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NEXION TECHNOLOGIES LIMITED

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 8420)

THIRD QUARTERLY RESULTS ANNOUNCEMENT FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2021

The board of directors of Nexion Technologies Limited (the “**Company**”) is pleased to announce the unaudited condensed consolidated financial results of the Company and its subsidiaries for the nine months ended 30 September 2021. This announcement, containing the full text of the 2021 third quarterly report of the Company (“**Third Quarterly Report**”), complies with the relevant requirements of the Rules Governing the Listing of Securities on the GEM of The Stock Exchange of Hong Kong Limited (the “**GEM Listing Rules**”) in relation to information to accompany preliminary announcement of third quarterly results. Printed version of the Company’s Third Quarterly Report will be delivered to the shareholders of the Company and available for viewing on the websites of GEM at www.hkgem.com and of the Company at <http://nexion.com.hk> in due course.

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

Hong Kong, 8 November 2021

As at the date of this announcement, the Board comprises three executive directors, namely Mr. Foo Moo Teng, Mr. Roy Ho Yew Kee and Mr. Ong Gim Hai; and three independent non-executive directors, namely Ms. Lim Joo Seng, Mr. Tang Chak Lam Gilbert and Mr. Yeung Chun Yue David.

This announcement, 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 announcement 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 announcement misleading.

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



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Third Quarterly Report 2021

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 nine months ended 30 September 2021, together with the comparative unaudited figures of the corresponding period in 2020, as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the nine months ended 30 September 2021

	Notes	(Unaudited) For the three months ended 30 September		(Unaudited) For the nine months ended 30 September	
		2021 US\$'000	2020 US\$'000	2021 US\$'000	2020 US\$'000
Revenue	4	992	1,914	2,046	8,281
Other income		139	41	201	246
Cost of inventories sold		(440)	(101)	(643)	(348)
Staff costs and related expenses		(251)	(222)	(639)	(658)
Subcontracting fee		(72)	(1,689)	(115)	(7,091)
Sales and marketing expenses		–	–	(422)	(583)
Depreciation and amortisation		(196)	(398)	(628)	(1,193)
General and administrative expenses		(311)	(232)	(1,020)	(1,487)
Loss before income tax	5	(139)	(687)	(1,220)	(2,833)
Income tax credit/(expense)	6	–	3	(5)	(1)
Loss for the period		(139)	(684)	(1,225)	(2,834)
Other comprehensive income/(loss)					
<i>Item that may be subsequently reclassified to profit or loss:</i>					
Release of exchange reserve upon disposal of subsidiaries		–	(3)	–	(3)
Exchange difference arising on translation of foreign operations		5	91	(10)	(9)

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

For the nine months ended 30 September 2021

	(Unaudited) For the three months ended 30 September		(Unaudited) For the nine months ended 30 September	
	2021	2020	2021	2020
Notes	US\$'000	US\$'000	US\$'000	US\$'000
Other comprehensive income/(loss) for the period	5	88	(10)	(12)
Total comprehensive loss for the period attributable to owners of the Company	(134)	(596)	(1,235)	(2,846)
(Loss)/Profit for the period attributable to:				
Equity holders of the Company	(174)	(498)	(1,270)	(2,679)
Non-controlling interests	35	(186)	45	(155)
	(139)	(684)	(1,225)	(2,834)
Total comprehensive (loss)/income attributable to:				
Equity holders of the Company	(169)	(423)	(1,279)	(2,704)
Non-controlling interests	35	(173)	44	(142)
	(134)	(596)	(1,235)	(2,846)
Loss per share for loss attributable to equity holders of the Company, basic and diluted (US cents)	7	(0.02)	(0.07)	(0.37)

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the nine months ended 30 September 2021

