



NEXION TECHNOLOGIES LIMITED

(Incorporated in the Cayman Islands with limited liability)

Stock code: 8420

First Quarterly Report
2020

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 the Company hereby announces the unaudited condensed consolidated financial statements of the Group for the three months ended 31 March 2020, together with the comparative unaudited figures of the corresponding period in 2019, as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the three months ended 31 March 2020

		(Unaudited) For the three months ended 31 March	
	Notes	2020 US\$'000	2019 US\$'000
Revenue	4	2,864	275
Other income		100	63
Cost of inventories sold		(184)	(166)
Staff costs and related expenses		(203)	(160)
Subcontracting fee		(2,182)	—
Sales and marketing expenses		(544)	—
Depreciation and amortisation		(399)	(191)
General and administrative expenses		(511)	(325)
Loss before income tax	5	(1,059)	(504)
Income tax expenses	6	—	—
Loss for the period		(1,059)	(504)
Other comprehensive loss			
<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")		—	(43)
<i>Item that may be reclassified subsequently to profit or loss</i>			
Exchange difference arising on translation of foreign operations		(183)	29
Other comprehensive loss for the period		(183)	(14)
Total comprehensive loss for the period		(1,242)	(518)

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

For the three months ended 31 March 2020

		(Unaudited) For the three months ended 31 March	
	<i>Notes</i>	2020 <i>US\$'000</i>	2019 <i>US\$'000</i>
Loss for the period attributable to:			
Equity holders of the Company		(1,053)	(504)
Non-controlling interests		(6)	—
		(1,059)	(504)
Total comprehensive loss attributable to:			
Equity holders of the Company		(1,236)	(518)
Non-controlling interests		(6)	—
		(1,242)	(518)
Loss per share for loss attributable to equity holders of the Company, basic and diluted (US cents)			
	7	(0.14)	(0.08)

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the three months ended 31 March 2020

	Attributable to equity holders of the Company						Accumulated profits US\$'000	Total US\$'000	Non- controlling interests US\$'000	Total US\$'000
	Share capital US\$'000	Share premium US\$'000	Capital reserve US\$'000	Exchange reserve US\$'000	Statutory reserve US\$'000	Fair value reserve US\$'000				
At 1 January 2019 (Audited)	769	8,730	650	(72)	121	(615)	6,311	15,894	—	15,894
Loss for the period	—	—	—	—	—	—	(504)	(504)	—	(504)
Other comprehensive loss: <i>Item that will not be reclassified to profit or loss</i>										
Change in fair value of Designated FVOCI	—	—	—	—	—	(43)	—	(43)	—	(43)
<i>Item that may be reclassified subsequently to profit or loss</i>										
Exchange difference arising on translation of foreign operations	—	—	—	29	—	—	—	29	—	29
Total comprehensive income (loss) for the period	—	—	—	29	—	(43)	(504)	(518)	—	(518)
At 31 March 2019 (Unaudited)	769	8,730	650	(43)	121	(658)	5,807	15,376	—	15,376
At 1 January 2020 (Audited)	923	9,919	650	21	—	(696)	4,327	15,144	1	15,145
Loss for the period	—	—	—	—	—	—	(1,053)	(1,053)	(6)	(1,059)
Other comprehensive loss: <i>Item that may be reclassified subsequently to profit or loss</i>										
Exchange difference arising on translation of foreign operations	—	—	—	(183)	—	—	—	(183)	—	(183)
Total comprehensive loss for the period	—	—	—	(183)	—	—	(1,053)	(1,236)	(6)	(1,242)
Capital injection from non- controlling shareholders	—	—	—	—	—	—	—	—	155	155
At 31 March 2020 (Unaudited)	923	9,919	650	(162)	—	(696)	3,274	13,908	150	14,058

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the three months ended 31 March 2020

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, Uglan House, Grand Cayman, KY1-1104, Cayman Islands and its principal place of business in Singapore and the People's Republic of China (the "PRC") is situated at Unit #10-03, Novelty Bizcentre, 18 Howard Road, Singapore 369585 and Room 2704, China Insurance Building, 166 East Lujiazui Road, Pudong New District, Shanghai, the PRC, respectively.

The principal activity of the Company is investment holding. The Group is principally engaged in provision of cyber infrastructure solutions services, cyber security solutions services and Software-as-a-Service ("SaaS").

