



## NEXION TECHNOLOGIES LIMITED

(Incorporated in the Cayman Islands with limited liability)

Stock code: 8420

THIRD 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.**

*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 nine months ended 30 September 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 nine months ended 30 September 2019*

	Notes	(Unaudited)		(Unaudited)	
		For the three months		For the nine months	
		ended 30 September	ended 30 September	ended 30 September	ended 30 September
		2019	2018	2019	2018
		US\$'000	US\$'000	US\$'000	US\$'000
<b>Revenue</b>	4	<b>2,502</b>	2,278	<b>3,494</b>	7,032
Other income		34	82	126	133
Cost of inventories sold		(579)	(250)	(862)	(2,659)
Staff costs and related expenses		(187)	(356)	(505)	(1,176)
Depreciation and amortisation		(328)	(168)	(763)	(480)
Other operating expenses		(1,133)	(691)	(2,049)	(1,336)
Equity-settled share-based payment expenses		—	(133)	—	(581)
<b>Profit/(Loss) before income tax</b>	5	<b>309</b>	762	<b>(559)</b>	933
Income tax expenses	6	—	(211)	—	(582)

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

For the nine months ended 30 September 2019

	Notes	(Unaudited)		(Unaudited)	
		For the three months ended 30 September		For the nine months ended 30 September	
		2019	2018	2019	2018
		US\$'000	US\$'000	US\$'000	US\$'000
<b>Profit/(Loss) for the period attributable to owners of the Company</b>		<b>309</b>	551	<b>(559)</b>	351
<b>Other comprehensive loss</b>					
<i>Item that will not be reclassified to profit or loss:</i>					
Change in fair value of financial assets designated at a fair value through other comprehensive income ("Designated FVOCI")	9	—	—	<b>(81)</b>	—
<i>Item that may be subsequently reclassified to profit or loss:</i>					
Exchange difference arising on translation of foreign operations		<b>(62)</b>	(41)	<b>(55)</b>	(229)
Other comprehensive loss for the period		<b>(62)</b>	(41)	<b>(136)</b>	(229)
Total comprehensive income/(loss) for the period attributable to owners of the Company		<b>247</b>	510	<b>(695)</b>	122
<b>Earnings/(Loss) per share, basic and diluted (US cents)</b>	7	<b>0.04</b>	0.09	<b>(0.09)</b>	0.06

## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the nine months ended 30 September 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
Profit for the period	—	—	—	—	—	—	—	351	351
<b>Other comprehensive loss:</b> <i>Item that may be subsequently reclassified to profit or loss</i>									
Exchange difference on translation of foreign operations	—	—	—	—	—	(229)	—	—	(229)
<b>Total comprehensive (loss)/income for the period</b>	—	—	—	—	—	(229)	—	351	122
<b>Transactions with owners:</b> <i>Contributions and distributions</i>									
Recognition of equity-settled share-based payment expenses	—	—	—	—	—	—	581	—	581
<b>At 30 September 2018 (Unaudited)</b>	769	8,730	650	121	—	(215)	581	4,939	15,575

# CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (Continued)

For the nine months ended 30 September 2019

	Reserves								
	Share capital	Share premium	Capital reserve	Statutory reserve	Fair value reserve	Exchange reserve	Share option reserve	Accumulated profits	Total
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
At 1 January 2019 (Audited)	769	8,730	650	121	(615)	(72)	—	6,311	15,894
Loss for the period	—	—	—	—	—	—	—	(559)	(559)
<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	—	—	—	—	(81)	—	—	—	(81)
<i>Item that may be subsequently reclassified to profit or loss</i>									
Exchange difference on translation of foreign operations	—	—	—	—	—	(55)	—	—	(55)
<b>Total comprehensive loss for the period</b>	—	—	—	—	(81)	(55)	—	(559)	(695)
<b>Transactions with owners:</b>									
<i>Contributions and distributions</i>									
Issuance of new shares, net of transaction cost (Note)	154	1,189	—	—	—	—	—	—	1,343
At 30 September 2019 (Unaudited)	923	9,919	650	121	(696)	(127)	—	5,752	16,542

Note:

On 19 September 2019, 120,000,000 ordinary shares of par value of HK\$0.01 each were issued and allotted at placing price of HK\$0.09 per share to not less than six independent third parties of the Company at a proceed of HK\$10,477,000 (equivalent to approximately US\$1,343,000), net of issuing expenses directly attributable to the placing, of which HK\$1,200,000 (equivalent to approximately US\$154,000) was credited to share capital and the remaining balance of HK\$9,277,000 (equivalent to approximately US\$1,189,000) was credited to the share premium account.

# NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

*For the nine months ended 30 September 2019*

## 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 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.

## 2. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES

The unaudited condensed consolidated financial statements of the Group for the nine months ended 30 September 2019 (the "Third 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 Third 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 Third 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 financial statements prepared in accordance with the International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Board (the "IASB"), which collective term includes all applicable individual IFRSs, International Accounting Standards and Interpretations issued by the IASB. They shall be read in conjunction with the audited consolidated financial statements of the Group for the year ended 31 December 2018 (the "2018 Consolidated Financial Statements").

The Third 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.

Except for changes in accounting policies resulting from adoption of new/revised IFRS, the accounting policies and methods of computation applied in the preparation of the Third Quarterly Consolidated Financial Statements are consistent with those applied in the preparation of the 2018 Consolidated Financial Statements.

## 2. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES

(Continued)

### **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 Third 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 Third Quarterly 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 of the Company 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 nine months ended 30 September 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>Nine months ended 30 September 2019</b> <b>(Unaudited)</b>			
Revenue from external customers and reportable segment revenue	<b>1,758</b>	<b>1,736</b>	<b>3,494</b>
Reportable segment results (Adjusted EBITDA)	<b>420</b>	<b>957</b>	<b>1,377</b>
Depreciation and amortisation <i>(Note)</i>	<b>505</b>	<b>257</b>	<b>762</b>
<b>Nine months ended 30 September 2018</b> <b>(Unaudited)</b>			
Revenue from external customers and reportable segment revenue	4,161	2,871	7,032
Reportable segment results (Adjusted EBITDA)	850	2,292	3,142
Depreciation and amortisation <i>(Note)</i>	292	186	478

### 3. SEGMENT INFORMATION *(Continued)*

#### RECONCILIATION OF REPORTABLE SEGMENT RESULTS

	<b>(Unaudited)</b>	
	<b>For the nine months ended 30 September</b>	
	<b>2019</b>	<b>2018</b>
	<b>US\$'000</b>	<b>US\$'000</b>
Reportable segment results (Adjusted EBITDA)	<b>1,377</b>	3,142
Interest income	<b>69</b>	1
Depreciation and amortisation <i>(Note)</i>	<b>(763)</b>	(480)
Unallocated expenses	<b>(1,242)</b>	(1,730)
(Loss)/Profit before income tax	<b>(559)</b>	933
Income tax expenses	<b>—</b>	(582)
(Loss)/Profit for the period	<b>(559)</b>	351

*Note:* Depreciation not included in the measurement of reportable segment results (Adjusted EBITDA) amounted to approximately US\$1,000 *(Nine months ended 30 September 2018: approximately US\$2,000)* during the nine months ended 30 September 2019.

### 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	
	2019 <i>US\$'000</i>	2018 <i>US\$'000</i>
Hong Kong	532	10
Indonesia	—	75
Laos	—	6
Malaysia	1,207	2,078
Myanmar	305	3,163
People's Republic of China (the "PRC")	684	655
Philippines	424	163
Singapore	321	347
South Korea	21	—
Taiwan	—	40
Thailand	—	494
Vietnam	—	1
	<b>3,494</b>	<b>7,032</b>

### 4. REVENUE

	(Unaudited)		(Unaudited)	
	For the three months ended 30 September		For the nine months ended 30 September	
	2019 <i>US\$'000</i>	2018 <i>US\$'000</i>	2019 <i>US\$'000</i>	2018 <i>US\$'000</i>
Cyber infrastructure solutions	1,121	45	1,457	3,707
Cyber security solutions	1,281	1,944	1,736	2,871
Maintenance and support service income	100	289	301	454
	<b>2,502</b>	<b>2,278</b>	<b>3,494</b>	<b>7,032</b>

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

This is stated after charging/(crediting):

	(Unaudited)		(Unaudited)	
	For the three months ended 30 September		For the nine months ended 30 September	
	2019	2018	2019	2018
	US\$'000	US\$'000	US\$'000	US\$'000
Amortisation of intangible assets	106	36	239	178
Depreciation of property, plant and equipment	222	132	524	302
Exchange loss/(gain), net	35	1	16	(15)
Loss on disposal of subsidiaries	—	—	—	19
Fair value loss on financial assets at fair value through profit or loss, net	—	200	—	304
Rental income from investment properties	(1)	(7)	(17)	(31)
Subcontracting fee	233	—	364	—

