



NEXION TECHNOLOGIES LIMITED

(Incorporated in the Cayman Islands with limited liability)

Stock code: 8420

Third 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 nine months ended 30 September 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 nine months ended 30 September 2020

	Notes	(Unaudited) For the three months ended 30 September		(Unaudited) For the nine months ended 30 September	
		2020 US\$'000	2019 US\$'000	2020 US\$'000	2019 US\$'000
Revenue	4	1,914	2,502	8,281	3,494
Other income		41	34	246	126
Cost of inventories sold		(101)	(579)	(348)	(862)
Staff costs and related expenses		(222)	(187)	(658)	(505)
Subcontracting fee		(1,689)	(233)	(7,091)	(364)
Sales and marketing expenses		—	(11)	(583)	(23)
Depreciation and amortisation		(398)	(328)	(1,193)	(763)
General and administrative expenses		(232)	(889)	(1,487)	(1,662)
(Loss)/Profit before income tax	5	(687)	309	(2,833)	(559)
Income tax credit/(expense)	6	3	—	(1)	—
(Loss)/Profit for the period		(684)	309	(2,834)	(559)
Other comprehensive loss					
<i>Item that will not be reclassified to profit or loss:</i>					
Change in fair value of financial assets designated at a fair value through other comprehensive income ("Designated FVOCI")		—	—	—	(81)
<i>Item that may be subsequently reclassified to profit or loss:</i>					
Release of exchange reserve upon disposal of subsidiaries	9	(3)	—	(3)	—
Exchange difference arising on translation of foreign operations		91	(62)	(9)	(55)

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

For the nine months ended 30 September 2020

	Notes	(Unaudited) For the three months ended 30 September		(Unaudited) For the nine months ended 30 September	
		2020 US\$'000	2019 US\$'000	2020 US\$'000	2019 US\$'000
Other comprehensive income/(loss) for the period		88	(62)	(12)	(136)
Total comprehensive (loss)/income for the period attributable to owners of the Company		(596)	247	(2,846)	(695)
(Loss)/Profit for the period attributable to:					
Equity holders of the Company		(498)	309	(2,679)	(559)
Non-controlling interests		(186)	—	(155)	—
		(684)	309	(2,834)	(559)
Total comprehensive (loss)/income attributable to:					
Equity holders of the Company		(423)	247	(2,704)	(695)
Non-controlling interests		(173)	—	(142)	—
		(596)	247	(2,846)	(695)
(Loss)/Earnings per share for (loss)/profit attributable to equity holders of the Company, basic and diluted (US cents)					
	7	(0.07)	0.04	(0.37)	(0.09)

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the nine months ended 30 September 2020

	Attributable to equity holders of the Company							Non-controlling interests		
	Share capital	Share premium	Capital reserve	Exchange reserve	Statutory reserve	Fair value reserve	Accumulated profits	Total	Total	
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	
At 1 January 2019 (Audited)	769	8,730	650	(72)	121	(615)	6,311	15,894	—	15,894
Loss for the period	—	—	—	—	—	—	(559)	(559)	—	(559)
Other comprehensive loss:										
<i>Item that will not be reclassified to profit or loss</i>										
Change in fair value of Designated FVOCI	—	—	—	—	—	(81)	—	(81)	—	(81)
<i>Item that may be reclassified subsequently to profit or loss</i>										
Exchange difference arising on translation of foreign operations	—	—	—	(55)	—	—	—	(55)	—	(55)
Total comprehensive loss for the period	—	—	—	(55)	—	(81)	(559)	(695)	—	(695)
Transactions with owners:										
<i>Contributions and distributions</i>										
Issuance of new shares, net of transaction cost (Note)	154	1,189	—	—	—	—	—	1,343	—	1,343
At 30 September 2019 (Unaudited)	923	9,919	650	(127)	121	(696)	5,752	16,542	—	16,542

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (Continued)

