



## NEXION TECHNOLOGIES LIMITED

(Incorporated in the Cayman Islands with limited liability)

Stock code: 8420

# THIRD 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 nine months ended 30 September 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 nine months ended 30 September 2022

	Notes	(Unaudited) For the three months ended 30 September		(Unaudited) For the nine months ended 30 September	
		2022 US\$'000	2021 US\$'000	2022 US\$'000	2021 US\$'000
<b>Revenue</b>	4	<b>637</b>	992	<b>4,898</b>	2,046
Other income		<b>10</b>	139	<b>120</b>	201
Cost of inventories sold		<b>(86)</b>	(440)	<b>(3,133)</b>	(643)
Staff costs and related expenses		<b>(530)</b>	(251)	<b>(1,085)</b>	(639)
Subcontracting fee		<b>(19)</b>	(72)	<b>(122)</b>	(115)
Sales and marketing expenses		<b>(7)</b>	–	<b>(27)</b>	(422)
Depreciation and amortisation		<b>(168)</b>	(196)	<b>(565)</b>	(628)
General and administrative expenses		<b>(320)</b>	(311)	<b>(1,025)</b>	(1,020)
Finance costs	5	<b>(2)</b>	–	<b>(4)</b>	–
<b>Loss before income tax</b>	6	<b>(485)</b>	(139)	<b>(943)</b>	(1,220)
Income tax expenses	7	–	–	<b>(6)</b>	(5)
<b>Loss for the period</b>		<b>(485)</b>	(139)	<b>(949)</b>	(1,225)
<b>Other comprehensive (loss)/income</b>					
<i>Item that may not be reclassified to profit or loss:</i>					
Surplus on revaluation of building		–	–	<b>16</b>	–
<i>Item that may be subsequently reclassified to profit or loss:</i>					
Release of exchange reserve upon disposal of subsidiaries	10	–	–	<b>(14)</b>	–
Exchange difference arising on translation of foreign operations		<b>(214)</b>	5	<b>(126)</b>	(10)

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

For the nine months ended 30 September 2022

	(Unaudited)		(Unaudited)	
	For the three months ended 30 September		For the nine months ended 30 September	
	2022	2021	2022	2021
Notes	US\$'000	US\$'000	US\$'000	US\$'000
<b>Other comprehensive (loss)/income for the period</b>	<b>(214)</b>	<b>5</b>	<b>(124)</b>	<b>(10)</b>
<b>Total comprehensive loss for the period</b>	<b>(699)</b>	<b>(134)</b>	<b>(1,073)</b>	<b>(1,235)</b>
<b>(Loss)/Profit for the period attributable to:</b>				
Equity holders of the Company	<b>(533)</b>	(174)	<b>(1,015)</b>	(1,270)
Non-controlling interests	<b>48</b>	35	<b>66</b>	45
	<b>(485)</b>	(139)	<b>(949)</b>	(1,225)
<b>Total comprehensive (loss)/income attributable to:</b>				
Equity holders of the Company	<b>(726)</b>	(169)	<b>(1,104)</b>	(1,279)
Non-controlling interests	<b>27</b>	35	<b>31</b>	44
	<b>(699)</b>	(134)	<b>(1,073)</b>	(1,235)
<b>Loss per share for loss attributable to equity holders of the Company, basic and diluted (US cents)</b>	<b>8</b>	(0.02)	<b>(0.14)</b>	(0.18)

# CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the nine months ended 30 September 2022

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

## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (Continued)

