE

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

For the three months ended 31 March 2018, the Company had complied with the applicable code provisions of the Code with the exception of the deviation from code provision A.2.1 as explained below:

Code provision A.2.1 of the Code requires that the roles of chairman and chief executive officer should be separate and not performed by the same individual. Given that Mr. Foo has in-depth knowledge and experience in the IT industry and familiarity with the operations of the Group, that all major decisions are made in consultation with members of the Board and relevant Board committees, and that there are three independent non-executive Directors on the Board offering independent perspectives, the Board is therefore of the view that there are adequate safeguards in place to ensure sufficient balance of powers and authorities between the Board and the management of the Company and that it is in the best interest of the Group to have Mr. Foo taking up both roles. Accordingly, the Company has not segregated the roles of its chairman and chief executive officer as required under code provision A.2.1 of the Code.

Except for the deviation from code provision A.2.1 of the Code, the Company's corporate governance practices had complied with the Code as set out in Appendix 15 to the GEM Listing Rules for the three months ended 31 March 2018.

## DIRECTORS' INTEREST IN COMPETING BUSINESS

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

## PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

Neither the Company, nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities during the three months ended 31 March 2018.

## CODE OF CONDUCT REGARDING SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted a code of conduct regarding securities transactions by Directors on terms no less than the required standard of dealings as set out in Rules 5.48 to 5.67 of the GEM Listing Rules as the code of conduct for securities transactions by the Directors in respect of the Shares ("the Code of Conduct"). The Company also made specific enquiry with all Directors, and the Company was not aware of any non-compliance with the required standard as set out in the Code of Conduct for the three months ended 31 March 2018.

## INTERESTS OF COMPLIANCE ADVISER

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

# SHARE OPTION SCHEME

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

On 3 January 2018, the Company offered to grant a total of 28,800,000 share options at an exercise price of HK$0.61 per share of the Company to certain eligible participants (the "Grantees") pursuant to the Scheme. The Grantees are entitled, subject to the terms and conditions of the grant and upon exercise, to subscribe for a total of 28,800,000 ordinary shares in the share capital of the Company. Details are set out in the Company's announcement dated 3 January 2018 and the 2017 Financial Statements.

# 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 31 March 2018, the Audit Committee comprised three independent non-executive Directors, namely Ms. Lim Joo Seng, Mr. Park Jee Ho and Mr. Chan Ming Kit. Ms. Lim Joo Seng is the chairlady of the Audit Committee.

The Group's unaudited condensed consolidated financial statements for the three months ended 31 March 2018 have been reviewed by the Audit Committee, which were of the opinion that such statements have complied with the applicable accounting standards and that adequate disclosures have been made.

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

Hong Kong, 11 May 2018

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