For the nine months ended 30 September 2020

	Attributable to equity holders of the Company							Non-controlling		
	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	Accumulated profits US\$'000	Total US\$'000	interests US\$'000	Total 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 (Note 9)	—	—	—	(3)	—	—	—	(3)	—	(3)
Exchange difference arising on translation of foreign operations	—	—	—	(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 (Note 9)	—	—	—	—	—	—	—	—	(86)	(86)
At 30 September 2020 (Unaudited)	923	9,919	650	(4)	—	(696)	1,648	12,440	73	12,368

Note:

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

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the nine months ended 30 September 2020

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

The Third Quarterly Consolidated Financial Statements have been prepared on the historical costs basis, except for building, investment property 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 Third 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 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 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>
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 (Note)	663	528	2	1,193
Nine months ended				
30 September 2019 (Unaudited)				
Revenue from external customers and reportable segment revenue	1,758	1,736	—	3,494
Reportable segment results (Adjusted EBITDA)	420	957	—	1,377
Depreciation and amortisation (Note)	505	257	—	762

3. SEGMENT INFORMATION (Continued)

RECONCILIATION OF REPORTABLE SEGMENT RESULTS

	(Unaudited)	
	For the nine months ended 30 September	
	2020	2019
	US\$'000	US\$'000
Reportable segment results (Adjusted EBITDA)	(538)	1,377
Interest income	58	69
Depreciation and amortisation (Note)	(1,193)	(763)
Unallocated expenses	(1,160)	(1,242)
Loss before income tax	(2,833)	(559)
Income tax expense	(1)	—
Loss for the period	(2,834)	(559)

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

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	
	2020	2019
	<i>US\$'000</i>	<i>US\$'000</i>
Hong Kong	45	532
Malaysia	—	1,207
Myanmar	303	305
The PRC	7,436	684
Philippines	56	424
Singapore	266	321
South Korea	21	21
Taiwan	154	—
	8,281	3,494

4. REVENUE

	(Unaudited)		(Unaudited)	
	For the three months ended 30 September		For the nine months ended 30 September	
	2020	2019	2020	2019
	<i>US\$'000</i>	<i>US\$'000</i>	<i>US\$'000</i>	<i>US\$'000</i>
Revenue from contracts with customers within IFRS 15				
— at a point in time				
Cyber infrastructure solutions	86	1,121	363	1,457
Cyber security solutions	7	1,281	220	1,736
SaaS	1,728	—	7,436	—
— over time				
Maintenance and support service income	93	100	262	301
	1,914	2,502	8,281	3,494

5. (LOSS)/PROFIT BEFORE INCOME TAX

This is stated after charging/(crediting):

	(Unaudited)		(Unaudited)	
	For the three months		For the nine months	
	ended 30 September		ended 30 September	
	2020	2019	2020	2019
	US\$'000	US\$'000	US\$'000	US\$'000
Amortisation of intangible assets	169	106	503	239
Depreciation of property, plant and equipment	229	222	690	524
Exchange (gain)/loss, net	(9)	35	(32)	16
Gain on disposal of subsidiaries (Note 9)	(90)	—	(90)	—
Rental income from investment property	(8)	(1)	(25)	(17)

6. INCOME TAX (CREDIT)/EXPENSE

	(Unaudited)		(Unaudited)	
	For the three months		For the nine months	
	ended 30 September		ended 30 September	
	2020	2019	2020	2019
	US\$'000	US\$'000	US\$'000	US\$'000
Current tax				
Singapore corporate income tax				
Current period	—	—	—	—
PRC enterprise income tax				
Current period	(3)	—	1	—
	(3)	—	1	—
Deferred tax	—	—	—	—
Total income tax (credit)/expense for the period	(3)	—	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 2020 and 2019.

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

Hong Kong profits tax is calculated at 16.5% (*nine months ended 30 September 2019: 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% (*nine months ended 30 September 2019: 25%*) of the estimated assessable profits for the nine months ended 30 September 2020 based on the existing legislation, interpretations and practices in respect thereof.

