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NEXION TECHNOLOGIES LIMITED

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 8420)

FIRST QUARTERLY RESULTS ANNOUNCEMENT FOR THE THREE MONTHS ENDED 31 MARCH 2022

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 three months ended 31 March 2022. This announcement, containing the full text of the 2022 first quarterly report of the Company (“**First 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 first quarterly results. Printed version of the Company’s First 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, 11 May 2022

As at the date of this announcement, the Board comprises two executive Directors, namely Mr. Foo Moo Teng and Mr. Ong Gim Hai; one non-executive Director, namely 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 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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FIRST QUARTERLY REPORT 2022

CHARACTERISTICS OF GEM OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE "STOCK EXCHANGE")

GEM has been positioned as a market designed to accommodate small and mid-sized companies to which a higher investment risk may be attached than other companies listed on the Stock Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration.

Given that the companies listed on GEM are generally small and mid-sized companies, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board and no assurance is given that there will be a liquid market in the securities traded on GEM.

This report, for which the directors (the "Directors") of Nexion Technologies Limited (the "Company") collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on GEM of the Stock Exchange (the "GEM Listing Rules") for the purpose of giving information with regard to the Company and its subsidiaries (collectively referred to as the "Group"). The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this report is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this report misleading.

RESULTS

The board of directors (the "Board") of the Company hereby announces the unaudited condensed consolidated financial statements of the Group for the three months ended 31 March 2022, together with the comparative unaudited figures of the corresponding period in 2021, as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the three months ended 31 March 2022

		(Unaudited) For the three months ended 31 March	
	Notes	2022 US\$'000	2021 US\$'000
Revenue	4	758	445
Other income		56	21
Cost of inventories sold		(143)	(74)
Staff costs and related expenses		(293)	(164)
Subcontracting fee		-	(34)
Sales and marketing expenses		(11)	(213)
Depreciation and amortisation		(214)	(220)
General and administrative expenses		(342)	(339)
Finance costs	5	(1)	-
Loss before income tax	6	(190)	(578)
Income tax expenses	7	-	-
Loss for the period		(190)	(578)
Other comprehensive income (loss)			
<i>Item that may be reclassified subsequently to profit or loss</i>			
Exchange difference arising on translation of foreign operations		18	(27)
Other comprehensive income (loss) for the period		18	(27)
Total comprehensive loss for the period		(172)	(605)

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

For the three months ended 31 March 2022

	(Unaudited)	
	For the three months	
	ended 31 March	
	2022	2021
<i>Notes</i>	<i>US\$'000</i>	<i>US\$'000</i>
(Loss) Profit for the period attributable to:		
Equity holders of the Company	(203)	(574)
Non-controlling interests	13	(4)
	(190)	(578)
Total comprehensive (loss) income attributable to:		
Equity holders of the Company	(185)	(597)
Non-controlling interests	13	(8)
	(172)	(605)
Loss per share for loss attributable to equity holders of the Company, basic and diluted (US cents)	<i>8</i>	(0.03)
		(0.08)

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the three months ended 31 March 2022

	Attributable to equity holders of the Company							Non-controlling interests US\$'000	Total US\$'000
	Share capital US\$'000	Share premium US\$'000	Capital reserve US\$'000	Exchange reserve US\$'000	Share-based payments reserve US\$'000	Accumulated losses US\$'000	Total US\$'000		
At 1 January 2021 (Audited)	923	9,919	650	42	-	(2,099)	9,435	(63)	9,372
Loss for the period	-	-	-	-	-	(574)	(574)	(4)	(578)
Other comprehensive loss:									
<i>Item that may be reclassified subsequently to profit or loss</i>									
Exchange difference arising on translation of foreign operations	-	-	-	(23)	-	-	(23)	(4)	(27)
Total comprehensive loss for the period	-	-	-	(23)	-	(574)	(597)	(8)	(605)
At 31 March 2021 (Unaudited)	923	9,919	650	19	-	(2,673)	8,838	(71)	8,767
At 1 January 2022 (Audited)	923	9,919	650	(53)	222	(5,205)	6,456	(31)	6,425
(Loss) Profit for the period	-	-	-	-	-	(203)	(203)	13	(190)
Other comprehensive income:									
<i>Item that may be reclassified subsequently to profit or loss</i>									
Exchange difference arising on translation of foreign operations	-	-	-	18	-	-	18	-	18
Total comprehensive income (loss) for the period	-	-	-	18	-	(203)	(185)	13	(172)
Transaction with owners:									
Recognition of cash-out share-based payments liabilities (Note 10)	-	-	-	-	(8)	-	(8)	-	(8)
Total transactions with owners	-	-	-	-	(8)	-	(8)	-	(8)
At 31 March 2022 (Unaudited)	923	9,919	650	(35)	214	(5,408)	6,263	(18)	6,245