	Attributable to equity holders of the Company						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	Fair value reserve US\$'000	Accumulated profits/ (losses) US\$'000			
At 1 January 2020 (Audited)	923	9,919	650	21	(696)	4,327	15,144	1	15,145
Loss for the period	-	-	-	-	-	(2,679)	(2,679)	(155)	(2,834)
Other comprehensive (loss)/income:									
<i>Item that may be reclassified subsequently to profit or loss</i>									
Release of exchange reserve upon disposal of subsidiaries	-	-	-	(3)	-	-	(3)	-	(3)
<i>Exchange difference arising on translation of foreign operations</i>	-	-	-	(22)	-	-	(22)	13	(9)
Total comprehensive loss for the period	-	-	-	(25)	-	(2,679)	(2,704)	(142)	(2,846)
Transactions with owners:									
<i>Changes in ownership interests</i>									
Capital injection from a non-controlling shareholder	-	-	-	-	-	-	-	155	155
Disposal of subsidiaries	-	-	-	-	-	-	-	(86)	(86)
At 30 September 2020 (Unaudited)	923	9,919	650	(4)	(696)	1,648	12,440	73	12,368

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (Continued)

For the nine months ended 30 September 2021

	Attributable to equity holders of the Company						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	Fair value reserve US\$'000	Accumulated profits/ (losses) US\$'000			
At 1 January 2021 (Audited)	923	9,919	650	42	-	(2,099)	9,435	(63)	9,372
(Loss)/profit for the period	-	-	-	-	-	(1,270)	(1,270)	45	(1,225)
Other comprehensive loss:									
<i>Item that may be reclassified subsequently to profit or loss</i>									
Exchange difference arising on translation of foreign operations	-	-	-	(9)	-	-	(9)	(1)	(10)
Total comprehensive (loss)/income for the period	-	-	-	(9)	-	(1,270)	(1,279)	44	(1,235)
At 30 September 2021 (Unaudited)	923	9,919	650	33	-	(3,369)	8,156	(19)	8,137

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the nine months ended 30 September 2021

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 were 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 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 2021, 2/F, Zhonghui Building, 16 Henan South Road, Huangpu District, Shanghai, the PRC, respectively.

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

2. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES

The unaudited condensed consolidated financial statements of the Group for the nine months ended 30 September 2021 (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 2020, 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 2020 (the "2020 Consolidated Financial Statements").

2. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES

(Continued)

The Third Quarterly Consolidated Financial Statements have been prepared on the historical costs basis, except for building and contingent consideration payable, which are measured at fair value.

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 2020 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 Third 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 of the Company 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 earnings before interest, taxes, depreciation and amortisation ("Adjusted EBITDA"). 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 2021 and 2020 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>
Nine months ended				
30 September 2021 (Unaudited)				
Revenue from external customers and reportable segment revenue	476	852	718	2,046
Reportable segment results (Adjusted EBITDA)	(91)	52	2	(37)
Depreciation and amortisation	383	243	2	628
Nine months ended				
30 September 2020 (Unaudited)				
Revenue from external customers and reportable segment revenue	625	220	7,436	8,281
Reportable segment results (Adjusted EBITDA)	(18)	(396)	(124)	(538)
Impairment loss on trade receivable	–	400	–	400
Depreciation and amortisation	663	528	2	1,193

3. SEGMENT INFORMATION (Continued) Reconciliation of reportable segment results

	(Unaudited)	
	For the nine months ended 30 September	
	2021	2020
	<i>US\$'000</i>	<i>US\$'000</i>
Reportable segment results (Adjusted EBITDA)	(37)	(538)
Interest income	15	58
Depreciation and amortisation	(628)	(1,193)
Unallocated expenses	(570)	(1,160)
	<hr/>	
Loss before income tax	(1,220)	(2,833)
	<hr/>	
Income tax expense	(5)	(1)
	<hr/>	
Loss for the period	(1,225)	(2,834)

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 nine months ended 30 September	
	2021	2020
	US\$'000	US\$'000
Hong Kong	77	45
Malaysia	377	–
Myanmar	174	303
Philippines	85	56
Singapore	609	266
South Korea	–	21
Taiwan	3	154
The PRC	718	7,436
Vietnam	3	–
	2,046	8,281