Singapore corporate income tax ("CIT") is calculated at 17% (*nine months ended 30 September 2019: 17%*) of the estimated assessable profits with CIT rebate of 25% (*nine months ended 30 September 2019: without CIT rebate*), capped at Singapore Dollars ("SG\$") 15,000 (*nine months ended 30 September 2019: nil*) during the nine months ended 30 September 2020. Singapore incorporated companies can also enjoy 75% (*nine months ended 30 September 2019: 75%*) tax exemption on the first SG\$10,000 (*nine months ended 30 September 2019: SG\$10,000*) of normal chargeable income and a further 50% (*nine months ended 30 September 2019: 50%*) tax exemption on the next SG\$190,000 (*nine months ended 30 September 2019: SG\$190,000*) of normal chargeable income during the nine months ended 30 September 2020.

7. (LOSS)/EARNINGS PER SHARE

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

	(Unaudited) For the three months ended 30 September		(Unaudited) For the nine months ended 30 September	
	2020	2019	2020	2019
	US\$'000	US\$'000	US\$'000	US\$'000
(Loss)/Profit for the period attributable to owners of the Company, used in basic and diluted (loss)/earnings per share calculation	(684)	309	(2,834)	(559)
	Number of shares ('000)			
Weighted average number of ordinary shares for basic and diluted (loss)/earnings per share calculation	720,000	615,652	720,000	605,275
	<i>US Cents</i>	<i>US Cents</i>	<i>US Cents</i>	<i>US Cents</i>
Basic and diluted (loss)/earnings per share	(0.07)	0.04	(0.37)	(0.09)

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

Diluted (loss)/earnings per share is same as the basic (loss)/earnings per share as there are no dilutive potential ordinary shares in existence during the nine months ended 30 September 2020 and 2019.

8. DIVIDEND

The Directors do not recommend a payment of dividend for the nine months ended 30 September 2020 (*nine months ended 30 September 2019: nil*).

9. DISPOSAL OF SUBSIDIARIES

On 31 July 2020, the Group disposed the entire equity interests in Charm Master Holdings Group Limited and its subsidiaries, Charm Star Asia Pacific Limited and 上海添青科技有限公司 (Shanghai Tianqing Technology Co., Ltd.*) (collectively, the "Charm Master Group") to an independent third party at a consideration of US\$1,500 (the "Disposal"). The details of the Disposal are as follows:

	<i>US\$'000</i>
Net assets disposed of	
Plant and equipment	2
Other receivable	2
Cash and bank balances	208
Other payables	(211)
	<hr/>
	1
Release of exchange reserve upon disposal of subsidiaries	(3)
Non-controlling interest	(86)
Gain on disposal of subsidiaries	90
	<hr/>
	2
	<hr/>

* For identification purpose only

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 late 2019, the Group set up an office in Shanghai, the PRC focusing on SaaS business in view of huge and rapid growing domestic sharing economy business in the PRC.

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 (“R&D”) capabilities, the Group successfully developed its technologies and SaaS system to provide cyber security solutions and SaaS respectively.

In September 2020, the Company and XOX Bhd (“XOX”), a company incorporated under the laws of Malaysia, which is the first mobile virtual network operator listed on Bursa Malaysia (stock code: 0165) (collectively, the “Parties”) have entered into a provisional technology partnership agreement (the “Provisional Agreement”) to establish a long-term and stable strategic partnership (the “Partnership”) in order to enhance the Parties’ competitiveness and expand the scope of products and services offered by the Parties.