## 6. INCOME TAX EXPENSES

	(Unaudited)		(Unaudited)	
	For the three months ended 30 September		For the nine months ended 30 September	
	2019	2018	2019	2018
	US\$'000	US\$'000	US\$'000	US\$'000
<b>Current tax</b>				
Singapore corporate income tax				
Current period	—	191	—	345
Under provision in prior year	—	47	—	47
<b>Deferred tax</b>	—	(27)	—	190
<b>Total income tax expenses for the period</b>	—	211	—	582

The group entities established in the Cayman Islands and the British Virgin Islands (the "BVI") are exempted from income tax. No provision for Hong Kong profits tax has been made as the Group had no assessable profits arising in or derived from Hong Kong for the nine months ended 30 September 2019 and 2018.

## 6. INCOME TAX EXPENSES (Continued)

Hong Kong profits tax is calculated at 16.5% (*Nine months ended 30 September 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% (*Nine months ended 30 September 2018: 25%*) of the estimated assessable profits for the nine months ended 30 September 2019 based on the existing legislation, interpretations and practices in respect thereof.

Singapore corporate income tax is calculated at 17% (*Nine months ended 30 September 2018: 17%*) of the estimated assessable profits without corporate income tax rebate (*Nine months ended 30 September 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 nine months ended 30 September 2019 (*Nine months ended 30 September 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*).

## 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) For the three months ended 30 September		(Unaudited) For the nine months ended 30 September	
	2019 US\$'000	2018 US\$'000	2019 US\$'000	2018 US\$'000
Profit/(Loss) for the period attributable to owners of the Company, used in basic and diluted earnings/(loss) per share calculation	309	551	(559)	351
	<b>Number of shares ('000)</b>			
Weighted average number of ordinary shares for basic and diluted earnings/(loss) per share calculation	615,652	600,000	605,275	600,000
	<i>US Cents</i>	<i>US Cents</i>	<i>US Cents</i>	<i>US Cents</i>
Basic and diluted earnings/(loss) per share	0.04	0.09	(0.09)	0.06

## **7. EARNINGS/(LOSS) PER SHARE** (Continued)

Diluted earnings/(loss) per share is same as the basic earnings/(loss) per share as the effect of potential ordinary shares is anti-dilutive during the nine months ended 30 September 2019.

Diluted earnings/(loss) per share is same as the basic earnings/(loss) per share as there are no dilutive potential ordinary shares in existence during the nine months ended 30 September 2018.

## **8. DIVIDEND**

The Directors do not recommend a payment of dividend for the nine months ended 30 September 2019 (*Nine months ended 30 September 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 30 September 2019, 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 nine months ended 30 September 2019. There were no transfers of any cumulative gain or loss arising from financial assets at Designated FVOCI within equity during the nine months ended 30 September 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 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”) capabilities, the Group successfully developed its technologies to provide cyber security solutions.

The emphasis on the Group’s R&D capabilities gained significant achievement. In 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 nine months ended 30 September 2019, more resources were invested by the Group for the development of Netsis Security Hub in Hong Kong (the “Security Hub”) which was launched in May 2019, which further broadened 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.

During the nine months ended 30 September 2019, new companies in the PRC are either established and under process of establishment to embrace new opportunities from the increase in demand of Software-as-a-Service (“SaaS”) service in the PRC. On 24 September 2019, the Group entered into a joint venture agreement with two independent third parties to establish a joint venture company (the “JV Company”). The JV Company will operate a SaaS platform through its self-developed system to provide integrated services to individual proprietors and enterprises including system development and maintenance (SaaS service), information dissemination and transaction inquiry, matching and processing, order inquiry and management, pricing advice and consultation, and custody of transaction contracts and certificates. The SaaS platform is expected to be published and generate economic benefit to the Group in current year.



Currently, the Group is still in the process of seeking more potential partners with abundant experience on business development in the PRC and capability on ICT technique to develop a comprehensive ICT solution service, including but not limited to SaaS service, in the PRC.

The reportable segment results (Adjusted EBITDA) in cyber infrastructure solutions segment decreased from profit of approximately US\$850,000 for the nine months ended 30 September 2018 to profit of approximately US\$420,000 for the nine months ended 30 September 2019. The decrease was mainly due to the completion of significant parts of substantial projects for two clients based in Myanmar during the nine months ended 30 September 2018 whereas the scale of new projects completed during the current period was less significant.