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 2020 (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 2019, 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 2019 (the "2019 Consolidated Financial Statements").

The First Quarterly Consolidated Financial Statements have been prepared on the historical costs basis, except for building, 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 2019 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.

3. SEGMENT INFORMATION

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

Based on the products, solutions and services offered by the Group to the customers, the executive Directors consider that the operating segments of the Group comprise (i) cyber infrastructure solutions including maintenance and support service income; (ii) cyber security solutions; and (iii) SaaS.

The measure used for reporting segment results is "Adjusted 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 2020 and 2019 is as follows:

	Cyber infrastructure solutions <i>US\$'000</i>	Cyber security solutions <i>US\$'000</i>	SaaS <i>US\$'000</i>	Total <i>US\$'000</i>
Three months ended 31 March 2020 (Unaudited)				
Revenue from external customers and reportable segment revenue	299	74	2,491	2,864
Reportable segment results (Adjusted EBITDA)	31	(83)	(252)	(304)
Depreciation and amortisation <i>(Note)</i>	219	174	—	393
Three months ended 31 March 2019 (Unaudited)				
Revenue from external customers and reportable segment revenue	268	7	—	275
Reportable segment results (Adjusted EBITDA)	123	(23)	—	100
Depreciation and amortisation <i>(Note)</i>	120	70	—	190

3. SEGMENT INFORMATION (Continued)

Reconciliation of reportable segment results

	(Unaudited)	
	For the three months ended 31 March	
	2020	2019
	<i>US\$'000</i>	<i>US\$'000</i>
Reportable segment results (Adjusted EBITDA)	(304)	100
Interest income	31	5
Depreciation and amortisation	(399)	(191)
Unallocated expenses	(387)	(418)
Loss before income tax	(1,059)	(504)
Income tax expenses	—	—
Loss for the period	(1,059)	(504)

Note: Unallocated depreciation to reportable segment results amounted to approximately US\$6,000 for the three months ended 31 March 2020 (*Three months ended 31 March 2019: approximately US\$1,000*).

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	
	2020	2019
	US\$'000	US\$'000
Hong Kong	23	3
South Korea	—	7
Myanmar	81	101
PRC	2,491	—
Philippines	16	44
Singapore	202	120
Taiwan	51	—
	2,864	275

4. REVENUE

	(Unaudited)	
	For the three months ended 31 March	
	2020	2019
	US\$'000	US\$'000
<i>Revenue from contracts with customers within IFRS 15</i>		
— at a point in time		
Cyber infrastructure solutions	277	174
Cyber security solutions	74	7
SaaS	2,491	—
— over time		
Maintenance and support service income	22	94
	2,864	275

5. LOSS BEFORE INCOME TAX

This is stated after charging/(crediting):

	(Unaudited)	
	For the three months	
	ended 31 March	
	2020	2019
	US\$'000	US\$'000
Amortisation of intangible assets	169	68
Depreciation of property, plant and equipment	230	123
Exchange loss/(gain), net	45	(11)

6. INCOME TAX EXPENSES

	(Unaudited)	
	For the three months	
	ended 31 March	
	2020	2019
	US\$'000	US\$'000
Current tax		
Singapore corporate income tax		
Current period	—	—
PRC enterprise income tax		
Current period	—	—
	—	—

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 2020 and 2019.

Hong Kong profits tax is calculated at 16.5% (*Three months ended 31 March 2019: 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 2019: 25%*) of the estimated assessable profits for the three months ended 31 March 2020 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 2019: 17%) of the estimated assessable profits with CIT rebate of 25% (Three months ended 31 March 2019: without CIT rebate), capped at Singapore Dollars ("SG\$") 15,000 (Three months ended 31 March 2019: Nil). Singapore incorporated companies can also enjoy 75% (Three months ended 31 March 2019: 75%) tax exemption on the first SG\$10,000 (Three months ended 31 March 2019: SG\$10,000) of normal chargeable income and a further 50% (Three months ended 31 March 2019: 50%) tax exemption on the next SG\$190,000 (Three months ended 31 March 2019: SG\$190,000) of normal chargeable income during the three months ended 31 March 2020.