For the nine months ended 30 September 2022

	Attributable to equity holders of the Company									
	Share capital US\$'000	Share premium US\$'000	Capital reserve US\$'000	Exchange reserve US\$'000	Revaluation reserve US\$'000	Share-based payments reserve US\$'000	Accumulated losses US\$'000	Total US\$'000	Non-controlling interests US\$'000	Total US\$'000
At 1 January 2022 (Audited)	923	9,919	650	(53)	-	222	(5,205)	6,456	(31)	6,425
(Loss)/profit for the period	-	-	-	-	-	-	(1,015)	(1,015)	66	(949)
<b>Other comprehensive (loss)/income:</b>										
<i>Item that may not be reclassified to profit or loss</i>										
Surplus on revaluation reserve	-	-	-	-	16	-	-	16	-	16
<i>Item that may be subsequently reclassified to profit or loss</i>										
Release of exchange reserve upon disposal of subsidiaries (Note 10)	-	-	-	(14)	-	-	-	(14)	-	(14)
Exchange difference arising on translation of foreign operations	-	-	-	(91)	-	-	-	(91)	(35)	(126)
<b>Total comprehensive (loss)/income for the period</b>	-	-	-	(105)	16	-	(1,015)	(1,104)	31	(1,073)
<b>Transactions with owners:</b>										
<i>Contributions and distributions</i>										
Equity settled share based payments (Note 11)	-	-	-	-	-	240	-	240	-	240
Issue of consideration shares upon fulfilment of profit guarantee (Note 11)	25	437	-	-	-	(462)	-	-	-	-
<i>Changes in ownership interests</i>										
Transfer of reserve upon disposal of subsidiaries (Note 10)	-	-	-	-	(16)	-	16	-	-	-
<b>Total transactions with owners</b>	25	437	-	-	(16)	(222)	16	240	-	240
At 30 September 2022 (Unaudited)	948	10,356	650	(158)	-	-	(6,204)	5,592	-	5,592

# NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

*For the nine months ended 30 September 2022*

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

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

## 2. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES

The unaudited condensed consolidated financial statements of the Group for the nine months ended 30 September 2022 (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 2021, 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 2021 (the "2021 Consolidated Financial Statements").

## **2. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES**

(Continued)

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

The accounting policies and methods of computation applied in the preparation of the Third Quarterly Consolidated Financial Statements are consistent with those applied in the preparation of the 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 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 2022 and 2021 is as follows:

	<b>Cyber infrastructure solutions</b> <i>US\$'000</i>	<b>Cyber security solutions</b> <i>US\$'000</i>	<b>SaaS</b> <i>US\$'000</i>	<b>Total</b> <i>US\$'000</i>
<b>Nine months ended</b>				
<b>30 September 2022 (Unaudited)</b>				
Revenue from external customers and reportable segment revenue	<b>2,233</b>	<b>2,240</b>	<b>425</b>	<b>4,898</b>
Reportable segment results (Adjusted EBITDA)	<b>18</b>	<b>(198)</b>	<b>159</b>	<b>(21)</b>
Other information:				
Depreciation and amortisation	<b>276</b>	<b>261</b>	<b>28</b>	<b>565</b>
Employee benefits expenses arisen in profit guarantee	<b>–</b>	<b>153</b>	<b>–</b>	<b>153</b>
Share-based payments in respect of profit guarantee	<b>–</b>	<b>240</b>	<b>–</b>	<b>240</b>
<b>Nine months ended</b>				
<b>30 September 2021 (Unaudited)</b>				
Revenue from external customers and reportable segment revenue	476	852	718	2,046
Reportable segment results (Adjusted EBITDA)	(91)	52	2	(37)
Other information:				
Depreciation and amortisation	383	243	2	628

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

	(Unaudited)	
	For the nine months ended 30 September	
	2022	2021
	<i>US\$'000</i>	<i>US\$'000</i>
Reportable segment results (Adjusted EBITDA)	(21)	(37)
Interest income	15	15
Depreciation and amortisation	(565)	(628)
Unallocated expenses	(372)	(570)
	<hr/>	
Loss before income tax	(943)	(1,220)
	<hr/>	
Income tax expenses	(6)	(5)
	<hr/>	
Loss for the period	(949)	(1,225)
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### 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	
	2022	2021
	US\$'000	US\$'000
Hong Kong	–	77
Malaysia	214	377
Myanmar	256	174
Philippines	60	85
Singapore	2,067	609
Taiwan	–	3
The PRC	455	718
Vietnam	1,846	3
	<b>4,898</b>	<b>2,046</b>