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the three months ended 31 March 2022

1. CORPORATE INFORMATION

The Company was incorporated as an exempted company with limited liability in the Cayman Islands on 22 June 2016. The Company's shares were listed on GEM of the Stock Exchange. The address of the Company's registered office is PO Box 309, 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 provision of cyber infrastructure solutions services, cyber security solutions services and Software-as-a-Service ("SaaS").

The unaudited condensed consolidated financial statements are presented in United States Dollars ("US\$"), unless otherwise stated.

2. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES

The unaudited condensed consolidated financial statements of the Group for the three months ended 31 March 2022 (the "First Quarterly Consolidated Financial Statements") are prepared in accordance with the applicable disclosure requirements of Chapter 18 of the GEM Listing Rules.

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

The First Quarterly Consolidated Financial Statements include an explanation of events and transactions that are significant to an understanding of the changes in financial performance of the Group since 31 December 2021, and therefore, do not include all of the information required for full set of consolidated financial statements prepared in accordance with the International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Boards (the "IASB"), which collective term includes all applicable individual IFRSs, International Accounting Standards and Interpretations issued by the IASB. They shall be read in conjunction with the audited consolidated financial statements of the Group for the year ended 31 December 2021 (the "2021 Consolidated Financial Statements").

The First Quarterly Consolidated Financial Statements have been prepared on the historical costs basis, except for building, which is measured at fair value.

2. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES

(Continued)

The accounting policies and methods of computation applied in the preparation of the First Quarterly Consolidated Financial Statements are consistent with those applied in the preparation of the 2021 Consolidated Financial Statements.

Adoption of new/revised IFRSs

The adoption of the new/revised IFRSs that are relevant to the Group and effective from the current period had no significant effects on the results and financial position of the Group for the current period and prior period.

At the date of authorisation of the First Quarterly Consolidated Financial Statements, the Group has not early adopted the new/revised IFRSs that have been issued but are not yet effective.

3. SEGMENT INFORMATION

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

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

The measure used for reporting segment results is "Adjusted EBITDA" (i.e. "adjusted earnings before interest, taxes, depreciation and amortisation"). To arrive at the Adjusted EBITDA, the Group's earnings before interest, taxes, depreciation and amortisation are further adjusted for items not specifically attributed to individual segments, such as Directors' and auditors' remuneration and other head office or corporate administrative costs.

No analysis of the Group's assets and liabilities by operating segments is presented as it is not regularly provided to the chief operating decision-makers for review.

In addition, the Group's place of domicile is Singapore, where the central management and control is located.

3. SEGMENT INFORMATION (Continued)

The segment information provided to the executive Directors for the reportable segments for the three months ended 31 March 2022 and 2021 is as follows:

	Cyber infrastructure solutions <i>US\$'000</i>	Cyber security solutions <i>US\$'000</i>	SaaS <i>US\$'000</i>	Total <i>US\$'000</i>
Three months ended 31 March 2022 (Unaudited)				
Revenue from external customers and reportable segment revenue	165	431	162	758
Reportable segment results (Adjusted EBITDA)	18	16	105	139
Other information:				
Depreciation and amortisation	118	86	10	214
Employee benefits expenses arisen in profit guarantee	–	43	–	43
Three months ended 31 March 2021 (Unaudited)				
Revenue from external customers and reportable segment revenue	148	40	257	445
Reportable segment results (Adjusted EBITDA)	(117)	31	(80)	(166)
Other information:				
Depreciation and amortisation	138	80	2	220