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:

	(Unaudited)	
	For the three months ended 31 March	
	2020	2019
	<i>US\$'000</i>	<i>US\$'000</i>
Loss for the period attributable to owners of the Company, used in basic and diluted loss per share calculation	(1,059)	(504)
	Number of shares ('000)	
Weighted average number of ordinary shares for basic and diluted loss per share calculation	720,000	600,000
	<i>US cents</i>	<i>US cents</i>
Basis and diluted loss per share	(0.14)	(0.08)

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 2020.

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.

8. DIVIDENDS

The Directors did not recommend a payment of dividend for the three months ended 31 March 2020 (Three months ended 31 March 2019: Nil).

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. Starting from 2019, the Group set up an office in Shanghai, the PRC focusing on SaaS business.

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. Leveraging on its R&D capabilities, the Group successfully developed its technologies and SaaS system to provide cyber security solutions and SaaS respectively.

In view of huge and repaid growing domestic sharing economy business in the PRC, the Group carried out reallocation of internal resources, make adjustments to orientation and cooperate with business partners with abundant experience to enhance the development of SaaS business in the PRC.

CYBER INFRASTRUCTURE SOLUTIONS SEGMENT AND CYBER SECURITY SOLUTIONS SEGMENT

For the three months ended 31 March 2020, the reportable segment results (Adjusted EBITDA) (i.e. adjusted earnings before interest, taxes, depreciation and amortisation) in cyber infrastructure solutions segment and cyber security solutions segment were profit of approximately US\$31,000 (*Three months ended 31 March 2019: profit of approximately US\$123,000*) and loss of approximately US\$83,000 (*Three months ended 31 March 2019: loss of approximately US\$23,000*), respectively.

During the period, except the remained political restrictions in certain countries, the outbreak of Coronavirus Disease 2019 (“COVID-19”) in January 2020 affected the negotiation of new projects with existing customers and the seeking out of potential customers of the Group. To minimise the adverse effect of the outbreak of COVID-19, the Group makes use of teleconference to communicate with customers and business partners in view of the travel restrictions and actively works out more alternative business plans.

However, for those projects in some countries whereby most of the processes are manual and the governments have been mandating strict quarantine, the Group temporarily lost the sales activities but engineering support and maintenance were still available to customers.

On 3 April 2020, Singapore government (the "Government") announced the implementation of an elevated set of safe distancing measures, as a circuit breaker to pre-empt the trend of increasing local transmission of COVID-19 (the "Measures"). Under the Measures, the Government will close most of the physical workplace premises from 7 April 2020 to 4 May 2020 (inclusive) (the "Suspension Period"), save for those providing essential services and in selected economic sectors which are critical for the local and the global supply chains. On 21 April 2020, the Government further announced the extension of the Suspension Period to 1 June 2020 (the "Extended Suspension Period"), as well as implement tighter measures such as closing more workplaces, and imposing entry restrictions on certain places in Singapore.

During the Suspension Period and the Extended Suspension Period, management and staff from Singapore have been working from home and making use of teleconference with customers and partners. The Group has sufficient capacity to continue its administrative and finance operations with minimal impact on its services and deliverables. In addition, the Group has applied for the Government Pass which allows staff to visit Singapore office at least twice a week on a limited time window to do general inspection and maintenance of equipment needed to support remote operations. The Group has been continuously engaging with customers to follow-up on those opportunities that are critical to customers. The management has also implemented a training plan for engineers to uplift the Group's certifications and to boost the morale of engineers.

Because of the extensive business shutdowns to contain the spread of the COVID-19 all over the world since early March 2020, pursuant to the latest world economic outlook growth projections (the "Projections"), which was launched by the International Monetary Fund ("IMF") in April 2020, it expects that the global economy and countries of Association of Southeast Asian Nations will shrink by 3.0% and 0.6% respectively in 2020. It is believed that the imminent global economic downturn due to the recent situation of the outbreak of COVID-19 will result in a decrease in the demand on both cyber infrastructure solutions business and cyber security solutions business. The Group will continue to stay alert to the development and situation of the COVID-19, continue to assess its impacts on the financial position and operating results of the Group and take necessary action to maintain stability of the Group's businesses.

SaaS SEGMENT

For the three months ended 31 March 2020, the reportable segment result (Adjusted EBITDA) in SaaS segment was loss of approximately US\$252,000 (*Three months ended 31 March 2019: Nil*). Loss on segment result was mainly attributable to initial resources invested in the development stage of the new business to expand market share of SaaS business in the PRC.

