



## NEXION TECHNOLOGIES LIMITED

(Incorporated in the Cayman Islands with limited liability)

Stock code: 8420

FIRST QUARTERLY REPORT

**2019**

## 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.**

*Hong Kong Exchanges and Clearing Limited and the Stock Exchange take no responsibility for the contents of this report, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this report.*

*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 Nexion Technologies Limited hereby announces the unaudited condensed consolidated financial statements of the Group for the three months ended 31 March 2019, together with the comparative unaudited figures of the corresponding period in 2018, as follows:

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

For the three months ended 31 March 2019

		(Unaudited) For the three months ended 31 March	
	Notes	2019 US\$'000	2018 US\$'000
<b>Revenue</b>	4	<b>275</b>	2,445
Other income		<b>63</b>	159
Cost of inventories sold		<b>(166)</b>	(1,663)
Staff costs and related expenses		<b>(160)</b>	(372)
Depreciation and amortisation		<b>(191)</b>	(141)
Other operating expenses		<b>(325)</b>	(455)
Equity-settled share-based payment expenses	10	—	(316)
<b>Loss before income tax</b>	5	<b>(504)</b>	(343)
Income tax expenses	6	—	(54)
<b>Loss for the period attributable to owners of the Company</b>		<b>(504)</b>	(397)
<b>Other comprehensive loss</b>			
<i>Item that will not be reclassified to profit or loss:</i>			
Change in fair value of financial assets at designated fair value through other comprehensive income ("Designated FVOCI")	9	<b>(43)</b>	—
<i>Item that may be subsequently reclassified to profit or loss:</i>			
Exchange difference arising on translation of foreign operations		<b>29</b>	(125)
<b>Other comprehensive loss for the period</b>		<b>(14)</b>	(125)
<b>Total comprehensive loss for the period attributable to owners of the Company</b>		<b>(518)</b>	(522)
<b>Loss per share, basic and diluted (US cents)</b>	7	<b>(0.08)</b>	(0.07)

# CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the three months ended 31 March 2019

	Reserves								Total US\$'000
	Share capital US\$'000	Share premium US\$'000	Capital reserve US\$'000	Statutory reserve US\$'000	Fair value reserve US\$'000 (Note 9)	Exchange reserve US\$'000	Share option reserve US\$'000	Accumulated profits US\$'000	
At 1 January 2018 (Audited)	769	8,730	650	121	—	14	—	4,588	14,872
Loss for the period	—	—	—	—	—	—	—	(397)	(397)
<b>Other comprehensive loss:</b> <i>Item that may be subsequently reclassified to profit or loss</i>									
Exchange difference on translation of foreign operations	—	—	—	—	—	(125)	—	—	(125)
<b>Total comprehensive loss for the period</b>	—	—	—	—	—	(125)	—	(397)	(522)
<b>Transactions with owners:</b> <i>Contributions and distributions</i>									
Equity-settled share-based payment expenses (Note 10)	—	—	—	—	—	—	316	—	—
<b>Total transactions with owners</b>	—	—	—	—	—	—	316	—	316
At 31 March 2018 (Unaudited)	769	8,730	650	121	—	(111)	316	4,191	14,666
At 1 January 2019 (Audited)	769	8,730	650	121	(615)	(72)	—	6,311	15,894
Loss for the period	—	—	—	—	—	—	—	(504)	(504)
<b>Other comprehensive loss:</b> <i>Item that will not be reclassified to profit or loss</i>									
Change in fair value of financial assets at Designated FVOCI	—	—	—	—	(43)	—	—	—	(43)
<i>Item that may be subsequently reclassified to profit or loss</i>									
Exchange difference on translation of foreign operations	—	—	—	—	—	29	—	—	29
<b>Total comprehensive (loss) income for the period</b>	—	—	—	—	(43)	29	—	(504)	(518)
At 31 March 2019 (Unaudited)	769	8,730	650	121	(658)	(43)	—	5,807	15,376

# NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

*For the three months ended 31 March 2019*

## 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. 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 investment holding. The Group is principally engaged in provision of cyber infrastructure solutions services 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 2019 (the "First Quarterly Consolidated 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 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 First Quarterly Consolidated 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 2018, and therefore, do not include all of the information required for full set of consolidated 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 2018 (the "2018 Consolidated Financial Statements").