3. SEGMENT INFORMATION (Continued)

Reconciliation of reportable segment results

	(Unaudited)	
	For the three months ended 31 March	
	2022	2021
	<i>US\$'000</i>	<i>US\$'000</i>
Reportable segment results (Adjusted EBITDA)	139	(166)
Interest income	6	2
Depreciation and amortisation	(214)	(220)
Unallocated expenses	(121)	(194)
Loss before income tax	(190)	(578)
Income tax expenses	-	-
Loss for the period	(190)	(578)

Information about geographical areas

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

Revenue from external customers

	(Unaudited)	
	For the three months ended 31 March	
	2022	2021
	<i>US\$'000</i>	<i>US\$'000</i>
Malaysia	73	-
Myanmar	131	100
Philippines	28	29
PRC	162	257
Singapore	364	59
	758	445

4. REVENUE

(Unaudited)
 For the three months
 ended 31 March
 2022 2021
 US\$'000 US\$'000

Revenue from contracts with customers within IFRS 15

- at a point in time		
Cyber infrastructure solutions	150	125
Cyber security solutions	431	40
SaaS	162	257
- over time		
Maintenance and support service income	15	23
	758	445

5. FINANCE COSTS

(Unaudited)
 For the three months
 ended 31 March
 2022 2021
 US\$'000 US\$'000

Finance charges on lease liabilities	1	-
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6. LOSS BEFORE INCOME TAX

This is stated after charging:

	(Unaudited)	
	For the three months	
	ended 31 March	
	2022	2021
	US\$'000	US\$'000
Amortisation of intangible assets	142	142
Depreciation of property, plant and equipment	72	78
Exchange loss, net	8	4

7. INCOME TAX EXPENSES

	(Unaudited)	
	For the three months	
	ended 31 March	
	2022	2021
	US\$'000	US\$'000
Current tax		
PRC enterprise income tax	-	-
Malaysia corporate income tax	-	-
Singapore corporate income tax	-	-
Deferred tax	-	-
	-	-

The Group entities established in the Cayman Islands and the British Virgin Islands (the "BVI") are exempted from income tax. No provision for Hong Kong profits tax has been made as the Group had no assessable profits arising in or derived from Hong Kong during the three months ended 31 March 2022 and 2021.

Hong Kong profits tax is calculated at 16.5% (*Three months ended 31 March 2021: 16.5%*) of the estimated assessable profits arising in or derived from Hong Kong. The Group's subsidiary established in the PRC is subject to enterprise income tax of the PRC at 25% (*Three months ended 31 March 2021: 25%*) of the estimated assessable profits for the three months ended 31 March 2022 based on the existing legislation, interpretations and practices in respect thereof.

7. INCOME TAX EXPENSES (Continued)

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 during the three months ended 31 March 2022 and 2021. 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 three months ended 31 March 2022 and 2021.

Malaysia CIT is calculated at 24% of the estimated assessable profits for the three months ended 31 March 2022. Malaysia incorporated entities with paid-up capital of Malaysian Ringgit ("RM") 2.5 million or less enjoy tax rate of 17% on the first RM600,000 and remaining balance of the estimated assessable profits at tax rate of 24% for the three months ended 31 March 2022. There was no Group entity incorporated in Malaysia for the three months ended 31 March 2021.

8. LOSS PER SHARE

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

	(Unaudited)	
	For the three months ended 31 March	
	2022	2021
	US\$'000	US\$'000
Loss for the period attributable to owners of the Company, used in basic and diluted loss per share calculation	(190)	(578)
	Number of shares ('000)	
Weighted average number of ordinary shares for basic and diluted loss per share calculation	720,000	720,000
	US cents	
Basis and diluted loss per share	(0.03)	(0.08)

8. LOSS PER SHARE (Continued)

At 31 March 2022, the performance-based conditions of the Profit Guarantee 2021 and the Profit Guarantee 2022 (as defined in Note 10 to the condensed consolidated financial statements) are not regarded as satisfied, and thus the contingently issuable ordinary shares are not treated as outstanding for the three months ended 31 March 2022 and are not included in the calculation of diluted loss per share. As a result, diluted loss per share is the same as basic loss per share for the three months ended 31 March 2022.