During the period, two subsidiaries to operate SaaS platform to provide integrated services to individuals and enterprises and to operate sharing economy clearing payment platform through SaaS system in Shanghai and Hunan, the PRC respectively, which broadened and brought considerable source of income of the Group.

On 9 April 2020, Naixin (Shanghai) Technologies Services Co., Ltd.* (耐信(上海)科技服務有限公司, "Naixin"), a wholly-owned subsidiary of the Company, has entered into a non-legally binding strategic cooperation framework agreement with Beijing Zhongshui Dayi Software Technologies Co., Ltd.* (北京中稅答疑軟件科技有限公司) to establish a comprehensive strategic cooperation in terms of products customisation planning, technical research and development, new product and SaaS system development, and to explore the opportunity to cooperate on projects relating to government relationship management with departments such as the tax bureaus in the PRC, corporate customers development and exploration of their demands, establishment of professional internet platform, equity participation and joint investment in the future. For more information, please refer to the Company's announcement dated 9 April 2020.

On 24 April 2020, Naixin and SIC Electronic Bill Platform Information Service Co., Ltd.* (國信電子票據平台信息服務有限公司, "SIC Electronic", and together with Naixin, the "Parties") have entered into a sales channel cooperation framework agreement (the "Cooperation Framework Agreement"), for a term from the date of execution of the Cooperation Framework Agreement (i.e. 24 April 2020) to 18 March 2022. Pursuant to the Cooperation Framework Agreement, the Parties will cooperate with each other to provide: (i) tax control severs-based electronic bills integration development, application and services; (ii) tax control disk pack-based electronic bills integration development, application and services; (iii) value-added tax invoices input and output items management system; and (iv) financial tax bills small tool software, to the customers in the PRC. For more information, please refer to the Company's announcement dated 24 April 2020.

* For identification purposes only

As part of the business expansion plan, the Group will continue to explore the possibility of cooperation with more potential business partners to diversify service types and customers base to ensure the long-term steady development of the SaaS segment.

Since March 2020, the outbreak of COVID-19 in the PRC has been mitigated, the Group's customers and business partners in the PRC were permitted to resume their operations. Despite the economy growth rate in the PRC may fall to 1.2% in 2020 according to the Projections, in view of the huge and repaid growing domestic sharing economy business in the PRC, management team and business partner with abundant experience and intelligent and diversified SaaS system, the Group remains optimistic in the development of SaaS business.

FINANCIAL REVIEW

REVENUE

The major revenue streams of the Group derived from provision of cyber infrastructure solutions, cyber security solutions and SaaS. For the three months ended 31 March 2020, the Group recorded total revenue of approximately US\$2,864,000 (*Three months ended 31 March 2019: approximately US\$275,000*), which were generated from cyber infrastructure solutions business of approximately US\$299,000 (*Three months ended 31 March 2019: approximately US\$268,000*), cyber security solutions business of approximately US\$74,000 (*Three months ended 31 March 2019: approximately US\$7,000*) and SaaS business of approximately US\$2,491,000 (*Three months ended 31 March 2019: Nil*). The increase in revenue was mainly due to the development of SaaS business in the PRC.

COST OF INVENTORIES SOLD

The Group's cost of inventories sold increased from approximately US\$166,000 for the three months ended 31 March 2019 to approximately US\$184,000 for the three months ended 31 March 2020. The increase was mainly due to the increase in number of purchase of hardware components.

STAFF COSTS AND RELATED EXPENSES

For the three months ended 31 March 2020, the Group recorded staff costs and related expenses of approximately US\$203,000 (*Three months ended 31 March 2019: approximately US\$160,000*). The increase was mainly due to the aggregate effect of the increase in salaries of employees and Directors, and the number of employees for the expansion of the Group's business.

SUBCONTRACTING FEE

For the three months ended 31 March 2020, the Group recorded subcontracting fee of approximately US\$2,182,000 (*Three months ended 31 March 2019: Nil*) for technology vendors and individual service provider to provide subcontracting services on cyber security solutions business and SaaS business.