### 4. REVENUE

	(Unaudited)		(Unaudited)	
	For the three months ended 30 September		For the nine months ended 30 September	
	2022	2021	2022	2021
	US\$'000	US\$'000	US\$'000	US\$'000
<i>Revenue from contracts with customers within IFRS 15</i>				
– at a point in time				
Cyber infrastructure solutions	127	135	2,162	367
Cyber security solutions	295	619	2,240	852
SaaS	182	187	425	718
– over time				
Maintenance and support service income	33	51	71	109
	<b>637</b>	<b>992</b>	<b>4,898</b>	<b>2,046</b>

## 5. FINANCE COSTS

	(Unaudited)		(Unaudited)	
	For the three months ended 30 September		For the nine months ended 30 September	
	2022	2021	2022	2021
	US\$'000	US\$'000	US\$'000	US\$'000
Finance charges on lease liabilities	2	-	4	-

## 6. LOSS BEFORE INCOME TAX

This is stated after charging/(crediting):

	(Unaudited)		(Unaudited)	
	For the three months ended 30 September		For the nine months ended 30 September	
	2022	2021	2022	2021
	US\$'000	US\$'000	US\$'000	US\$'000
Amortisation of intangible assets	142	142	425	425
Depreciation of property, plant and equipment	26	54	140	203
Exchange gain, net	(4)	(9)	(2)	(15)

## 7. INCOME TAX EXPENSES

	(Unaudited)		(Unaudited)	
	For the three months ended 30 September		For the nine months ended 30 September	
	2022	2021	2022	2021
	US\$'000	US\$'000	US\$'000	US\$'000
<b>Current tax</b>				
PRC enterprise income tax	-	-	-	-
Malaysia corporate income tax	-	-	-	-
Singapore corporate income tax				
Current period	-	1	6	1
Under provision in prior year	-	4	-	4
	-	5	6	5
<b>Deferred tax</b>	-	-	-	-
	-	5	6	5

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 nine months ended 30 September 2022 and 2021.

## 7. INCOME TAX EXPENSES (Continued)

Hong Kong profits tax is calculated at 16.5% (*Nine months ended 30 September 2021: 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 2021: 25%*) of the estimated assessable profits for the nine months ended 30 September 2022 based on the existing legislation, interpretations and practices in respect thereof.

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 nine months ended 30 September 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 nine months ended 30 September 2022 and 2021.

Malaysia CIT is calculated at 24% of the estimated assessable profits for the nine months ended 30 September 2022 and 2021. 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 nine months ended 30 September 2022 and 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 30 September		(Unaudited) For the nine months ended 30 September	
	2022 US\$'000	2021 US\$'000	2022 US\$'000	2021 US\$'000
Loss for the period attributable to owners of the Company, used in basic and diluted loss per share calculation	(533)	(174)	(1,015)	(1,270)
	<b>Number of shares ('000)</b>			
Weighted average number of ordinary shares for basic and diluted loss per share calculation	733,128	720,000	724,424	720,000
	<i>US Cents</i>	<i>US Cents</i>	<i>US Cents</i>	<i>US Cents</i>
Basic and diluted loss per share	(0.07)	(0.02)	(0.14)	(0.18)

## 8. LOSS PER SHARE (Continued)

Diluted loss per share is same as the basic loss per share as there are no dilutive potential ordinary shares in existence during the nine months ended 30 September 2022 and 2021.

## 9. DIVIDEND

The Directors do not recommend a payment of dividend for the nine months ended 30 September 2022 (*Nine months ended 30 September 2021: Nil*).

## 10. DISPOSAL OF SUBSIDIARIES

On 5 May 2022, the Group entered into a conditional sale and purchase agreement with an independent third party (the "Purchaser") to dispose the entire equity interests in Fortune Shoreline and assign a shareholder's loan of Fortune Shoreline Group (as defined per below) at total consideration of approximately US\$1,166,000 (the "Disposal"). The Disposal was completed on 18 May 2022.

Fortune Shoreline is a company incorporated in the British Virgin Islands with limited liability in 2017 and an indirect wholly-owned subsidiary of the Company. It is principally engaged in investment holding. Nexion Investment Pte. Ltd, the sole wholly-owned subsidiary of Fortune Shoreline is a company incorporated in Singapore with limited liability in 2017 and is principally engaged in property holding, which is used for commercial office of the subsidiaries of the Group.