Diluted loss per share was the same as the basic loss per share for the three months ended 31 March 2021 as there were no dilutive potential ordinary shares.

9. DIVIDENDS

The Directors did not recommend a payment of dividend for the three months ended 31 March 2022 (*Three months ended 31 March 2021: Nil*).

10. ACQUISITION OF A SUBSIDIARY

On 7 April 2021, the Company entered into a conditional sale and purchase agreement (the "Agreement") with two independent third parties (the "Vendors"). Pursuant to the Agreement, the Vendors have agreed to sell and the Company has agreed to acquire the entire equity interest of Storm Front Pte. Ltd ("Storm Front") at a maximum consideration of SG\$3,500,000 (equivalent to approximately US\$2,628,000), which will be satisfied 50% by cash and 50% by way of the allotment and issue of consideration shares (the "Consideration Shares"), subject to adjustment on guaranteed profits (the "Acquisition").

Pursuant to the Agreement and announcement of the Company dated 15 October 2021, part of the consideration payables are subject to the net profit performance of Storm Front for two periods from 1 January 2021 to 31 March 2022 and from 1 April 2022 to 31 March 2023 (the "Profit Guarantee 2021" and the "Profit Guarantee 2022", respectively). The Profit Guarantee 2021 and the Profit Guarantee 2022 indicates the net profit of Storm Front shall not be less than SG\$500,000 (equivalent to approximately US\$375,000) for each of the periods.

The consideration of the Acquisition would be settled in the following manners:

- (a) SG\$1,167,000 (equivalent to approximately US\$880,000) was paid to the Vendors in cash as the first instalment of the consideration upon completion of the Acquisition; and

10. ACQUISITION OF A SUBSIDIARY (Continued)

- (b) two performance-based consideration with aggregate amount of SG\$2,333,000 (equivalent to approximately US\$1,723,000) would be settled by cash of SG\$583,000 (equivalent to approximately US\$431,000) and issue of consideration shares of SG\$1,750,000 (equivalent to approximately US\$1,292,000) upon the satisfaction of the Profit Guarantee 2021 and the Profit Guarantee 2022.

Subject to the fulfilment of each Profit Guarantee, the Company shall pay to the Vendors SG\$1,166,500 (equivalent to approximately US\$861,000), of which SG\$291,500 (equivalent to approximately US\$215,000) shall be satisfied in cash and SG\$875,000 (equivalent to approximately US\$646,000) shall be satisfied by the issue of the Consideration Shares equivalent to SG\$875,000 (equivalent to approximately US\$646,000) (the "Payments"), provided always that the number of the Consideration Shares to be issued shall not exceed the maximum consideration shares of 19,800,000. Where the Consideration Shares issued pursuant to the Payments are not sufficient to satisfy the consideration amount of SG\$875,000 (equivalent to approximately US\$646,000), the remaining balance shall be satisfied in cash.

In the event of Storm Front does not achieve at least 60% of the Profit Guarantee 2021 and the Profit Guarantee 2022, the Payments shall be waived respectively. In the event of Storm Front achieves at least 60% of the Profit Guarantee 2021 and the Profit Guarantee 2022, the Payments (both in cash and in the consideration shares) shall be pro-rated by the achievement percentage (more than 60%) against the Profit Guarantee 2021 and the Profit Guarantee 2022 respectively.

In the opinion of the directors, the nature of the Profit Guarantee 2021 and the Profit Guarantee 2022 is to remunerate the Vendors for future services. The Consideration Shares to be issued and cash to be paid are therefore accounted for as share-based payments and other employee benefits expenses respectively.

Up to the date of this report, the financial results of Profit Guarantee 2021 is still under auditing by independent auditor.

For more information about the Acquisition, please refer to the Company's announcements dated 7 April 2021, 20 April 2021, and 5 May 2021. For more information about the extension of fulfilment of profit guarantee, please refer to the Company's announcement dated 15 October 2021.

For more details on the accounting recognition of the Acquisition, please refer to Note 26 to the 2021 Consolidated Financial Statements.

