



NEXION TECHNOLOGIES LIMITED

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 8420



2018
THIRD QUARTERLY REPORT



CHARACTERISTICS OF GEM OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE “STOCK EXCHANGE”)

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

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

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This report, for which the directors (the “Directors”) of Nexion Technologies Limited (the “Company”) collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on GEM of the Stock Exchange (the “GEM Listing Rules”) for the purpose of giving information with regard to the Company. The Directors, 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 statement of profit or loss and other comprehensive income of the Company and its subsidiaries (collectively referred to as the “Group”) for the nine months ended 30 September 2018, together with the comparative unaudited figures of the corresponding period in 2017, as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the nine months ended 30 September 2018

	Note	(Unaudited) For the three months ended 30 September		(Unaudited) For the nine months ended 30 September	
		2018 US\$'000	2017 US\$'000	2018 US\$'000	2017 US\$'000
Revenue	4	2,278	2,000	7,032	4,224
Other income		82	—	133	71
Cost of inventories sold		(250)	(987)	(2,659)	(1,714)
Staff costs and related expenses		(356)	(248)	(1,176)	(658)
Depreciation and amortisation		(168)	(67)	(480)	(186)
Other operating expenses		(691)	(379)	(1,336)	(544)
Share-based payments expense	9	(133)	—	(581)	—
Listing expenses		—	—	—	(1,633)
Profit (Loss) before income tax	5	762	319	933	(440)
Income tax (expenses) credit	6	(211)	15	(582)	(42)

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

For the nine months ended 30 September 2018

	(Unaudited)		(Unaudited)		
	For the three months ended 30 September		For the nine months ended 30 September		
	2018	2017	2018	2017	
<i>Note</i>	US\$'000	US\$'000	US\$'000	US\$'000	
Profit (Loss) for the period attributable to owners of the Company	551	334	351	(482)	
Other comprehensive loss					
<i>Item that may be subsequently reclassified to profit or loss:</i>					
Exchange difference on consolidation	(41)	—	(229)	—	
Total comprehensive income (loss) for the period attributable to owners of the Company	510	334	122	(482)	
Earnings (Loss) per share, basic and diluted (US cents)	7	0.09	0.06	0.06	(0.09)



CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the nine months ended 30 September 2018

	Reserves							Total US\$'000
	Share capital US\$'000	Share premium US\$'000	Capital reserve US\$'000	Share options reserve US\$'000	Statutory reserve US\$'000	Exchange reserve US\$'000	Accumulated profits US\$'000	
At 1 January 2018 (Audited)	769	8,730	650	—	121	14	4,588	14,872
Profit for the period	—	—	—	—	—	—	351	351
Other comprehensive loss								
Exchange difference on consolidation	—	—	—	—	—	(229)	—	(229)
Total comprehensive (loss) income for the period	—	—	—	—	—	(229)	351	122
Transaction with owners:								
<i>Contribution and distribution</i>								
Equity-settled share-based payments (Note 9)	—	—	—	581	—	—	—	581
At 30 September 2018 (Unaudited)	769	8,730	650	581	121	(215)	4,939	15,575
At 1 January 2017 (Audited)	—	1,200	650	—	—	—	3,529	5,379
Loss and total comprehensive loss for the period	—	—	—	—	—	—	(482)	(482)
Transactions with owners:								
<i>Contributions and distributions</i>								
Capitalisation issue (Note a)	577	(577)	—	—	—	—	—	—
Issue of new shares by way of public offer (Note b)	192	9,039	—	—	—	—	—	9,231
Transaction costs attributable to issue of new shares	—	(932)	—	—	—	—	—	(932)
Total transactions with owners	769	7,530	—	—	—	—	—	8,299
At 30 September 2017 (Unaudited)	769	8,730	650	—	—	—	3,047	13,196



CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (Continued)

For the nine months ended 30 September 2018

Notes:

- a) On 16 June 2017, 449,900,000 shares of HK\$0.01 each were issued and allotted to the existing shareholders, credited as fully paid at par by way of capitalisation of the sum of HK\$4,499,000 (equivalent to approximately US\$577,000) standing to be credit of the share premium account of the Company (the "Capitalisation Issue").
- b) On 16 June 2017, the public offer of 150,000,000 shares of the Company of HK\$0.01 each at the offer price of HK\$0.48 per public offer share of the sum of HK\$72,000,000 (equivalent to approximately US\$9,231,000) were issued and allotted.



NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the nine months ended 30 September 2018

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 "Listing"). The address of the Company's registered office is PO Box 309, Ugland House, Grand Cayman, KY1-1104, Cayman Islands and its principal place of business is situated at Unit 08-03, HB Centre I, 12 Tannery Road, Singapore 347722.

The principal activity of the Company is investment holding. The Group is principally engaged in provision of cyber infrastructure solutions services and research and development, 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 2018 (the "Third Quarterly Financial Statements") are prepared in accordance with the applicable disclosure requirements of the GEM Listing Rules.

The preparation of the Third Quarterly Financial Statements requires the management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, incomes and expenses on a year to date basis. Actual results may differ from these estimates.

The Third Quarterly Financial Statements include an explanation of events and transactions that are significant to an understanding of the changes in financial performance of the Group since 31 December 2017, and therefore, do not include all of the information required for full set of financial statements prepared in accordance with the International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards 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 2017 (the "2017 Financial Statements").

The Third Quarterly Financial Statements have been prepared on the historical costs basis, except for investment properties and financial assets at fair value through profit or loss, 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 Financial Statements are consistent with those applied in the preparation of the 2017 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 periods, except for IFRS 9 and IFRS 15 as set out below.

Adoption of IFRS 9 “Financial instruments”

The Group has adopted IFRS 9 for the first time in the current period. IFRS 9 replaces the provisions of IAS 39 “*Financial Instruments: Recognition and Measurement*” in relation to (i) recognition, classification and measurement of financial assets and financial liabilities; (ii) derecognition of financial instruments; (iii) impairment of financial assets; and (iv) hedge accounting. IFRS 9 also amends other standards dealing with financial instruments such as IFRS 7 “*Financial Instruments: Disclosures*”. IFRS 9 introduces new requirements for (i) the classification and measurement of financial assets and financial liabilities, (ii) expected credit losses (“ECL”) for financial assets and other items, and (iii) general hedge accounting.

The Directors reviewed and assessed the Group’s financial assets as at 1 January 2018 for classification and measurement based on the facts and circumstances that existed at that date and for impairment on ECL using reasonable and supportable information that is available without undue cost or effort in accordance with the requirements of IFRS 9. The application of IFRS 9 has had no material effect on classification and measurement of financial assets and no impairment allowance was recognised in the Third Quarterly Financial Statements.

Adoption of IFRS 15 “Revenue from contracts with customers”

The Group has adopted IFRS 15 for the first time in the current period. IFRS 15 superseded IAS 18 “*Revenue*”, IAS 11 “*Construction Contracts*” and the related interpretations.

IFRS 15 establishes a comprehensive framework for determining when to recognise revenue and how much revenue to be recognised through a 5-step approach: (i) identify the contract(s) with a customer; (ii) identify the performance obligations in the contract; (iii) determine the transaction price; (iv) allocate the transaction price to the performance obligations in the contract; and (v) recognise revenue when (or as) the Group satisfies a performance obligation.

Under IFRS 15, the Group recognises revenue when (or as) a performance obligation is satisfied, i.e. when “control” of the goods or services underlying the particular performance obligation is transferred to the customer. A performance obligation represents a good and service (or a bundle of goods or services) that is distinct or a series of distinct goods or services that are substantially the same.



2. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES

(Continued)

ADOPTION OF NEW/REVISED IFRSs (Continued)

Adoption of IFRS 15 “Revenue from contracts with customers”

(Continued)

The Directors reviewed and assessed the application of IFRS 15 and considered that the performance obligations that identified under IFRS 15 are similar to the identification of revenue components under IAS 18, and therefore, no material impact on the amounts reported set out in the Third Quarterly Financial Statements.

At the date of authorisation of the Third Quarterly 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 of the Company have been identified as the chief operating decision-makers. The executive directors of the Company 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 Listing expenses, 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 of the Company for the reportable segments for the nine months ended 30 September 2018 and 2017 is as follows:

	Cyber infrastructure solutions <i>US\$'000</i>	Cyber security solutions <i>US\$'000</i>	Total <i>US\$'000</i>
Nine months ended 30 September 2018 (Unaudited)			
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
Nine months ended 30 September 2017 (Unaudited)			
Revenue from external customers and reportable segment revenue	2,903	1,321	4,224
Reportable segment results (Adjusted EBITDA)	621	991	1,612
Depreciation and amortisation (<i>Note</i>)	32	154	186



3. SEGMENT INFORMATION (Continued)

RECONCILIATION OF REPORTABLE SEGMENT RESULTS

	(Unaudited)	
	For the nine months ended 30 September	
	2018	2017
	US\$'000	US\$'000
Reportable segment results (Adjusted EBITDA)	3,142	1,612
Interest income	1	1
Depreciation and amortisation (Note)	(480)	(186)
Unallocated expenses	(1,730)	(1,867)
Profit (Loss) before income tax	933	(440)
Income tax expenses	(582)	(42)
Profit (Loss) for the period	351	(482)

Note: Depreciation not allocated to reportable segments amounted to approximately US\$2,000 (For the nine months ended 30 September 2017: Nil) during the nine months ended 30 September 2018.

3. SEGMENT INFORMATION (Continued)

INFORMATION ABOUT GEOGRAPHICAL AREAS

The following table sets out information about the geographical location of the Group's revenue from external customers. The geographical location of revenue is based on the location of end users.

REVENUE FROM EXTERNAL CUSTOMERS

	(Unaudited)	
	For the nine months ended 30 September	
	2018	2017
	<i>US\$'000</i>	<i>US\$'000</i>
Hong Kong	10	16
Indonesia	75	41
Laos	6	26
Malaysia	2,078	1,268
Myanmar	3,163	144
People's Republic of China ("PRC")	655	—
Philippines	163	2,106
Singapore	347	614
Taiwan	40	—
Thailand	494	4
Vietnam	1	5
	7,032	4,224



4. REVENUE

	(Unaudited) For the three months ended 30 September		(Unaudited) For the nine months ended 30 September	
	2018 US\$'000	2017 US\$'000	2018 US\$'000	2017 US\$'000
Cyber infrastructure solutions	45	1,373	3,707	2,579
Cyber security solutions	1,944	391	2,871	1,321
Maintenance and support service income	289	236	454	324
	2,278	2,000	7,032	4,224

5. PROFIT (LOSS) BEFORE INCOME TAX

This is stated after charging (crediting):

	(Unaudited) For the three months ended 30 September		(Unaudited) For the nine months ended 30 September	
	2018 US\$'000	2017 US\$'000	2018 US\$'000	2017 US\$'000
Amortisation of intangible assets	36	53	178	142
Depreciation of property, plant and equipment	132	14	302	44
Exchange loss (gain), net	1	12	(15)	(40)
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	(7)	—	(31)	—

6. INCOME TAX EXPENSES (CREDIT)

	(Unaudited)		(Unaudited)	
	For the three months ended 30 September 2018		For the nine months ended 30 September 2017	
	US\$'000	US\$'000	US\$'000	US\$'000
Current tax				
Singapore corporate income tax				
Current period	191	(15)	345	42
Under provision in prior year	47	—	47	—
Deferred tax	(27)	—	190	—
<hr/>				
Total income tax expenses (credit)				
for the period	211	(15)	582	42

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 2018 and 2017.