The details of the Disposal are as follows:

	<b>Fortune Shoreline Group US\$'000</b>
<b>Net assets disposed of</b>	
Property, plant and equipment	1,110
Other receivables	4
Bank balances and cash	40
Amount due to immediate holding company assigned to the Purchaser	(1,166)
Other payables	(15)
Income tax payables	(2)
	<b>(29)</b>
Release of exchange reserve upon disposal of subsidiaries	(14)
<b>Gain on disposal of subsidiaries</b>	<b>43</b>
	<b>-</b>

## 10. DISPOSAL OF SUBSIDIARIES (Continued)

Analysis of net outflow of cash and cash equivalents in respect of the Disposal is as follows:

	<b>Fortune Shoreline Group US\$'000</b>
Cash consideration	<b>1,166</b>
Cash and cash equivalents disposed of	<b>(40)</b>
<b>Net inflow of cash and cash equivalents</b>	<b>1,126</b>

## 11. ISSUANCE OF CONSIDERATION SHARES UPON FULFILMENT OF THE PROFIT GUARANTEE 2021 IN RELATION TO ACQUISITION OF A SUBSIDIARY

### 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

## 11. ISSUANCE OF CONSIDERATION SHARES UPON FULFILMENT OF THE PROFIT GUARANTEE 2021 IN RELATION TO ACQUISITION OF A SUBSIDIARY (Continued)

### Acquisition of a subsidiary (Continued)

- (b) two performance-based consideration with aggregate amount of SG\$2,333,000 (equivalent to approximately US\$1,748,000) would be settled by cash of SG\$583,000 (equivalent to approximately US\$437,000) and issue of Consideration Shares of SG\$1,750,000 (equivalent to approximately US\$1,311,000) 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\$874,000), of which SG\$291,500 (equivalent to approximately US\$218,000) shall be satisfied in cash and SG\$875,000 (equivalent to approximately US\$656,000) shall be satisfied by the issue of the Consideration Shares equivalent to SG\$875,000 (equivalent to approximately US\$656,000) (the "Payment(s)"), provided always that the number of the Consideration Shares to be issued shall not exceed the maximum consideration shares of 19,800,000 (the "Maximum Consideration Shares"). 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\$656,000), 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. During the nine months ended 30 September 2022, employee benefits expenses and share-based payments of approximately US\$153,000 and US\$240,000 was recognised in profit and loss, respectively.

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



## 11. ISSUANCE OF CONSIDERATION SHARES UPON FULFILMENT OF THE PROFIT GUARANTEE 2021 IN RELATION TO ACQUISITION OF A SUBSIDIARY (Continued)

### Acquisition of a subsidiary (Continued)

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.

### Issuance of Consideration Shares upon fulfilment of the Profit Guarantee 2021

The auditing of the Profit Guarantee 2021 was completed in July 2022. Pursuant to the audit report of the Profit Guarantee 2021, the net profit of Storm Front was approximately SG\$506,000 (equivalent to approximately US\$377,000), which has exceeded the Profit Guarantee 2021 of SG\$500,000 (equivalent to approximately US\$372,000). The Vendors have fulfilled their obligations in relation to the Profit Guarantee 2021 and thus the Company is required to satisfy one of the Payments of SG\$1,166,500 (equivalent to approximately US\$858,000) in accordance with the terms of the Agreement.

Pursuant to the Agreement, upon fulfilment of the Profit Guarantee 2021, the Company is required to satisfy the Payment of SG\$1,166,500 (equivalent to approximately US\$858,000) by way of payment of SG\$291,500 (equivalent to approximately US\$214,000) in cash with the balance of SG\$875,000 (equivalent to approximately US\$644,000) being satisfied by way of issue of the Consideration Shares.

As a result of the fulfilment of the Profit Guarantee 2021, on 1 August 2022, a total of 19,800,000 Consideration Shares, being the Maximum Consideration Shares, for settling the Payment were allotted and issued to the Vendors at issue price of HK\$0.1822 per Consideration Share under the general mandate of the Company, which was passed at the Company's annual general meeting on 20 May 2022 as an ordinary resolution. As the number of Consideration Shares issued pursuant to the Payment is not sufficient to satisfy the consideration amount of SG\$875,000 (equivalent to approximately US\$644,000), the remaining balance was satisfied by way of cash.