4. REVENUE

	(Unaudited)		(Unaudited)	
	For the three months ended 30 September		For the nine months ended 30 September	
	2021	2020	2021	2020
	US\$'000	US\$'000	US\$'000	US\$'000
<i>Revenue from contracts with customers within IFRS 15</i>				
– at a point in time				
Cyber infrastructure solutions	135	86	367	363
Cyber security solutions	619	7	852	220
SaaS	187	1,728	718	7,436
– over time				
Maintenance and support service income	51	93	109	262
	992	1,914	2,046	8,281

5. 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	
	2021	2020	2021	2020
	US\$'000	US\$'000	US\$'000	US\$'000
Amortisation of intangible assets	142	169	425	503
Depreciation of property, plant and equipment	54	229	203	690
Exchange (gain)/loss, net	(9)	(9)	(15)	(32)
Gain on disposal of subsidiaries (<i>Note 9</i>)	(110)	(90)	(110)	(90)
Rental income from investment property	-	(8)	-	(25)

6. INCOME TAX (CREDIT)/EXPENSE

	(Unaudited)		(Unaudited)	
	For the three months ended 30 September		For the nine months ended 30 September	
	2021	2020	2021	2020
	US\$'000	US\$'000	US\$'000	US\$'000
Current tax				
<i>Singapore corporate income tax</i>				
Current period	-	-	1	-
Under provision in prior year	-	-	4	-
<i>PRC enterprise income tax</i>				
Current period	-	(3)	-	1
	-	(3)	5	1
Deferred tax	-	-	-	-
Total income tax (credit)/expense for the period	-	(3)	5	1

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 2021 and 2020.

6. INCOME TAX (CREDIT)/EXPENSE (Continued)

Hong Kong profits tax is calculated at 16.5% (*Nine months ended 30 September 2020: 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 2020: 25%*) of the estimated assessable profits for the nine months ended 30 September 2021 based on the existing legislation, interpretations and practices in respect thereof.

During the nine months ended 30 September 2021 and 2020, Singapore corporate income tax ("CIT") is calculated at 17% of the estimated assessable profits with CIT rebate of 25%, capped at Singapore Dollars ("SG\$") 15,000. 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 2021 and 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)		(Unaudited)	
	For the three months ended 30 September	For the three months ended 30 September	For the nine months ended 30 September	For the nine months ended 30 September
	2021	2020	2021	2020
	US\$'000	US\$'000	US\$'000	US\$'000
Loss for the period attributable to owners of the Company, used in basic and diluted loss per share calculation	(174)	(498)	(1,270)	(2,679)
Number of shares ('000)				
Weighted average number of ordinary shares for basic and diluted loss per share calculation	720,000	720,000	720,000	720,000
	<i>US Cents</i>	<i>US Cents</i>	<i>US Cents</i>	<i>US Cents</i>
Basic and diluted loss per share	(0.02)	(0.07)	(0.18)	(0.37)

7. LOSS PER SHARE (Continued)

Diluted loss per share is same as the basic loss per share as there are no dilutive potential ordinary shares in existence during the nine months ended 30 September 2021 and 2020.

8. DIVIDEND

The Directors do not recommend a payment of dividend for the nine months ended 30 September 2021 (*Nine months ended 30 September 2020: Nil*).

9. DISPOSAL OF SUBSIDIARIES

On 29 September 2021, the Group disposed the entire equity interests in Expert Team (BVI) Limited and its subsidiary, Expert Team Pte Ltd (collectively, the "Expert Team") to an independent third party at a consideration of US\$200,000 (the "Disposal"). The details of the Disposal are as follows:

	<i>US\$'000</i>
Net assets disposed of	
Office equipment	1
Intangible assets	56
Use of right asset	6
Trade and other receivables	220
Bank balances and cash	98
Trade and other payables	(195)
Income tax payables	(96)
	90
Gain on disposal of subsidiaries	110
	200

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 research and development capabilities, the Group successfully developed its technologies and SaaS system to provide cyber security solutions and SaaS respectively.