SALES AND MARKETING EXPENSES

For the three months ended 31 March 2020, the Group recorded sales and marketing expenses of approximately US\$544,000 (*Three months ended 31 March 2019: Nil*). It represented advertisement fee for promotion of SaaS business in the PRC.

GENERAL AND ADMINISTRATIVE EXPENSES

The amount of general and administrative expenses increased from approximately US\$325,000 for the three months ended 31 March 2019 to approximately US\$511,000 for the three months ended 31 March 2020. The increase was mainly due to increase in professional fee incurred for development and expansion of SaaS business, and the Group's overall business strategies.

LOSS FOR THE PERIOD

The Group recorded an increase in loss for the period from approximately US\$504,000 for the three months ended 31 March 2019 to approximately US\$1,059,000 for the three months ended 31 March 2020. The increase in loss was mainly due to the aggregate effect of the decrease in reportable segment results (Adjusted EBITDA) and increase in professional fee.

SHARE CAPITAL

As at 31 March 2020 and 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.

The issued share capital of the Company was HK\$7,200,000 (*equivalent to approximately US\$923,000*) divided into 720,000,000 ordinary shares of HK\$0.01 each (the "Share(s)") (*31 March 2019: HK\$6,000,000 (equivalent to approximately US\$769,000) divided into 600,000,000 shares of HK\$0.01 each*). Details of the movements in share capital of the Company are set out in 2019 Consolidated Financial Statements.

TREASURY POLICY

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

FOREIGN EXCHANGE EXPOSURE

The exposure of the Group's transactional currency to foreign currency risk was minimal as most of the financial assets and liabilities held by group entities of the Group are denominated in the respective functional currency of the respective group entities.

Certain financial assets and financial liabilities of the Group are denominated in SG\$, which is different from the functional currency of the respective group entities.

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

CONTINGENT LIABILITIES

The Group did not have any material contingent liabilities as at 31 March 2020 and 2019.

SIGNIFICANT INVESTMENT, MATERIAL ACQUISITIONS AND DISPOSALS

The Group has no significant investment, material acquisitions and disposal for the three months ended 31 March 2020 and 2019.

CHARGE ON THE GROUP'S ASSETS

There was no charge on the Group's assets as at 31 March 2020 and 2019.

EMPLOYEES INFORMATION

As at 31 March 2020, the Group had a total number of 25 employees (*31 March 2019: 22 employees*) (including executive Directors). During the three months ended 31 March 2020, the total staff costs amount to approximately US\$203,000 (*Three months ended 31 March 2019: approximately US\$160,000*), representing an increase of approximately US\$43,000 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 2020, 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	272,686,500	37.9%

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 held by Alpha Sense (BVI).

Save as disclosed above, as at 31 March 2020, 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 2020, 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 Shareholders	Capacity/Nature	Number of Shares or underlying Shares held/ interested in	Percentage of issued share capital
Alpha Sense (BVI)	Beneficial owner	272,686,500	37.9%
Power Ace Investments Limited (Note)	Beneficial owner	83,330,000	11.6%
Mr. Hu Yebi (Note)	Interested in a controlled corporation	83,330,000	11.6%
Ms. Hu Yina (Note)	Interested in a controlled corporation	83,330,000	11.6%

Note: Power Ace Investment Limited ("Power Ace") is an investment holding company incorporated in the BVI and is held as to 50% by Mr. Hu Yebi ("Mr. Hu") and 50% by Ms. Hu Yina ("Ms. Hu"). By virtue of the SFO, Mr. Hu and Ms. Hu are deemed to be interested in the shares held by Power Ace.

Save as disclosed above, as at 31 March 2020, 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 2020, 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.

Save 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 2020.

INTERESTS IN COMPETING BUSINESS

During the three months ended 31 March 2020 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 2020.

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 2020.

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 three months ended 31 March 2020, no share option had been granted, cancelled, exercised or lapsed pursuant to the Scheme. There was no share option outstanding as at 31 March 2020.

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 2020, the Audit Committee comprised three independent non-executive Directors, namely Mr. Chan Ming Kit, Ms. Lim Joo Seng and Mr. Park Jee Ho. 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 2020 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, 12 May 2020

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. Shao 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.

This report will remain on the GEM website at www.hkgem.com on the "Latest Listed Company Announcements" page and the website of the Company at <http://nexion.com.hk> for at least 7 days from the date of its publication.