For more information on the fulfilment of Profit Guarantee 2021, please refer to the Company's announcement dated 1 August 2022.

## MANAGEMENT DISCUSSION AND ANALYSIS BUSINESS OVERVIEW AND OUTLOOK

The Group is a well-established information and communications technology (“ICT”) solution provider headquartered in Singapore focusing on provision of cyber infrastructure and cyber security solutions. Starting from 2019, the Group set up an office in Shanghai, the PRC focusing on SaaS business.

Established in 2002, the Group started as a system integration service provider providing services to telecommunications service providers. Having gradually diversified its ICT services, the Group is now a regional provider of cyber infrastructure solutions in Southeast Asia. By working with various technology vendors, the Group acquired the experience and expertise to evolve to an ICT solution provider. Leveraging on its research and development capabilities, the Group successfully developed its technologies and SaaS system to provide cyber security solutions and SaaS respectively.

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 endusers 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.

The Group will continue to work on opportunities and explore the markets with the current and new technological offerings.

## CYBER INFRASTRUCTURE SOLUTIONS SEGMENT AND CYBER SECURITY SOLUTIONS SEGMENT

For the nine months ended 30 September 2022, the reportable segment results (Adjusted EBITDA) in the cyber infrastructure solutions segment were profit of approximately US\$18,000 (*Nine months ended 30 September 2021: loss of approximately US\$91,000*). The increase is mainly due to cost control of the Group.

For the nine months ended 30 September 2022, the reportable segment results (Adjusted EBITDA) in the cyber security solutions segment were loss of approximately US\$198,000 (*Nine months ended 30 September 2021: profit of approximately US\$52,000*). The decrease is mainly due to increase in employee benefits expenses and share-based payments arisen in profit guarantee from the Acquisition to approximately US\$153,000 (*Nine months ended 30 September 2021: Nil*) and approximately US\$240,000 (*Nine months ended 30 September 2021: Nil*), respectively.

The Group has continuously strived to strengthen the cyber infrastructure solutions business and the cyber security solutions business and explore markets into the enterprise digital transformation area and smart technology industry. The business in the newly acquired subsidiary, Storm Front and the subsidiary in the Malaysia have also grown steadily.

Currently, Storm Front has developed its visitor management system to comprehensive senior care management system, which provides a consolidated platform for managing the residents or participants of eldercare facilities ranging from senior activity centres to nursing homes. The senior care management system is designed to assist senior care professionals in the management of eldercare centres, the Group expects that the customer base and market shares of the enterprise digital transformation area and smart technology industry will be expanded upon the development of senior care management.

## SAAS SEGMENT

For the nine months ended 30 September 2022, the reportable segment result (Adjusted EBITDA) in the SaaS segment was profit of approximately US\$159,000 (*Nine months ended 30 September 2021: approximately US\$2,000*). The increase was mainly attributable to decrease in advertisement fee incurred for the developed SaaS business.

During the nine months ended 30 September 2022, 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 has endeavoured to stabilise its market share in the SaaS business. The Group is still in the process of reviewing the marketing strategy of the SaaS business and will prudently increase its investment in the SaaS business only when opportunities arise and the Group has a well-defined marketing strategy in place.

## 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 nine months ended 30 September 2022, the Group recorded a total revenue of approximately US\$4,898,000 (*Nine months ended 30 September 2021: approximately US\$2,046,000*), which were generated from the cyber infrastructure solutions business of approximately US\$2,233,000 (*Nine months ended 30 September 2021: approximately US\$476,000*), the cyber security solutions business of approximately US\$2,240,000 (*Nine months ended 30 September 2021: approximately US\$852,000*) and the SaaS business of approximately US\$425,000 (*Nine months ended 30 September 2021: approximately US\$718,000*). The increase in revenue from the cyber infrastructure solutions business was mainly due to the completion of substantial projects in Vietnam whereas the scale of new projects completed were relatively significant; the increase in revenue from the cyber security solutions business was mainly due to the Acquisition and establishment of an operation base in Malaysia in late 2021; and the decrease in revenue from the SaaS business was mainly due to the implementation of a series of pandemic prevention measures by the PRC government.