In view of huge and rapid growing domestic sharing economy business in the PRC, the Group carried out reallocation of internal resources, made adjustments to orientation and cooperated with business partners with abundant experience to enhance the development of the Group’s SaaS business in the PRC.

The Group has been actively considering and exploring various opportunities to facilitate its business growth according to the market conditions with an aim to enhance the value of shareholders of the Company (the “Shareholders”). On 5 May 2021, the acquisition of Storm Front Pte. Ltd is completed. Upon the completion, Storm Front has become a wholly-owned subsidiary of the Company and its financial results has been consolidated into the Company’s condensed consolidated financial statements (the “Acquisition”).

Storm Front is a company incorporated in Singapore with limited liability, its principal activities are provision of smart technology services in workspace, community and cloud, and retail sale of security and fire-fighting equipment. Established in 2018, Storm Front has successfully deployed its smart technology solutions branded WerkDone to more than 100 clients and 50,000 end users in Singapore, it also maintains business relationship with six global business partners as it looks to take its services across borders.

The Board considers that the Acquisition provides an excellent opportunity that complements and strengthens the Group's existing business segments and expands into the enterprise digital transformation area and smart technology industry. It is also expected that the Group will continuously benefit from the rapid revenue growth and technical knowhow of Storm Front.

During the nine months ended 30 September 2021, the Company also established an operation base in Malaysia by setting up a wholly-owned subsidiary and reallocated its internal resources to expand its current business of cyber security solutions services into Malaysia. Due to continuous lockdown in Malaysia during the period, the management expected that the business in Malaysia will be kicked off in last quarter of 2021 and the Group's existing business and market will be expanded.

CYBER INFRASTRUCTURE SOLUTIONS SEGMENT AND CYBER SECURITY SOLUTIONS SEGMENT

For the nine months ended 30 September 2021, the reportable segment results (Adjusted EBITDA) in cyber infrastructure solutions segment and cyber security solutions segment were loss of approximately US\$91,000 (*Nine months ended 30 September 2020: loss of approximately US\$18,000*) and profit of approximately US\$52,000 (*Nine months ended 30 September 2020: loss of approximately US\$396,000*), respectively.

During the nine months ended 30 September 2021, the outbreak of Coronavirus Disease 2019 (the "COVID-19") and coup in Myanmar have continuously affected the Group's operations in the negotiation of new projects with existing customers and the seeking out of potential customers of the Group. To maintain local business in Singapore, the Group has explored and offered advanced security solutions to cloud service providers and customers in terms of visibility, protection, compliance, and operations. The markets outside Singapore are still limited due to recent spike in COVID-19 cases and continuous business and travelling restriction, the Group has continuously maintained customer relationships and businesses through online communications. Engineers deployed onsite such as in the Malaysia and Philippines do continue to service the customers with limited onsite and physical interactions with customers.

The Group anticipates continuing challenges in next coming months, to ensure less impact to the Group's operation and structure, the Group is focusing on ensuring that all ongoing projects and maintenance be secured in both cyber infrastructure solutions segment and cyber security solutions segment. The Group will continue to work on opportunities and explore the market with the current and new technological offerings acquired through partnerships.

Despite COVID-19 and coup in Myanmar adversely affected the Group's business, result from cyber security solutions segment has improved through acquisition of Storm Front. It is expected that the Group will continuously benefit from the rapid revenue growth and technical knowhow of Storm Front.

SAAS SEGMENT

For the nine months ended 30 September 2021, the reportable segment result (Adjusted EBITDA) in SaaS segment was profit of approximately US\$2,000 (*Nine months ended 30 September 2020: loss of approximately US\$124,000*). Decrease in loss was mainly attributable to decrease in advertisement fee incurred for the developed SaaS business.

COVID-19 and Sino-US trade war were the main risk and challenge during the nine months ended 30 September 2021, which the Group expected that would maintain for a long period to its SaaS business. To minimise business risk of the Group as well as seize the business opportunities by provision of larger level of flexibility to customers, the Group has changed its role from a principal as an agent in SaaS business since the second half year of 2020 by revising some contract terms under mutual agreement among the Group and its customers.