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 solutions and cyber security solutions. Starting from 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 and cyber security 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.

The Group has been actively considering and exploring various opportunities and flexibly change its business strategies to facilitate its business growth. On 5 May 2021, the Company acquired the entire equity interest of Storm Front. 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. During the year ended 31 December 2021, the Group 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.

During the three months ended 31 March 2022 and up to the date of this report, the Group strives to strengthen its Group’s existing business segments and explore markets into the enterprise digital transformation area and smart technology industry.

CYBER INFRASTRUCTURE SOLUTIONS SEGMENT AND CYBER SECURITY SOLUTIONS SEGMENT

For the three months ended 31 March 2022, the reportable segment results (Adjusted EBITDA) in the cyber infrastructure solutions segment and the cyber security solutions segment were profit of approximately US\$18,000 (*Three months ended 31 March 2021: loss of approximately US\$117,000*) and profit of approximately US\$16,000 (*Three months ended 31 March 2021: loss of approximately US\$31,000*), respectively. The improvement in the cyber infrastructure solutions segment was mainly due to cost control of the Group.

During the three months ended 31 March 2022, Coronavirus Disease 2019 (the "COVID-19") pandemic, the emergence of new variants thereof, and political instability in Myanmar have continuously affected the Group's operations, in particular, the negotiation of new projects with existing customers, and the seeking out of potential customers of the Group. However, The Group's businesses in both segments have recovered gradually as more and more countries gradually adopt to life with the COVID-19 pandemic, and as a result of high vaccination rate reducing the severity illness and outbreaks.

The streamlined COVID-19 pandemic measures launched by the Ministry of Health ("MoH") in Singapore in March 2022 and the easing of standard operating procedure requirements on COVID-19 pandemic launched by the MoH in Malaysia are also important road markers to resume economic activities in both Singapore and Malaysia, where are the bases of operation of both segments. The Group will continue to work on opportunities and explore the markets with the current and new technological offerings.

SAAS SEGMENT

For the three months ended 31 March 2022, the reportable segment result (Adjusted EBITDA) in SaaS segment was profit of approximately US\$105,000 (*Three months ended 31 March 2021: loss of approximately US\$80,000*). Decrease in loss was mainly attributable to decrease in advertisement fee incurred for the developed SaaS business.

During the three months ended 31 March 2022 and up to the date of this report, a series of pandemic prevention measures have been implemented by the PRC government in Shanghai due to the outbreak of Omicron variant, which have suspended the projects under negotiation and business activities in Shanghai. The Group expects that the outbreak of Omicron variant in Shanghai would continue to affect the SaaS business in the coming quarters. The Group will continue to adopt digital communication platforms to communicate with customers and business partners in view of the restrictions from the pandemic prevention measures and actively work out more alternative business plans.

The Group will also continuously endeavour to diversify its customer base and to expand its market share the in SaaS business.

FINANCIAL REVIEW

REVENUE

The major revenue streams of the Group derived from provision of the cyber infrastructure solutions business, the cyber security solutions business and the SaaS business. For the three months ended 31 March 2022, the Group recorded total revenue of approximately US\$758,000 (*Three months ended 31 March 2021: approximately US\$445,000*), which were generated from the cyber infrastructure solutions business of approximately US\$165,000 (*Three months ended 31 March 2021: approximately US\$148,000*), the cyber security solutions business of approximately US\$431,000 (*Three months ended 31 March 2021: approximately US\$40,000*) and the SaaS business of approximately US\$162,000 (*Three months ended 31 March 2021: approximately US\$257,000*). The increase was mainly due to the Acquisition and establishment of an operation base in Malaysia in late 2021, which contributed revenue in the cyber security solutions business.

COST OF INVENTORIES SOLD

The Group's cost of inventories sold increased from approximately US\$74,000 for the three months ended 31 March 2021 to approximately US\$143,000 for the three months ended 31 March 2022. The increase was mainly due to the increase in number of purchase of hardware components.