The Group believes that by cooperating with XOX, the Group could (i) expand and develop the its SaaS business, including provision of integrated services on sharing economy clearing payment platform to individuals and enterprises in Malaysia and other countries; (ii) expand and develop the Group’s cyber security business by supplying its equipment and cyber security system to XOX and its subsidiaries; and (iii) benefit the Group’s overall business development and enhance its competitiveness through strengthened technical exchanges between the Parties. Therefore, the Group believes that it will carry out reallocation of internal resources, made adjustments to orientation to coordinate with the Partnership in the future. For more information about the Provisional Agreement and the Partnership, please refer to the Company’s announcement dated 17 September 2020. Up to the date of this report, the discussion on details of the Partnership is in progress.

CYBER INFRASTRUCTURE SOLUTIONS SEGMENT AND CYBER SECURITY SOLUTIONS SEGMENT

For the nine months ended 30 September 2020, the reportable segment results (Adjusted EBITDA) in cyber infrastructure solutions segment and cyber security solutions segment were loss of approximately US\$18,000 (*nine months ended 30 September 2019: profit of approximately US\$420,000*) and loss of approximately US\$396,000 (*nine months ended 30 September 2019: profit of approximately US\$957,000*), respectively. Decrease in segment results were mainly affected by decline in revenue due to impact of the outbreak of Coronavirus Disease 2019 ("COVID-19") since January 2020 and impairment loss on trade receivable of approximately US\$400,000.

During the nine months ended 30 September 2020, the outbreak of COVID-19 continuously 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 made use of teleconference to communicate with customers and business partners in view of the travel restrictions and actively worked 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, it is strenuous for the Group to secure the opportunities and this significantly impacted the revenue of both segments. The Group temporarily lost the sales activities but engineering support and maintenance were still available to customers.

The Group has sufficient capacity to continue its administrative and finance operations with minimal impact on its services and deliverables. Moreover, the Group has been continuously engaging with customers to follow-up on those opportunities that are critical to customers. The Group is continuously working for key customers on some infrastructure upgrade opportunities and the Group is highly motivated to win the maintenance renewal agreements to keep the Group operations secured. Besides, the management has also implemented a training plan for engineers to uplift the Group's certifications and to boost the morale of engineers.

In view of rapidly changing on technology requirement, except upgrading internal R&D team, the Group acquired technology from technology vendors, this may bring synergy and business opportunities to supplement and expand the existing business, and also provide more integrated services to the Group's customers.

In August 2020, the Company has entered into a software copyright transfer agreement (the “Software Copyright Transfer Agreement”) with O2O Solutions Limited (“O2O Solutions”) and Shanghai Zhongha Internet Technology Services Company Limited* (上海眾哈網絡科技服務有限公司, “Shanghai Zhongha”), a wholly-owned subsidiary of O2O Solutions. Pursuant to the Software Copyright Transfer Agreement, Shanghai Zhongha shall transfer all copyrights (the “Copyrights”) of 15 sets of computer software (the “Software”) in the PRC owned by Shanghai Zhongha, to the Company or its designated subsidiary at a consideration of US\$1,700,000.

The Software is developed exclusively and owned by Shanghai Zhongha. It can be applied in supporting the operation of the cyber infrastructure solutions segment and cyber security solutions segment of the Group. For more information about the Software Copyright Transfer Agreement, please refer to the Company’s announcement dated 28 August 2020. Up to the date of this report, transfer of the Copyrights is in progress.

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. Recently, many countries like Singapore, Philippines, and Myanmar are slowly opening the business with limitations for international passengers, it is expected that the Group will win more business opportunities in the foreseeable future.

SAAS SEGMENT

For the nine months ended 30 September 2020, the reportable segment result (Adjusted EBITDA) in SaaS segment was loss of approximately US\$124,000 (*nine months ended 30 September 2019: nil*). Loss on segment result was mainly attributable to professional fee and advertisement fee incurred in the development stage of SaaS business to expand market share in the PRC. The Group’s customer base in SaaS business involved different industries like insurance industry, logistic industry, etc. and different provinces in the PRC like Hunan, Shanghai, Shandong, Zhejiang, etc., which broadened and brought considerable source of income to the Group. The Group will continuously make effort on diversifying customer base to expand market share in SaaS business.