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

Singapore corporate income tax ("CIT") is calculated at 17% (2017: 17%) of the estimated assessable profits with CIT rebate of 20% (2017: 40%), capped at Singapore Dollars ("SG\$") 10,000 (2017: SG\$15,000) for the nine months ended 30 September 2018. Singapore incorporated companies can also enjoy 75% tax exemption on the first SG\$10,000 of normal chargeable income and a further 50% tax exemption on the next SG\$290,000 of normal chargeable income during the nine months ended 30 September 2018 and 2017.

In addition, the Singapore incorporated companies can enjoy tax deductions/allowances of 400% (comprising a 300% "enhanced deductions/allowance", subject to a cap, and a 100% "base deductions/allowance") on their capital expenditure incurred on qualifying research and development activities and acquisition of qualifying information technology equipment under the "Productivity and Innovation Credit" scheme launched by the Singapore government for the nine months ended 30 September 2017. Such scheme lapsed during the nine months ended 30 September 2018.

6. INCOME TAX EXPENSES (CREDIT) (Continued)

Malaysia CIT is calculated at 24% of the estimated assessable profits for the nine months ended 30 September 2018 and 2017. Global Expert Team Sdn. Bhd. ("GET (Malaysia)") enjoys tax rate of 18% on the first Malaysian Ringgit 500,000 and remaining balance of the estimated assessable profits at tax rate of 24% for the nine months ended 30 September 2018 and 2017.

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

7. 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)		(Unaudited)	
	For the three months ended 30 September		For the nine months ended 30 September	
	2018	2017	2018	2017
	<i>US\$'000</i>	<i>US\$'000</i>	<i>US\$'000</i>	<i>US\$'000</i>
Profit (Loss) for the period attributable to owners of the Company, used in basic and diluted earnings (loss) per share calculation	551	334	351	(482)
	Number of shares ('000)			
Weighted average number of ordinary shares for basic and diluted earnings (loss) per share calculation	600,000	600,000	600,000	508,791

Diluted earning (loss) per share is same as the basis earning (loss) per share as the effect of potential ordinary shares is anti-dilutive during the nine months ended 30 September 2018. 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 2017.

8. DIVIDEND

The Directors do not recommend a payment of an interim dividend for the nine months ended 30 September 2018 (2017: Nil).

9. SHARE OPTION SCHEME

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

	Number of share options
At 1 January 2018	—
Granted during the period (Note)	28,800,000
<hr/>	
At 30 September 2018	28,800,000

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

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

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

Share price at the Date of Grant	HK\$0.60
Exercise price	HK\$0.61
Expected volatility	48.16%
Risk-free interest rate	1.75%
Expected dividends	Nil
Voluntary exercise boundary multiple	N/A

During the nine months ended 30 September 2018, with reference to the fair value of the share options granted, the Group recognised approximately HK\$4,530,000 (equivalent to approximately US\$581,000) (For the nine months ended 30 September 2017: Nil) as the share-based payments expense.



MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS OVERVIEW AND OUTLOOK

The Group is a well-established information and communications technology (“ICT”) solution provider headquartered in Singapore focusing on 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.

In order to strengthen and expand the R&D team and the business in Southeast Asia, the Group acquired two properties located in Singapore for the development of new headquarter and R&D centre during the nine months ended 30 September 2018. The Group will focus and continue to strengthen itself as an all-rounded ICT solution provider in Asia Pacific region by investing substantially in the R&D team for the development of new products and enhancement of the existing products and services according to the latest market trend.

For the nine months ended 30 September 2018, the adjusted EBITDA from the reportable segment results of cyber infrastructure solutions was increased to approximately US\$850,000 (*For the nine months ended 30 September 2017: approximately US\$621,000*). The increase was mainly due to the partial completion of a substantial project for a client based in Myanmar. Regarding the reportable segment results of cyber security solutions, the adjusted EBITDA was increased to approximately US\$2,292,000 (*For the nine months ended 30 September 2017: approximately US\$991,000*). The increase was mainly due to the acceptance of two cyber security projects with large contract sum located in Malaysia during the nine months ended 30 September 2018 whereas the scale of new projects in the same period of 2017 are less significant. For the nine months ended 30 September 2018, the Group’s revenue from external customers based in Malaysia, Myanmar, Philippines and the PRC accounted for approximately 86.2% (*For the nine months ended 30 September 2017: approximately 83.3%*) of the total Group’s revenue.