STAFF COSTS AND RELATED EXPENSES

For the three months ended 31 March 2022, the Group recorded staff costs and related expenses of approximately US\$293,000 (*Three months ended 31 March 2021: approximately US\$164,000*). The increase was mainly due to the increase in average number of employees during the three months ended 31 March 2022 and increase in employee benefits expenses arisen in profit guarantee from the Acquisition to approximately US\$43,000 (*Three months ended 31 March 2021: Nil*). Details are set out in Note 10 in the condensed financial statements in this report.

SUBCONTRACTING FEE

For the three months ended 31 March 2022, no subcontracting fee was recorded by the Group (*Three months ended 31 March 2021: approximately US\$34,000*) for individual service providers to provide subcontracting services in the SaaS business.

SALES AND MARKETING EXPENSES

For the three months ended 31 March 2022, the Group recorded sales and marketing expenses of approximately US\$11,000 (*Three months ended 31 March 2021: approximately US\$213,000*). The decrease was mainly due to less advertisement incurred for the developed SaaS business of the Group.

GENERAL AND ADMINISTRATIVE EXPENSES

The amount of general and administrative expenses increased from approximately US\$339,000 for the three months ended 31 March 2021 to approximately US\$342,000 for the three months ended 31 March 2022. There was no material fluctuation between two periods.

LOSS FOR THE PERIOD

The Group recorded a decrease in loss for the period from approximately US\$578,000 for the three months ended 31 March 2021 to approximately US\$190,000 for the three months ended 31 March 2022. The decrease in loss was mainly due to the aggregate effect of the increase reportable segment results (Adjusted EBITDA) in the cyber infrastructure solutions segment and SaaS segment, and decrease in unallocated general and administrative expenses due to cost control of the Group.

SHARE CAPITAL

As at 31 March 2022 and 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. The issued share capital of the Company was HK\$7,200,000 (*equivalent to approximately US\$923,000*) divided into 720,000,000 ordinary shares of HK\$0.01 each.

TREASURY POLICY

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

FOREIGN EXCHANGE EXPOSURE

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

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

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

CONTINGENT LIABILITIES

The Group did not have any material contingent liabilities as at 31 March 2022 and 2021.

SIGNIFICANT INVESTMENT, MATERIAL ACQUISITIONS AND DISPOSALS

The Group has no significant investment, material acquisitions and disposal for the three months ended 31 March 2022 and 2021.

CHARGE ON THE GROUP'S ASSETS

There was no charge on the Group's assets as at 31 March 2022 and 2021.

EMPLOYEES INFORMATION

As at 31 March 2022, the Group had a total number of 33 employees (*31 March 2021: 23 employees*) (including executive Directors). During the three months ended 31 March 2022, the total staff costs amount to approximately US\$293,000 (*Three months ended 31 March 2021: approximately US\$164,000*), representing an increase of approximately US\$129,000 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.

RE-DESIGNATION OF DIRECTOR

Effected from 31 January 2022, Mr. Roy Ho Yew Kee has been re-designated from an executive Director to a non-executive Director due to his wishes to devote more time to his other businesses and personal commitments ("Mr. Ho's Re-designation"). Mr. Ho's role in the remuneration committee of the Company (the "Remuneration Committee") remains unchanged.

For more information about Mr. Ho's Re-designation, please refer to the Company's announcement dated 31 January 2022.

EVENT AFTER THE PERIOD DISPOSAL OF SUBSIDIARIES AND ASSIGNMENT OF THE SHAREHOLDER'S LOAN

On 4 May 2022 (after trading hour), the Company, as the vendor, and Ler Tiong Hin, Alan, as the purchaser (the "Purchaser") entered into the sale and purchase agreement in respect of the disposal of entire issued share capital of Fortune Shoreline Limited (the "Target Company") and assign the shareholder's loan amounted at approximately US\$1,166,000, to the Purchaser for a consideration of approximately US\$1,166,000, which will be satisfied by way of cash.

Upon the completion of the Disposal, the Target Company and Nexion Investment Pte. Ltd, the sole subsidiary of the Target Company (collectively, the "Target Group") will cease to be accounted as subsidiaries of the Group.

The Group considered that the Disposal realised the value of the net assets of the Target Group at a reasonable price and the proceeds from the Disposal will enable the Group to re-allocate more financial resources on future potential investment opportunities and/or working capital of the Group.