Sino-US trade war and COVID-19 were the main risk and challenge during the nine months ended 30 September 2020, 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

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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 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 2020, the Group recorded a total revenue of approximately US\$8,281,000 (*nine months ended 30 September 2019: approximately US\$3,494,000*), which were generated from cyber infrastructure solutions segment of approximately US\$625,000 (*nine months ended 30 September 2019: approximately US\$1,758,000*), cyber security solutions segment of approximately US\$220,000 (*nine months ended 30 September 2019: approximately US\$1,736,000*) and SaaS segment of approximately US\$7,436,000 (*nine months ended 30 September 2019: nil*). The decrease in revenue from cyber infrastructure solutions segment and cyber security solutions segment was mainly due to impact of the outbreak of COVID-19.

COST OF INVENTORIES SOLD

The Group's cost of inventories sold decreased from approximately US\$862,000 for the nine months ended 30 September 2019 to approximately US\$348,000 for the nine months ended 30 September 2020. The decrease was mainly due to decrease in the number of purchase of hardware components.

STAFF COSTS AND RELATED EXPENSES

For the nine months ended 30 September 2020, the Group recorded staff costs and related expenses of approximately US\$658,000 (*nine months ended 30 September 2019: approximately US\$505,000*). The increase was mainly due to the aggregate effect of the increase in salaries of employees and the number of employees for the expansion of the Group's business.

SUBCONTRACTING FEE

For the nine months ended 30 September 2020, the Group recorded subcontracting fee of approximately US\$7,091,000 (*nine months ended 30 September 2019: approximately US\$364,000*) for technology vendors and individual service providers to provide subcontracting services on cyber security solutions business and SaaS business. The increase was mainly due to the introduction of SaaS business of the Group since late 2019.

SALES AND MARKETING EXPENSES

For the nine months ended 30 September 2020, the Group recorded sales and marketing expenses of approximately US\$583,000 (*nine months ended 30 September 2019: approximately US\$23,000*). It represented advertisement fee for promotion of SaaS business in the PRC.

GENERAL AND ADMINISTRATIVE EXPENSES

The amount of general and administrative expenses decreased from approximately US\$1,662,000 for the nine months ended 30 September 2019 to approximately US\$1,487,000 for the nine months ended 30 September 2020. The decrease was mainly due to cost control of the Group.

LOSS FOR THE PERIOD

The Group recorded an increase in loss for the period from approximately US\$559,000 for the nine months ended 30 September 2019 to approximately US\$2,834,000 for the nine months ended 30 September 2020. The increase in loss was mainly due to the aggregate effect of the decrease in reportable segment results (Adjusted EBITDA) and increase in depreciation and amortisation due to increase in additions of plant and equipment and internally developed technologies with finite useful lives to enhance the Group's technologies and research and development capabilities during the year ended 31 December 2019.

SHARE CAPITAL

As at 30 September 2020, 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

At 30 September 2020 and 2019, 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

DISPOSAL OF SUBSIDIARIES

In order to minimise the operation costs and enhance the business efficiency, the Group disposed of Charm Master Group to an independent third party during the nine months ended 30 September 2020. The principal activities of Charm Master Group are investment holdings and provision of SaaS in the PRC. The Disposal resulted in a gain of approximately US\$90,000 and was completed on 31 July 2020. 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.

IMPLEMENTATION OF THE SOFTWARE COPYRIGHT TRANSFER AGREEMENT

On 28 August 2020, the Company has entered into the Software Copyright Transfer Agreement with O2O Solutions and Shanghai Zhongha, a wholly-owned subsidiary of O2O Solutions. Pursuant to the Software Copyright Transfer Agreement, Shanghai Zhongha shall transfer all the Copyrights the Software in the PRC owned by Shanghai Zhongha, to the Company or its designated subsidiary at a consideration of US\$1,700,000.

For more information about the Software Copyright Transfer Agreement, please refer to the Company's announcement dated 28 August 2020.