In order to enhance the Group's core competence of cyber infrastructure solutions and cyber security solutions, diversify its business risks and utilise its internal resources and capabilities, the Group will continue to explore and expand the business to new markets, in Europe, Middle East and/or Africa. During the period, the Group has carried out feasibility study on the market in Frankfurt and Dubai for potential business development in the future.

Due to the recent tensed relationship and trade war between the PRC and United States, the Group expects the demand of cyber infrastructure in the PRC will be dampened and the pace of business development in the PRC will be slower for the rest of 2018. Nevertheless, the Group believes that the economy in Southeast Asia will be less affected by the recent trade tensions and the Group believes that there may be new business opportunities from the recent change of global economy. Our well-established supply networks would be attractive for customers in Southeast Asia that demand for our products and services. Therefore, the Group will continue to make use of its core competence and business network to focus on the business development in Southeast Asia.

The Group also expects that the demand of the cyber infrastructure solutions and cyber security solutions will remain strong in this region in the future. Meanwhile, the Group is in the process of negotiating several new projects mainly with customers in Southeast Asia and aiming to generate additional revenue in coming quarter of 2018.

PRINCIPAL RISKS AND UNCERTAINTIES

The Directors believe that the major risk factors relevant to the Group have been disclosed in the section headed "Risk Factors" in the prospectus dated 6 June 2017 (the "Prospectus").



FINANCIAL REVIEW

REVENUE

The major revenue streams of the Group derived from the cyber infrastructure solutions business and the cyber security solutions business. For the nine months ended 30 September 2018, the Group recorded the total revenue of approximately US\$7,032,000 (*For the nine months ended 30 September 2017: approximately US\$4,224,000*), in which the revenue generated from cyber infrastructure solutions business amounted to approximately US\$4,161,000 (*For the nine months ended 30 September 2017: approximately US\$2,903,000*) and the revenue generated from cyber security solutions business amounted to approximately US\$2,871,000 (*For the nine months ended 30 September 2017: approximately US\$1,321,000*). The reason for the increase in the amount of revenue is due to the acceptance of substantial projects in Myanmar and Malaysia.

COST OF INVENTORIES SOLD

The Group's cost of inventories sold increased from approximately US\$1,714,000 for the nine months ended 30 September 2017 to approximately US\$2,659,000 for the nine months ended 30 September 2018. The increase was mainly due to the purchase of hardware components for a significant cyber infrastructure solutions project of a client based in Myanmar.

STAFF COSTS AND RELATED EXPENSES

For the nine months ended 30 September 2018, the Group recorded staff costs and related expenses of approximately US\$1,176,000 (*For the nine months ended 30 September 2017: approximately US\$658,000*). The increase was mainly due to the aggregate effect of the increase in salaries and bonus of employees and Directors.

OTHER OPERATING EXPENSES

The Group's other operating expenses mainly comprise of sales and marketing expenses and administrative expenses. The amount of other operating expenses increased from approximately US\$544,000 for the nine months ended 30 September 2017 to approximately US\$1,336,000 for the nine months ended 30 September 2018, which was mainly due to the fair value loss on financial assets at fair value through profit or loss and the increased professional fees incurred after the Listing.



PROFIT (LOSS) AND TOTAL COMPREHENSIVE INCOME (LOSS) FOR THE PERIOD

For the nine months ended 30 September 2018, there was no significant change in the customer mix of the Company. Excluding the impact of the Listing expenses, the Group recorded a decrease in the profit for the period from approximately US\$1,151,000 for the nine months ended 30 September 2017 to approximately US\$351,000 for the nine months ended 30 September 2018. The decrease was mainly due to the increase in staff costs, the recognition of share-based payments expense in relation to the grant of share options of the Company during the period, the fair value loss on financial assets at fair value through profit or loss and the increased professional fees incurred after the Listing.