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

## 2. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES

(Continued)

The accounting policies and methods of computation applied in the preparation of the First Quarterly Consolidated Financial Statements are consistent with those applied in the preparation of the 2018 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 First Quarterly Consolidated 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 2018 Consolidated Financial Statements, the Directors do not anticipate that the adoption of the new/revised IFRSs in future periods will have any material impact on the Group's consolidated 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 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 three months ended 31 March 2019 and 2018 is as follows:

	<b>Cyber infrastructure solutions</b> <i>US\$'000</i>	<b>Cyber security solutions</b> <i>US\$'000</i>	<b>Total</b> <i>US\$'000</i>
<b>Three months ended 31 March 2019</b>			
<b>(Unaudited)</b>			
Revenue from external customers and reportable segment revenue	<b>268</b>	<b>7</b>	<b>275</b>
Reportable segment results (Adjusted EBITDA)	<b>123</b>	<b>(23)</b>	<b>100</b>
Depreciation and amortisation ( <i>Note</i> )	<b>120</b>	<b>70</b>	<b>190</b>
<b>Three months ended 31 March 2018 (Unaudited)</b>			
Revenue from external customers and reportable segment revenue	2,370	75	2,445
Reportable segment results (Adjusted EBITDA)	504	60	564
Depreciation and amortisation ( <i>Note</i> )	72	68	140

### 3. SEGMENT INFORMATION (Continued)

#### Reconciliation of reportable segment results

	(Unaudited)	
	For the three months ended 31 March	
	2019	2018
	US\$'000	US\$'000
Reportable segment results (Adjusted EBITDA)	100	564
Interest income	5	1
Depreciation and amortisation	(191)	(141)
Unallocated expenses	(418)	(767)
Loss before income tax	(504)	(343)
Income tax expenses	—	(54)
Loss for the period	(504)	(397)

*Note:* Unallocated depreciation to reportable segment results amounted to approximately US\$1,000 for the three months ended 31 March 2019 (*Three months ended 31 March 2018: approximately US\$1,000*).

#### 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.



### 3. SEGMENT INFORMATION (Continued)

#### Revenue from external customers

	(Unaudited)	
	For the three months ended 31 March	
	2019	2018
	<i>US\$'000</i>	<i>US\$'000</i>
Hong Kong	3	3
Indonesia	—	75
South Korea	7	—
Laos	—	2
Malaysia	—	2
Myanmar	101	2,099
People's Republic of China (the "PRC")	—	173
Philippines	44	7
Singapore	120	83
Vietnam	—	1
	<b>275</b>	<b>2,445</b>

### 4. REVENUE

	(Unaudited)	
	For the three months ended 31 March	
	2019	2018
	<i>US\$'000</i>	<i>US\$'000</i>
Cyber infrastructure solutions	174	2,302
Cyber security solutions	7	75
Maintenance and support service income	94	68
	<b>275</b>	<b>2,445</b>

## 5. LOSS BEFORE INCOME TAX

This is stated after charging/(crediting):

	<b>(Unaudited)</b>	
	<b>For the three months</b>	
	<b>ended 31 March</b>	
	<b>2019</b>	<b>2018</b>
	<b>US\$'000</b>	<b>US\$'000</b>
Amortisation of intangible assets	<b>68</b>	65
Depreciation of property, plant and equipment	<b>123</b>	76
Exchange gain, net	<b>(11)</b>	(138)
Loss on disposal of subsidiaries	<b>—</b>	19

## 6. INCOME TAX EXPENSES

	<b>(Unaudited)</b>	
	<b>For the three months</b>	
	<b>ended 31 March</b>	
	<b>2019</b>	<b>2018</b>
	<b>US\$'000</b>	<b>US\$'000</b>
<b>Current tax</b>		
Singapore corporate income tax		
Current period	<b>—</b>	54

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 three months ended 31 March 2019 and 2018.