FINANCIAL REVIEW

REVENUE

The major revenue streams of the Group derived from provision of cyber infrastructure solutions, cyber security solutions and SaaS. For the nine months ended 30 September 2021, the Group recorded a total revenue of approximately US\$2,046,000 (*Nine months ended 30 September 2020: approximately US\$8,281,000*), which were generated from cyber infrastructure solutions segment of approximately US\$476,000 (*Nine months ended 30 September 2020: approximately US\$625,000*), cyber security solutions segment of approximately US\$852,000 (*Nine months ended 30 September 2020: approximately US\$220,000*) and SaaS segment of approximately US\$718,000 (*Nine months ended 30 September 2020: approximately US\$7,436,000*). The decrease was mainly due to the change of business model of the Group from principal to agent in SaaS business since the second half year of 2020 by revising some contract terms under mutual agreement among the Group and its customers.

COST OF INVENTORIES SOLD

The Group's cost of inventories sold decreased from approximately US\$348,000 for the nine months ended 30 September 2020 to approximately US\$643,000 for the nine months ended 30 September 2021. The increase was mainly due to increase in the number of purchase of hardware components.

STAFF COSTS AND RELATED EXPENSES

For the nine months ended 30 September 2021, the Group recorded staff costs and related expenses of approximately US\$639,000 (*Nine months ended 30 September 2020: approximately US\$658,000*). There was no significant change among two periods.

SUBCONTRACTING FEE

For the nine months ended 30 September 2021, the Group recorded subcontracting fee of approximately US\$115,000 (*Nine months ended 30 September 2020: approximately US\$7,091,000*) for technology vendors and individual service providers to provide subcontracting services on cyber security solutions business and SaaS business. The decrease was mainly due to the change of business model of the Group from principal to agent in SaaS business since the second half year of 2020.

SALES AND MARKETING EXPENSES

For the nine months ended 30 September 2021, the Group recorded sales and marketing expenses of approximately US\$422,000 (*Nine months ended 30 September 2020: approximately US\$583,000*). The decrease was mainly due to less advertisement incurred for developed SaaS business of the Group.

GENERAL AND ADMINISTRATIVE EXPENSES

The amount of general and administrative expenses decreased from approximately US\$1,487,000 for the nine months ended 30 September 2020 to approximately US\$1,020,000 for the nine months ended 30 September 2021. The decrease was mainly due to cost control of the Group.

LOSS FOR THE PERIOD

The Group recorded a decrease in loss for the period from approximately US\$2,834,000 for the nine months ended 30 September 2020 to approximately US\$1,225,000 for the nine months ended 30 September 2021. The decrease in loss was mainly due to the aggregate effect of the change of reportable segment results (Adjusted EBITDA) in cyber security solutions segment and SaaS segment from loss to profit, and decrease in amortisation and depreciation due to impairment loss on property, plant and equipment and intangible assets of approximately US\$1,246,000 during the year ended 31 December 2020.

SHARE CAPITAL

As at 30 September 2021, 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.

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.

IMPORTANT EVENTS

DISPOSAL OF SUBSIDIARIES

In order to minimise the operation costs and enhance the business efficiency, the Group disposed of Expert Team Group to an independent third party during the nine months ended 30 September 2021. The principal activities of Expert Team Group are investment holdings and provision of cyber security solutions. The Disposal resulted in a gain of approximately US\$110,000 and was completed on 29 September 2021. The Disposal did not constitute a notifiable transaction for the Company under Chapter 19 of the GEM Listing Rules. Details of the Disposal are set out in Note 9 to the consolidated financial statements in this report.

SIGNIFICANT INVESTMENT, MATERIAL ACQUISITIONS AND DISPOSALS

Save as events stated in section headed "Important events" 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 2021 and up to the date of this report.

CHARGE ON THE GROUP'S ASSETS

There was no charge on the Group's assets as at 30 September 2021 and 31 December 2020.

DIVIDEND

The Directors do not recommend a payment of dividend for the nine months ended 30 September 2021 (*Nine months ended 30 September 2020: Nil*).