SHARE CAPITAL

As at 30 September 2018, the authorised share capital of the Company was HK\$60,000,000 (equivalent to approximately US\$7,692,000) divided into 6,000,000,000 shares of HK\$0.01 each and the issued share capital of the Company was HK\$6,000,000 (equivalent to approximately US\$769,000) divided into 600,000,000 shares of HK\$0.01 each.

TREASURY POLICY

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

FOREIGN EXCHANGE EXPOSURE

At 30 September 2018 and 2017, 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

Acquisition of two properties in Singapore

Completion of the acquisition of two properties in Singapore took place on 9 January 2018 and 14 February 2018, respectively, after all conditions stipulated under the 1st Option Letter and 2nd Option Letter as disclosed in the Company's announcement dated 20 October 2017 have been fulfilled. For more information on the acquisition of the two properties in Singapore, please refer to the Company's announcements dated 20 October 2017 and 14 February 2018.

Disposal of subsidiaries

In order to minimise the operation costs and enhance the business efficiency, the Group disposed Global Expert Team (BVI) Limited and its subsidiary (collectively, the "GET Group") (the "Disposal") to an independent third party during the nine months ended 30 September 2018. The principal activities of GET Group are investment holding, provision of cyber security solutions service and R&D in Malaysia. The Disposal resulted in a loss of approximately US\$19,000 and was completed on 28 March 2018. The R&D functions had been taken up by the subsidiaries in Singapore after the Disposal. In addition, the Disposal did not constitute a notifiable transaction for the Company under Chapter 19 of the GEM Listing Rules.

SIGNIFICANT INVESTMENT, MATERIAL ACQUISITIONS AND DISPOSALS

Save as the Disposal and those disclosed 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 2018. Save as disclosed in the Prospectus and in this report, there was no plan authorised by the Board for any material investments or additions of capital assets as at the date of this report.

CHARGE ON THE GROUP'S ASSETS

There was no charge on the Group's assets as at 30 September 2018 and 31 December 2017.

DIVIDEND

The Directors do not recommend a payment of an interim dividend for the nine months ended 30 September 2018 (2017: Nil).

EMPLOYEES INFORMATION

As at 30 September 2018, the Group had a total number of 27 employees (2017: 33 employees) (including executive Directors). For the nine months ended 30 September 2018, the total staff costs (excluding share-based payments expense) amount to approximately US\$1,176,000 (For the nine months ended 30 September 2017: approximately US\$658,000), representing an increase of approximately US\$518,000 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 2018, the interests and short positions of the Directors or chief executives of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the "SFO")), which were required (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); or (b) pursuant to Section 352 of the SFO, to be entered in the register referred therein; or (c) pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules to be notified to the Company and the Stock Exchange, were as follows:

LONG POSITION IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY

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



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

Save as disclosed above, as at 30 September 2018, none of the Directors or chief executives of the Company had any interest or short position in the shares, underlying shares or debentures of the Company or any of its associated corporations which were required (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); or (b) pursuant to Section 352 of the SFO, to be entered in the register referred therein; or (c) pursuant to Rules 5.46 to 5.47 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 2018, so far as known to the 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	Percentage of issued share capital
Alpha Sense (BVI)	Beneficial owner	272,686,500	45.4%

Save as disclosed above, as at 30 September 2018, the Directors were not aware of any other persons (other than the Directors and chief executives of the Company) who had interests or short positions in the shares and underlying shares of the Company which would fall to be disclosed under the provisions of Divisions 2 and 3 of Part XV of the SFO as recorded in the register required to be kept under Section 336 of the SFO.