Hong Kong profits tax is calculated at 16.5% (*Three months ended 31 March 2018: 16.5%*) of the estimated assessable profits arising in or derived from Hong Kong. The Group's subsidiary established in the PRC is subject to enterprise income tax of the PRC at 25% (*Three months ended 31 March 2018: 25%*) of the estimated assessable profits for the three months ended 31 March 2019 based on the existing legislation, interpretations and practices in respect thereof.

## 6. INCOME TAX EXPENSES (Continued)

Singapore corporate income tax ("CIT") is calculated at 17% (*Three months ended 31 March 2018: 17%*) of the estimated assessable profits without corporate income tax rebate (*Three months ended 31 March 2018: 20% capped at Singapore Dollars ("SG\$") 10,000*). Singapore incorporated companies can also enjoy 75% tax exemption on the first SG\$10,000 of normal chargeable income and a further 50% tax exemption on the next SG\$190,000 of normal chargeable income during the three months ended 31 March 2019 (*Three months ended 31 March 2018: 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*).

Malaysia CIT was calculated at 24% of the estimated assessable profits for the three months ended 31 March 2018. Global Expert Team Sdn. Bhd. ("GET (Malaysia)"), which was disposed of during the three months ended 31 March 2018, enjoyed 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.

GET (Malaysia) had obtained the pioneer status effective from November 2015. A pioneer status company was eligible for exemption from CIT 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) had been complying with all the applicable conditions as imposed, the tax relief period shall be extended for further five years after the initial five year tax relief period ends.

## 7. LOSS PER SHARE

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

	<b>(Unaudited)</b>	
	<b>For the three months</b>	
	<b>ended 31 March</b>	
	<b>2019</b>	<b>2018</b>
	<b>US\$'000</b>	<b>US\$'000</b>
Loss for the period attributable to owners of the Company, used in basic and diluted loss per share calculation	<b>(504)</b>	<b>(397)</b>
	<b>Number of shares ('000)</b>	
Weighted average number of ordinary shares for basic and diluted loss per share calculation	<b>600,000</b>	<b>600,000</b>
	<b>US cents</b>	<b>US cents</b>
Basis and diluted loss per share	<b>(0.08)</b>	<b>(0.07)</b>

Diluted loss per share is same as the basis loss per share as the effect of potential ordinary shares are anti-dilutive during the three months ended 31 March 2019.

Diluted loss per share is same as the basic loss per share as there are no dilutive potential ordinary shares in existence during the three months ended 31 March 2018.

## **8. DIVIDENDS**

The Directors did not recommend a payment of dividend for the three months ended 31 March 2019 (*Three months ended 31 March 2018: Nil*).

## **9. FINANCIAL ASSETS AT DESIGNATED FVOCI**

During the year ended 31 December 2018, the Group acquired certain equity securities listed in Hong Kong and the Group irrevocably designated those investments in equity securities as financial assets at Designated FVOCI because these equity securities represent investments that the Group intends to hold for long term strategic purposes.

At 31 March 2019 and 31 December 2018, the fair value of financial assets at Designated FVOCI is determined on the basis of quoted market price.

No investments in financial assets at Designated FVOCI have been disposed of during the three months ended 31 March 2019 and 2018. There were no transfers of any cumulative gain or loss arising from financial assets at Designated FVOCI within equity during the three months ended 31 March 2019 and 2018.

## **10. SHARE OPTION SCHEME**

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 Hong Kong Dollars ("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 2018 Consolidated Financial Statements.

## 10. SHARE OPTION SCHEME (Continued)

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.

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) as the equity-settled share-based payment expenses.

During the year ended 31 December 2018, the share options granted were all forfeited upon resignation of the Grantees as staff of the Group (the "Resignation"). None of the share options was exercised and all the Grantees were no longer eligible to the share option scheme upon the Resignation. There was no outstanding share options at 31 March 2019.