Regarding the reportable segment results (Adjusted EBITDA) in cyber security solutions segment, the amount decreased from profit of approximately US\$2,292,000 for the nine months ended 30 September 2018 to profit of approximately US\$957,000 for the nine months ended 30 September 2019. The decrease was mainly due to the smaller scale of project completed during the current period.

During the current period, the Group tackled difficulties on political restrictions and challenges in certain countries, where there was insufficient expertise of the Group to complete certain projects through technology acquisitions and offering various project packages to conform to market demand. The situation did improve and the chances of winning projects became higher. However, some of the recent changes in key customer partnerships and limited budget did affect the Group's position on securing deals due to higher competition and limited projects caused by trade tensions between the United States and the PRC.

Aside from developing SaaS services and seeking potential business partner to develop comprehensive ICT solution service in the PRC, the Group is continuously working with its customers mainly in Myanmar and Philippines and had completed a series of marketing and engineering engagements for opportunities in the respective countries and foresees that a few major project decisions will be made in the current year. While the Group is continuously looking for the right expertise, it would also consider to acquire technology from technology vendors in order to fulfill customers' requirements.

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 were derived from both of the cyber infrastructure solutions and cyber security solutions. For the nine months ended 30 September 2019, the Group recorded a total revenue of approximately US\$3,494,000 (*Nine months ended 30 September 2018: approximately US\$7,032,000*), in which the revenue generated from cyber infrastructure solutions business amounted to approximately US\$1,758,000 (*Nine months ended 30 September 2018: approximately US\$4,161,000*) and the revenue generated from cyber security solutions business amounted to approximately US\$1,736,000 (*Nine months ended 30 September 2018: approximately US\$2,871,000*).

The reason for the decrease in the amount of revenue was mainly due to the completion of significant parts of substantial project for two clients based in Myanmar during the nine months ended 30 September 2018 whereas the scale of new projects completed during the current period were less significant.

### COST OF INVENTORIES SOLD

The Group's cost of inventories sold decreased from approximately US\$2,659,000 for the nine months ended 30 September 2018 to approximately US\$862,000 for the nine months ended 30 September 2019. The decrease is mainly due to the decrease in the number of purchase of hardware components for the substantial projects on cyber infrastructure solutions of clients in Myanmar.

### STAFF COSTS AND RELATED EXPENSES

For the nine months ended 30 September 2019, the Group recorded staff costs and related expenses of approximately US\$505,000 (*Nine months ended 30 September 2018: approximately US\$1,176,000*). The decrease was mainly due to decrease in average number of employees in the current period.

### 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\$1,336,000 for the nine months ended 30 September 2018 to approximately US\$2,049,000 for the nine months ended 30 September 2019, which was mainly due to increase in maintenance fee for the Security Hub and increase in subcontracting fee.

## **(LOSS)/PROFIT FOR THE PERIOD**

During the nine months ended 30 September 2019, there was no significant change in the customer mix of the Group. The Group recorded an increase in loss for the period from profit of approximately US\$933,000 for the nine months ended 30 September 2018 to loss of approximately US\$559,000 for the nine months ended 30 September 2019. The increase in loss was mainly due to the decrease in reportable segment results (Adjusted EBITDA), partially setoff by the decrease in equity-settled share-based payment expenses.

## **SHARE CAPITAL**

As at 30 September 2019, 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\$7,200,000 (equivalent to approximately US\$923,000) divided into 720,000,000 shares of HK\$0.01 each (the "Share(s)").

Details of the movements in share capital of the Company during the nine months ended 30 September 2019 are set out in the section headed "Important Events — Placing of new shares under general mandate".

## **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**

At 30 September 2019 and 2018, the Group had a minimal exposure to foreign currency risk as most of its business transactions, assets and liabilities were principally denominated in the functional currency of the major operating subsidiaries of the Group, i.e. US\$.

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.

## IMPORTANT EVENTS

### PLACING OF NEW SHARES UNDER GENERAL MANDATE

On 30 August 2019, the Company entered into a placing agreement with the placing agent in respect of placing of a maximum of 120,000,000 new Shares under the general mandate granted by the shareholders of the Company at the annual general meeting of the Company held on 20 May 2019 (the "Placing").

The completion of the Placing took place on 19 September 2019. An aggregate of 120,000,000 Shares (the "Placing Share(s)") have been successfully placed by the placing agent to not less than six placees at a placing price of HK\$0.09 per Placing Share. One of the placees, Power Ace Investments Limited, has become a substantial shareholder of the Company upon completion of the Placing.