IMPLEMENTATION OF THE PROVISIONAL AGREEMENT

On 17 September 2020, the Company and XOX, a company incorporated under the laws of Malaysia, which is the first mobile virtual network operator listed on Bursa Malaysia (stock code: 0165) have entered into the Provisional Agreement to establish a long-term and stable strategic partnership in order to enhance the Parties' competitiveness and expand the scope of products and services offered by the Parties.

For more information about the Provisional Agreement and the Partnership, please refer to the Company's announcement dated 17 September 2020.

CHANGE OF DIRECTORS AND COMPOSITION OF BOARD COMMITTEES

Effected from 10 September 2020, Mr. Park Jee Ho ("Mr. Park") has resigned as an independent non-executive Director, a member of audit committee of the Company (the "Audit Committee") and a member of remuneration committee of the Company (the "Remuneration Committee"); and Mr. Yeung Chun Yue David has been appointed as an independent non-executive Director, a member of the Audit Committee and a member of the Remuneration Committee in place of Mr. Park.

Effected from 2 November 2020, Mr. Edgardo Osillada Gonzales II ("Mr. Gonzales") has resigned as an executive Director and a member of the Remuneration Committee; Mr. Shan Baofeng ("Mr. Shan") has resigned as an executive Director; and Mr. Chan Ming Kit ("Mr. Chan") has resigned as an independent non-executive Director, the chairman of the nomination committee of the Company (the "Nomination Committee"), the chairman of the Remuneration Committee and a member of the Audit Committee. Effected from the same date, Mr. Roy Ho Yew Kee has been appointed as an executive Director and a member of the Remuneration Committee in place of Mr. Gonzales; Mr. Ong Gim Hai has been appointed as an executive Director in place of Mr. Shan; and Mr. Tang Chak Lam Gilbert has been appointed as an independent non-executive Director, the chairman of the Nomination Committee and the chairman of the Remuneration Committee and a member of the Audit Committee in place of Mr. Chan.

For more information about the change of directors and composition of board committees, please refer to the Company's announcement dated 10 September 2020 and 2 November 2020.

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 2020 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 2020 and 31 December 2019.

DIVIDEND

The Directors do not recommend a payment of dividend for the nine months ended 30 September 2020 (*nine months ended 30 September 2019: nil*).

EMPLOYEES INFORMATION

As at 30 September 2020, the Group had a total number of 28 employees (*30 September 2019: 21 employees*) (including executive Directors). For the nine months ended 30 September 2020, the total staff costs amount to approximately US\$658,000 (*nine months ended 30 September 2019: approximately US\$505,000*), representing an increase of approximately US\$153,000 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 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	Approximate percentage of issued share capital
Mr. Foo Moo Teng (<i>"Mr. Foo"</i>) (<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 of the Company (the "*Shares*") held by Alpha Sense (BVI).

Save as disclosed above, as at 30 September 2020, 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 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 Shareholder	Capacity/Nature	Number of shares or underlying shares held	Approximate percentage of issue share capital
Alpha Sense (BVI)	Beneficial owner	272,686,500	37.9%

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

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 2020.

DIRECTORS' INTEREST IN COMPETING BUSINESS

During the nine months ended 30 September 2020 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 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 for the nine months ended 30 September 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 nine months ended 30 September 2020, no share option had been granted, cancelled, exercised or lapsed pursuant to the Scheme. There was no share option outstanding as at 30 September 2020.

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 2020, the audit committee comprised three independent non-executive Directors, namely Ms. Lim Joo Seng (Chairman), Mr. Chan Ming Kit and Mr. Yeung Chun Yue David.

The Group's unaudited condensed consolidated financial statements for the nine months ended 30 September 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, 13 November 2020

As at the date of this report, the Board comprises three executive Directors, namely Mr. Foo Moo Teng, Mr. Ong Gim Hai and Mr. Roy Ho Yew Kee; 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.