## **COST OF INVENTORIES SOLD**

The Group's cost of inventories sold increased from approximately US\$643,000 for the nine months ended 30 September 2021 to approximately US\$3,133,000 for the nine months ended 30 September 2022. The increase was mainly due to increase in the number of purchase of hardware components.

## **STAFF COSTS AND RELATED EXPENSES**

For the nine months ended 30 September 2022, the Group recorded staff costs and related expenses of approximately US\$1,085,000 (*Nine months ended 30 September 2021: approximately US\$639,000*). The increase was mainly due to the increase in employee benefits expenses and share-based payments arisen in profit guarantee from the Acquisition to approximately US\$153,000 (*Nine months ended 30 September 2021: Nil*) and approximately US\$240,000 (*Nine months ended 30 September 2021: Nil*), respectively. Details are set out in Note 11 to the Third Quarterly Consolidated Financial Statements in this report.

## **SUBCONTRACTING FEE**

For the nine months ended 30 September 2022, the Group recorded subcontracting fee of approximately US\$122,000 (*Nine months ended 30 September 2021: approximately US\$115,000*) for technology vendors and individual service providers to provide subcontracting services in the cyber security solutions business and the SaaS business.

## **SALES AND MARKETING EXPENSES**

For the nine months ended 30 September 2022, the Group recorded sales and marketing expenses of approximately US\$27,000 (*Nine months ended 30 September 2021: approximately US\$422,000*). 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\$1,020,000 for the nine months ended 30 September 2021 to approximately US\$1,025,000 for the nine months ended 30 September 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\$1,225,000 for the nine months ended 30 September 2021 to approximately US\$949,000 for the nine months ended 30 September 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 the SaaS segment, and decrease in the reportable segment results (Adjusted EBITDA) in the cyber security solutions segment as analysed above.

## **SHARE CAPITAL**

As at 30 September 2022, 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\$7,398,000 (equivalent to approximately US\$948,000) divided into 739,800,000 shares of HK\$0.01 each.

As a result of the fulfilment of the Profit Guarantee 2021, on 1 August 2022, a total of 19,800,000 Consideration Shares, being the Maximum Consideration Shares, for settling the Payment were allotted and issued to the Vendors at issue price of HK\$0.1822 per Consideration Share under the general mandate of the Company. The issued Consideration Shares was HK\$198,000 (equivalent to approximately US\$25,000) divided into 19,800,000 shares of HK\$0.01 each. Details are set out in Note 11 to the Third Quarterly Consolidated Financial Statements in this report.

## **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.

## **SIGNIFICANT INVESTMENT, MATERIAL ACQUISITIONS AND DISPOSALS**

Save as disclosed in Note 10 and Note 11 to the Third Quarterly Consolidated Financial Statements 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 2022 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 2022 and 31 December 2021.

## **DIVIDEND**

The Directors do not recommend a payment of dividend for the nine months ended 30 September 2022 (*Nine months ended 30 September 2021: Nil*).

## **EMPLOYEES INFORMATION**

As at 30 September 2022, the Group had a total number of 26 employees (*30 September 2021: 29 employees*) (including executive Directors). For the nine months ended 30 September 2022, the total staff costs amount to approximately US\$1,085,000 (*Nine months ended 30 September 2021: approximately US\$639,000*), representing an increase of approximately US\$446,000 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.

A remuneration committee is set up for reviewing the Group's emolument policy and structure of all remuneration of the Directors and senior management of the Group, having regard to the Group's operating results, individual performance and comparable market practices. Besides, the Company maintains a share option scheme to attract and retain individuals with experience and ability and/or to reward them for their past contributions. Please refer to the paragraphs headed "Share Option Scheme" in this report for details of such scheme.

The Group recognises the importance of good relationship with employees. The Directors believe that the working environment and benefits offered to the employees have contributed to building good staff relations and retention. The Group continues to provide training for new staff and existing staff to enhance their technical knowledge, which are believed to increase the productivity and efficiency.

## **RESIGNATION AND RE-DESIGNATION OF DIRECTORS**

Effected from 31 January 2022, Mr. Roy Ho Yew Kee (“Mr. Ho”) 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 role in the remuneration committee of the Company remains unchanged.