Upon completion of the Placing, the gross proceeds of the Placing are HK\$10,800,000 (equivalent at approximately US\$1,385,000) and the net proceeds, after deduction of all issuing expenses incurred in relation to the Placing, are approximately HK\$10,477,000 (equivalent to approximately US\$1,343,000). The net proceeds were intended to be used for (i) development of ICT services in the PRC and (ii) general working capital. Details of the Placing were set out in the Company's announcements dated 30 August 2019 and 19 September 2019.

### FORMATION OF JOINT VENTURE COMPANY

On 24 September 2019, Charm Star Asia Pacific Limited ("Charm Star"), a wholly-owned subsidiary of the Company, entered into a joint venture agreement with Shanghai Aopu Enterprise Service Centre (Limited Partnership) ("Aopu") and Shanghai Fulipai Enterprise Management and Consultation Partnership Enterprise (Limited Partnership) ("Fulipai"), pursuant to which the parties agreed to establish the JV Company which will be owned by Charm Star, Aopu and Fulipai as to 55%, 25% and 20%, respectively.

As Charm Star will be interested in 55% of the equity interest of the JV Company and have the right to nominate two of three directors in the board of directors of the JV Company, the JV Company will be accounted as a subsidiary of the Group and its financial results will be consolidated with the financial statements of the Group.



The JV Company will operate a SaaS platform through its self-developed system to provide integrated services to individual proprietors and enterprises including system development and maintenance (SaaS service), information dissemination and transaction inquiry, matching and processing, order inquiry and management, pricing advice and consultation, and custody of transaction contracts and certificates. For more information about formation of the JV Company, please refer to the Company's announcement dated 24 September 2019.

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

Save as the Placing and formation of the JV Company in this report, the Group has no significant investment, or any material acquisitions or disposal of subsidiaries, associated companies or joint ventures for the nine months ended 30 September 2019.

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

There was no charge on the Group's assets as at 30 September 2019 and 31 December 2018.

## **DIVIDEND**

The Directors do not recommend a payment of dividend for the nine months ended 30 September 2019 (*Nine months ended 30 September 2018: Nil*).

## **EMPLOYEES INFORMATION**

As at 30 September 2019, the Group had a total number of 21 employees (*2018: 27 employees*) (including executive Directors). For the nine months ended 30 September 2019, the total staff costs amount to approximately US\$505,000 (*For the nine months ended 30 September 2018: approximately US\$1,176,000*), representing a decrease of approximately US\$671,000 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 30 September 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	Approximate 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	37.87%

*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 2019, 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 5.47 of the GEM Listing Rules to be notified to the Company and the Stock Exchange.

## SUBSTANTIAL SHAREHOLDER'S INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at 30 September 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

Name of Shareholder	Capacity/Nature	Number of shares or underlying shares held	Approximate percentage of issue share capital
Alpha Sense (BVI)	Beneficial owner	272,686,500	37.87%
Power Ace Investments Limited ("Power Ace") (Note)	Beneficial owner	83,330,000	11.57%
Mr. Hu Yebi ("Mr. Hu") (Note)	Interest in a controlled corporation	41,665,000	5.79%
Ms. Hu Yina ("Ms. Hu") (Note)	Interest in a controlled corporation	41,665,000	5.79%

*Note:*

Power Ace is an investment holding company incorporated in the BVI and is held as to 50% by Mr. Hu and 50% by Ms. Hu. By virtue of the SFO, each of Mr. Hu and Ms. Hu is deemed to be interested in the shares held by Power Ace.

Save as disclosed above, as at 30 September 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 nine months ended 30 September 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 nine months ended 30 September 2019.

## DIRECTORS’ INTEREST IN COMPETING BUSINESS

During the nine months ended 30 September 2019 and up to the date of this report, none of the controlling shareholders, Directors, substantial shareholder 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**

Save as the Placing, neither the Company, nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities during the nine months ended 30 September 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 for the nine months ended 30 September 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 adviser 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.

During the nine months ended 30 September 2019, no share option had been granted, cancelled, exercised or lapsed pursuant to the Scheme. There was no share option outstanding as at 30 September 2019.

## AUDIT COMMITTEE

The Company has established an audit committee (the "Audit Committee") with written terms of reference in compliance with Rules 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 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 nine months ended 30 September 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, 8 November 2019

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

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