## 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.

The emphasis on the Group’s R&D capability gained significant achievement. During the year ended 31 December 2018, the Group successfully developed its own cyber infrastructure, known as Netsis Hybrid Converge Hub, which broadened the Group’s source of revenue. During the three months ended 31 March 2019, more resources were invested by the Group for the development of Netsis Security Hub in Hong Kong (the “Security Hub”). The Group expects that the Security Hub will be launched in the year of 2019, which will further broaden the source of revenue of the Group.

The Group has continuously invested resources in professional and experienced engineers, R&D team’s software and hardware, and its own cyber infrastructure. The Group will continue its focus on strengthening itself as an all-rounded ICT solution provider in Asia Pacific region by diversifying and reinventing R&D approach for the development of new products and the enhancement of existing products and services continuously for potential customers.

As a result of trade tensions between the United States and the PRC in the year of 2018, the Group’s business development in the PRC was decelerated since the second half year of 2018. Therefore, the Group reallocated its internal resources and capabilities to the business in Southeast Asia.

In order to enhance the core competence of cyber infrastructure solutions and cyber security solutions, to diversify the Group’s business risks and to utilise the Group’s internet resources and capabilities effectively, the Group will continue to explore and expand the business in new markets, including but not limited to, Europe, Middle East and Africa regions.



The reportable segment results (Adjusted EBITDA) in cyber infrastructure solutions segment decreased from profit of approximately US\$504,000 for the three months ended 31 March 2018 to profit of approximately US\$123,000 for the three months ended 31 March 2019. The decrease was mainly due to the completion of significant parts of a substantial project for a client based in Myanmar during the three months ended 31 March 2018 whereas the scale of new projects completed during the current period were less significant.

Regarding the reportable segment results (Adjusted EBITDA) in cyber security solutions segment, the amount decreased from profit of approximately US\$60,000 for the three months ended 31 March 2018 to loss of approximately US\$23,000 for the three months ended 31 March 2019. The decrease was mainly due to the smaller scale of project completed during current period.

The Group is in the process of negotiating several new projects mainly with customers in Southeast Asia and aiming to generate additional revenue in the coming quarters of 2019. With the Group's strong R&D capabilities, well established and diversified customer base, and experienced and dedicated management team, the Group believes that the demand for the cyber infrastructure solutions and cyber security solutions will remain strong. In addition, it will give the Group an advantage in further establishment of a better reputation in the market, and a leading position in the cyber infrastructure and cyber security solutions industry.

## FINANCIAL REVIEW

### REVENUE

The major revenue streams of the Group derived from the cyber infrastructure solutions business and the cyber security solutions business. For the three months ended 31 March 2019, the Group recorded total revenue of approximately US\$275,000 (*Three months ended 31 March 2018: approximately US\$2,445,000*), in which the revenue generated from cyber infrastructure solutions business amounted to approximately US\$268,000 (*Three months ended 31 March 2018: approximately US\$2,370,000*) and the revenue generated from cyber security solutions business amounted to approximately US\$7,000 (*Three months ended 31 March 2018: approximately US\$75,000*). The reason for the decrease in the amount of revenue was mainly due to the completion of significant parts of a substantial project for a client based in Myanmar during the three months ended 31 March 2018 whereas the scale of new projects completed during the current period were less significant. The Group holds key projects for the year of 2019 and in the process of negotiation.



## **COST OF INVENTORIES SOLD**

The Group's cost of inventories sold decreased from approximately US\$1,663,000 for the three months ended 31 March 2018 to approximately US\$166,000 for the three months ended 31 March 2019. The decrease was mainly due to the decrease in number of purchase of hardware components for a client based in Myanmar.

## **STAFF COSTS AND RELATED EXPENSES**

For the three months ended 31 March 2019, the Group recorded staff costs and related expenses of approximately US\$160,000 (*Three months ended 31 March 2018: approximately US\$372,000*). The decrease is mainly due to the decrease in number of employees as a result of downsizing of operation in the PRC.