CORPORATE GOVERNANCE CODE

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

For the nine months ended 30 September 2018, the Company had complied with the applicable code provisions of the Code with the exception of the deviation from code provision A.2.1 as explained below:

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

Except for the deviation from code provision A.2.1 of the Code, the Company’s corporate governance practices had complied with the Code as set out in Appendix 15 to the GEM Listing Rules for the nine months ended 30 September 2018.

DIRECTORS’ INTEREST IN COMPETING BUSINESS

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 2018.

CODE OF CONDUCT REGARDING SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted a code of conduct regarding securities transactions by Directors on terms no less than the required standard of dealings as set out in Rules 5.48 to 5.67 of the GEM Listing Rules as the code of conduct for securities transactions by the Directors in respect of the Shares ("the Code of Conduct"). The Company also made specific enquiry with all Directors, and the Company was not aware of any non-compliance with the required standard as set out in the Code of Conduct for the nine months ended 30 September 2018.

INTERESTS OF COMPLIANCE ADVISER

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

SHARE OPTION SCHEME

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

On 3 January 2018, the Company offered to grant a total of 28,800,000 share options (the "Options") at an exercise price of HK\$0.61 per Share to certain eligible participants (the "Grantees") pursuant to the Scheme. The Grantees are entitled, subject to the terms and conditions of the grant and upon exercise, to subscribe for a total of 28,800,000 Shares. Details are set out in the Company's announcement dated 3 January 2018 and note 9 to the Third Quarterly Financial Statements.

Immediately after the grant of the 28,800,000 Options on 3 January 2018, only up to 31,200,000 Shares may be issued pursuant to the grant of further options under the Scheme unless there is a refreshment of the scheme mandate limit. Therefore, as approved by the shareholders of the Company at the annual general meeting of the Company held on 18 May 2018 (the "AGM"), the mandate limit under the Scheme has been refreshed and the maximum number of Shares which may be issued upon exercise of all Options to be granted under the Scheme is 60,000,000 Shares, being 10% of the Shares in issue as at the date of the AGM. For details, please refer to the circular of the Company dated 11 April 2018 and the announcement of the Company dated 18 May 2018.

Movements of the Options granted under the Scheme during the nine months ended 30 September 2018 are as follows:

Name or category of participants	Date of grant	Exercisable period	Exercise price HK\$	Closing price immediately before the date of grant HK\$	Number of underlying Shares comprised in Options				
					Options outstanding as at 1 January 2018	Options granted during the period	Exercised during the period	Cancelled/lapsed during the period	Outstanding as at 30 September 2018
Employee and others:									
In aggregate	3 January 2018	From 3 January 2018 to 3 January 2028 (both dates inclusive)	0.61	0.62	—	7,200,000	—	—	7,200,000
	3 January 2018	From 3 January 2019 to 3 January 2028 (both dates inclusive)	0.61	0.62	—	14,400,000	—	—	14,400,000
	3 January 2018	From 3 January 2020 to 3 January 2028 (both dates inclusive)	0.61	0.62	—	7,200,000	—	—	7,200,000
					—	28,800,000	—	—	28,800,000

Other than as disclosed above, no other Options was granted, cancelled, exercised or lapsed pursuant to the Scheme during the nine months ended 30 September 2018 and none of the Directors or chief executives of the Company or their respective spouses or children under 18 years of age were granted or exercised any right to subscribe for any equity or debt securities of the Company or any of its associated corporations within the meaning of the SFO.



AUDIT COMMITTEE

The Company has established an 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 2018, the audit committee comprised three independent non-executive Directors, namely Ms. Lim Joo Seng, Mr. Park Jee Ho and Mr. Chan Ming Kit. Ms. Lim Joo Seng is the chairman of the audit committee.

The Group's unaudited condensed consolidated financial statements for the nine months ended 30 September 2018 have been reviewed by the audit committee, which were of the opinion that such statements have complied with the applicable accounting standards and that adequate disclosures have been made.

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

Hong Kong, 9 November 2018

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