As the highest applicable percentage ratios (as defined under the GEM Listing Rules) in respect of the Disposal exceeds 5% but is less than 25%, the Disposal constitutes a discloseable transaction of the Company under Chapter 19 of the GEM Listing Rules and is therefore subject to the reporting and announcement requirements under the GEM Listing Rules.

Subject to the fulfilment of the condition precedents, the completion of the Disposal shall take place on 13 May 2022 or such other date as the Company and the Purchaser may agree in writing. For more details on the Disposal and assignment of the shareholder's loan, please refer to the Company's announcement dated 4 May 2022.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY

As at 31 March 2022, the interests and short positions of the directors or chief executive 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 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 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, 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 (<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:

1. 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).
2. The Letter “L” demonstrates the Directors’ long position in the shares of the Company or the relevant associated corporation.
3. 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 31 March 2022, 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 31 March 2022, 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%
UBS Group AG ("UBS") <i>(Note 3)</i>	Beneficial owner	134,450,000 (L)	18.67%
XOX (Hong Kong) Limited ("XOX Hong Kong") <i>(Note 4)</i>	Beneficial owner	117,848,500 (L)	16.37%
XOX Bhd <i>(Note 4)</i>	Interested in a controlled corporation	117,848,500 (L)	16.37%

Notes:

1. The Letter "L" demonstrates long position.
2. The Letter "S" demonstrates short position.
3. 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).
4. 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).

Save as disclosed above, as at 31 March 2022, the Directors were not aware of any other persons (other than the Directors and chief executives of the Company) who had interests or short positions in the shares and underlying shares of the Company which would fall to be disclosed under the provisions of Divisions 2 and 3 of Part XV of the SFO as recorded in the register required to be kept under Section 336 of the SFO.

CORPORATE GOVERNANCE CODE

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

For the three months ended 31 March 2022, the Company had complied with the applicable code provisions of the Code with the exception of the deviation from code provision C.2.1 as explained below:

Code provision C.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 C.2.1 of the Code.

Save for the deviation from code provision C.2.1 of the Code, the Company’s corporate governance practices had complied with the Code as set out in Appendix 15 to the GEM Listing Rules for the three months ended 31 March 2022.

INTERESTS IN COMPETING BUSINESS

During the three months ended 31 March 2022 and up to the date of this report, none of the Directors, substantial shareholders of the Company and their respective close associates (as defined in GEM Listing Rules) had any interest in any business that directly or indirectly competed or might compete with the business of the Group.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

Neither the Company, nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the three months ended 31 March 2022.

CODE OF CONDUCT REGARDING SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted a code of conduct regarding securities transactions by Directors on terms no less than the required standard of dealings as set out in Rules 5.48 to 5.67 of the GEM Listing Rules as the code of conduct for securities transactions by the Directors in respect of the Shares ("the Code of Conduct"). The Company also made specific enquiry with all Directors, and the Company was not aware of any non-compliance with the required standard as set out in the Code of Conduct during the three months ended 31 March 2022.

SHARE OPTION SCHEME

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

During the three months ended 31 March 2022, no share option had been granted, cancelled, exercised or lapsed pursuant to the Scheme. There was no share option outstanding as at 31 March 2022.

AUDIT COMMITTEE

The Company has established an audit committee of the Company (the “Audit Committee”) with written terms of reference in compliance with Rules 5.28 to 5.29 of the GEM Listing Rules and the Corporate Governance Code in Appendix 15 to the GEM Listing Rules for the purpose of reviewing and supervising the Company’s financial reporting and internal control procedures. As at 31 March 2022, the Audit Committee comprised three independent non-executive Directors, namely Ms. Lim Joo Seng (Chairman), Mr. Tang Chak Lam Gilbert and Mr. Yeung Chun Yue David.

The Group’s unaudited condensed consolidated financial statements for the three months ended 31 March 2022 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, 11 May 2022

As at the date of this report, the Board comprises two executive Directors, namely Mr. Foo Moo Teng and Mr. Ong Gim Hai; one non-executive Director, namely 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.

This report 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.