## **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 decreased from approximately US\$455,000 for the three months ended 31 March 2018 to approximately US\$325,000 for the three months ended 31 March 2019, which was mainly due to the fair value loss of financial assets at fair value through profit or loss ("FVPL") during the three months ended 31 March 2018. There was neither purchase nor disposal of financial assets at FVPL during the three months ended 31 March 2019. There was no financial assets at FVPL as at 31 March 2019.

## **LOSS FOR THE PERIOD**

For the three months ended 31 March 2019, there was no significant change in the customer mix of the Company. The Group recorded an increase in loss for the period from approximately US\$397,000 for the three months ended 31 March 2018 to approximately US\$504,000 for the three months ended 31 March 2019. The increase was mainly due to the decrease in reportable segment results (Adjusted EBITDA), partially setoff by the decrease in equity-settled share-based payment expenses and the fair value loss on financial assets at FVPL.

## **SHARE CAPITAL**

As at 31 March 2019 and 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.

## **CONTINGENT LIABILITIES**

The Group did not have any material contingent liabilities as at 31 March 2019 and 2018.

## **SIGNIFICANT INVESTMENT, MATERIAL ACQUISITIONS AND DISPOSALS**

The Group has no significant investment, material acquisitions and disposal for the three months ended 31 March 2019 and 2018.

## **CHARGE ON THE GROUP'S ASSETS**

There was no charge on the Group's assets as at 31 March 2019 and 2018.

## **EMPLOYEES INFORMATION**

As at 31 March 2019, the Group had a total number of 22 employees (*31 March 2018: 55 employees*) (including executive Directors). Decrease in number of staff was mainly attributable to downsizing of operation in the PRC. During the three months ended 31 March 2019, the total staff costs amount to approximately US\$160,000 (*Three months ended 31 March 2018: approximately US\$372,000*), representing a decrease of approximately US\$212,000 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 2019, 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") ( <i>chairman, executive Director and chief executive officer</i> ) ( <i>Note</i> )	Interest in a controlled corporation	194,838,000	32.5%

*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 2019, none of the Directors nor chief executives of the Company had any interest or short position in the shares, underlying shares or debentures of the Company or any of its associated corporations which were required (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part

XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); or (b) pursuant to Section 352 of the SFO, to be entered in the register referred therein; or (c) pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules to be notified to the Company and the Stock Exchange.

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

As at 31 March 2019, so far as known to any Directors, the following persons (other than the Directors and chief executives of the Company) had interest or short positions in the shares and underlying shares of the Company which would fall to be disclosed under the provisions of Divisions 2 and 3 of Part XV of the SFO as recorded in the register required to be kept under Section 336 of the SFO:

### **LONG POSITION IN SHARES OR UNDERLYING SHARES OF THE COMPANY**

<b>Name of Shareholders</b>	<b>Capacity/Nature</b>	<b>Number of shares or underlying shares held</b>	<b>Percentage of issued share capital</b>
Alpha Sense (BVI)	Beneficial owner	194,838,000	32.5%

Save as disclosed above, as at 31 March 2019, 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 2019, 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 2019.

## **INTERESTS IN COMPETING BUSINESS**

During the three months ended 31 March 2019 and up to the date of this report, none of the controlling shareholders, Directors, substantial shareholders of the Company and their respective close associates (as defined in GEM Listing Rules) had any interest in any business that directly or indirectly competed or might compete with the business of the Group.

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

Neither the Company, nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the three months ended 31 March 2019.



## **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 three months ended 31 March 2019.

## **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 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 three months ended 31 March 2019, no share option had been granted. There was no share option outstanding as at 31 March 2019.

## 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 2019, the Audit Committee comprised three independent non-executive Directors, namely Ms. Lim Joo Seng (Chairlady), Mr. Chan Ming Kit and Mr. Park Jee Ho.

The Group’s unaudited condensed consolidated financial statements for the three months ended 31 March 2019 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, 14 May 2019

*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. Chan Ming Kit, Ms. Lim Joo Seng and Mr. Park Jee Ho.*