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

Effected from 31 May 2022, Mr. Foo Moo Teng (“Mr. Foo”) has resigned as an executive Director, the chairman of the Board (the “Chairman”), the chief executive officer of the Company (the “Chief Executive Officer”) and a member of the nomination committee of the Company (the “Nomination Committee”) due to his other businesses and personal commitments.

Mr. Ong Gim Hai (“Mr. Ong”), an executive Director, has been appointed as the Chairman, the Chief Executive Officer and a member of the Nomination Committee in place of Mr. Foo with effect from 31 May 2022.

Effected from 31 May 2022, Mr. Foo has ceased to act as the compliance officer of the Company (the “Compliance Officer”) and one of the authorised representatives (the “Authorised Representative”), and Mr. Ong has been appointed as the Compliance Officer under Rule 5.19 of the GEM Listing Rules and the Authorised Representative under 5.24 of the GEM Listing Rules.

For more information about the resignation of Mr. Foo and re-designation of Mr. Ong, please refer to the Company’s announcement dated 31 May 2022.



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

As at 30 September 2022, none of the Directors nor chief executives of the Company have registered an interest or short position in the shares, underlying shares or debentures of the Company or any of its associated corporations which were required (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); or (b) pursuant to Section 352 of the SFO, to be entered in the register referred to therein; or (c) pursuant to Rule 5.46 to 5.67 of the GEM Listing Rules to be notified to the Company and the Stock Exchange.

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

As at 30 September 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 (Note 1 and 2)	Percentage of issued share capital
Alpha Sense Investments Limited ("Alpha Sense (BVI)") (Note 3)	Beneficial owner	154,838,000 (L) 154,838,000 (S)	20.93%
Mr. Foo (Note 3)	Interest in a controlled corporation	154,838,000 (L) 154,838,000 (S)	20.93% 20.93%
XOX (Hong Kong) Limited ("XOX Hong Kong") (Note 4)	Beneficial owner	117,848,500 (L)	15.93%
XOX Bhd (Note 4)	Interested in a controlled corporation	117,848,500 (L)	15.93%
UBS Group AG ("UBS") (Note 5)	Beneficial owner	39,465,000 (L)	5.33%

*Notes:*

1. The Letter "L" demonstrates long position.
2. The Letter "S" demonstrates short position.
3. Alpha Sense (BVI) is an investment holding company incorporated in the British Virgin Islands and is wholly-owned by Mr. Foo. Mr. Foo has resigned as the Chairman, executive Director and the Chief Executive Officer with effect from 31 May 2022. By virtue of the SFO, Mr. Foo is deemed to be interested in the 154,838,000 Shares held by Alpha Sense (BVI).
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).
5. UBS is an investment holding company incorporated in Switzerland, the shares of which are listed on SIX Swiss Exchange (stock code: UBSG: SW) and on the New York Stock Exchange (stock code: UBS).

Save as disclosed above, as at 30 September 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 nine months ended 30 September 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. Ong has in-depth knowledge and experience in the information technology and computer 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. Ong taking up both roles. Accordingly, the Company has not segregated the roles of the Chairman and the Chief Executive Officer as required under code provision C.2.1 of the Code.

Except 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 nine months ended 30 September 2022.

## **DIRECTORS' INTEREST IN COMPETING BUSINESS**

During the nine months ended 30 September 2022 and up to the date of this report, none of the 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 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 for the nine months ended 30 September 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 nine months ended 30 September 2022, no share option had been granted, cancelled, exercised or lapsed pursuant to the Scheme. There was no share option outstanding as at 30 September 2022.

## **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 2022, the Audit Committee comprised three independent non-executive Directors, namely Ms. Lim Joo Seng, Mr. Tang Chak Lam Gilbert and Mr. Yeung Chun Yue David. Ms. Lim Joo Seng is the chairman of the Audit Committee.

The Group's unaudited condensed consolidated financial statements for the nine months ended 30 September 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**  
**Ong Gim Hai**  
*Chairman and Executive Director*

Hong Kong, 9 November 2022

*As at the date of this report, the Board comprises one executive Director, namely 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.*