EMPLOYEES INFORMATION

As at 30 September 2021, the Group had a total number of 29 employees (*30 September 2020: 28 employees*) (including executive Directors). For the nine months ended 30 September 2021, the total staff costs amount to approximately US\$639,000 (*Nine months ended 30 September 2020: approximately US\$658,000*), representing a decrease of approximately US\$19,000 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 2021, 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 (Note 1)	Capacity/Nature	Number of Shares held/ interested in (Note 2 and 3)	Percentage of issued share capital
Mr. Foo Moo Teng ("Mr. Foo") (<i>chairman, executive director and chief executive officer</i>)	Interest in	154,838,000 (L)	21.51%
	a controlled corporation	154,838,000 (S)	

Notes:

- Alpha Sense Investments Limited ("Alpha Sense (BVI)") is an investment holding company incorporated in the British Virgin Islands ("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).
- The Letter "L" demonstrates the Directors' long position in the shares of the Company or the relevant associated corporation.
- The Letter "S" demonstrates the Directors' short position in the shares of the Company or the relevant associated corporation.

Save as disclosed above, as at 30 September 2021, none of the other Directors nor chief executives of the Company have registered an 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 to therein; or (c) pursuant to Rule 5.46 to 5.67 of the GEM Listing Rules to be notified to the Company and the Stock Exchange.

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

As at 30 September 2021, so far as known to any director, the following persons (other than the directors and chief executive of the Company) had interest or short positions in the shares and underlying shares of the Company which would fall to be disclosed under the provisions of Divisions 2 and 3 of Part XV of the SFO as recorded in the register required to be kept under Section 336 of the SFO:

LONG POSITION IN SHARES OR UNDERLYING SHARES OF THE COMPANY

Name of Shareholders	Capacity/Nature	Number of Shares held/ interested in <i>(Note 1 and 2)</i>	Percentage of issued share capital
Alpha Sense (BVI)	Beneficial owner	154,838,000 (L) 154,838,000 (S)	21.51%
XOX (Hong Kong) Limited ("XOX Hong Kong") <i>(Note 3)</i>	Beneficial owner	117,848,500 (L)	16.37%
XOX Bhd <i>(Note 3)</i>	Interested in a controlled corporation	117,848,500 (L)	16.37%
UBS Group AG ("UBS") <i>(Note 4)</i>	Beneficial owner	99,160,000 (L)	13.77%

Notes:

1. The Letter “L” demonstrates long position.
2. The Letter “S” demonstrates short position.
3. XOX Hong Kong is an investment holding company incorporated in Hong Kong and is wholly-owned by XOX Bhd. XOX Bhd is a company incorporated in Malaysia, the shares of which are listed on Bursa Malaysia (stock code: 0165).
4. UBS is an investment holding company incorporated in Switzerland, the shares of which are listed on SIX Swiss Exchange (stock code: UBSG: SW) and on the New York Stock Exchange (stock code: UBS).

Save as disclosed above, as at 30 September 2021, 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 2021, 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 2021.

DIRECTORS' INTEREST IN COMPETING BUSINESS

During the nine months ended 30 September 2021 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

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 2021.

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 2021.

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 2021, no share option had been granted, cancelled, exercised or lapsed pursuant to the Scheme. There was no share option outstanding as at 30 September 2021.

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 2021, the audit committee comprised three independent non-executive Directors, namely Ms. Lim Joo Seng, Mr. Tang Chak Lam Gilbert and Mr. Yeung Chun Yue David. Ms. Lim Joo Seng is the chairman of the Audit Committee.

The Group's unaudited condensed consolidated financial statements for the nine months ended 30 September 2021 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 2021

As at the date of this report, the Board comprises three executive Directors, namely Mr. Foo Moo Teng, Mr. Roy Ho Yew Kee and Mr. Ong Gim Hai; and three independent non-executive Directors, namely Ms. Lim Joo Seng, Mr. Tang Chak Lam Gilbert and Mr. Yeung Chun Yue David.

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.