



NEXION TECHNOLOGIES LIMITED

(Incorporated in the Cayman Islands with limited liability)

Stock code: 8420

FIRST QUARTERLY REPORT 2023



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 2023, together with the comparative unaudited figures of the corresponding period in 2022, as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the three months ended 31 March 2023

		(Unaudited) For the three months ended 31 March	
	Notes	2023 US\$'000	2022 US\$'000
Revenue	4	446	758
Other income		9	56
Cost of inventories sold		(138)	(143)
Staff costs and related expenses		(201)	(293)
Subcontracting fee		(42)	–
Sales and marketing expenses		(7)	(11)
Depreciation and amortisation		(167)	(214)
General and administrative expenses		(104)	(342)
Finance costs	5	(1)	(1)
Loss before income tax	6	(205)	(190)
Income tax expenses	7	–	–
Loss for the period		(205)	(190)
Other comprehensive income			
<i>Item that may be reclassified subsequently to profit or loss</i>			
Exchange difference arising on translation of foreign operations		25	18
Other comprehensive income for the period		25	18
Total comprehensive loss for the period		(180)	(172)

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

For the three months ended 31 March 2023

		(Unaudited)	
		For the three months	
		ended 31 March	
		2023	2022
	Notes	US\$'000	US\$'000
(Loss) Profit for the period attributable to:			
Equity holders of the Company		(218)	(203)
Non-controlling interests		13	13
		(205)	(190)
Total comprehensive (loss) income attributable to:			
Equity holders of the Company		(195)	(185)
Non-controlling interests		15	13
		(180)	(172)
Loss per share for loss attributable to equity holders of the Company, basic and diluted (US cents)			
	8	(0.03)	(0.03)

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the three months ended 31 March 2023

	Attributable to equity holders of the Company						Total US\$'000	Non- controlling interests US\$'000	Total US\$'000
	Share capital US\$'000	Share premium US\$'000	Capital reserve US\$'000	Exchange reserve US\$'000	Share-based payments reserve US\$'000	Accumulated losses 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	-	-	-	-	-	(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	-	-	-	-	(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
At 1 January 2023 (Audited)	948	10,356	650	(104)	-	(6,423)	5,427	20	5,447
(Loss) Profit for the period	-	-	-	-	-	(218)	(218)	13	(205)
Other comprehensive income: <i>Item that may be reclassified subsequently to profit or loss</i>									
Exchange difference arising on translation of foreign operations	-	-	-	23	-	-	23	2	25
Total comprehensive income (loss) for the period	-	-	-	23	-	(218)	(195)	15	(180)
At 31 March 2023 (Unaudited)	948	10,356	650	(81)	-	(6,641)	5,232	35	5,267

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the three months ended 31 March 2023

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 2023 (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 2022, 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 2022 (the "2022 Consolidated Financial Statements").

The First Quarterly Consolidated Financial Statements have been prepared on the historical costs basis.

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 2022 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 auditor's 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 2023 and 2022 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 2023 (Unaudited)				
Revenue from external customers and reportable segment revenue	84	245	117	446
Reportable segment results (Adjusted EBITDA)	15	57	20	92
Other information: Depreciation and amortisation	75	83	9	167
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

3. SEGMENT INFORMATION (Continued)

Reconciliation of reportable segment results

	(Unaudited)	
	For the three months ended 31 March	
	2023	2022
	<i>US\$'000</i>	<i>US\$'000</i>
Reportable segment results (Adjusted EBITDA)	92	139
Interest income	3	6
Depreciation and amortisation	(167)	(214)
Unallocated expenses	(133)	(121)
	<hr/>	
Loss before income tax	(205)	(190)
Income tax expenses	-	-
	<hr/>	
Loss for the period	(205)	(190)

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	
	2023	2022
	<i>US\$'000</i>	<i>US\$'000</i>
Malaysia	125	73
Myanmar	56	131
Philippines	23	28
PRC	118	162
Singapore	124	364
	<hr/>	
	446	758

4. REVENUE

(Unaudited)
**For the three months
 ended 31 March**
2023 2022
US\$'000 **US\$'000**

Revenue from contracts with customers within IFRS 15

- at a point in time		
Cyber infrastructure solutions	57	150
Cyber security solutions	245	431
SaaS	117	162
- over time		
Maintenance and support service income	27	15
	446	758

5. FINANCE COSTS

(Unaudited)
**For the three months
 ended 31 March**
2023 2022
US\$'000 **US\$'000**

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

This is stated after charging (crediting):

	(Unaudited)	
	For the three months	
	ended 31 March	
	2023	2022
	US\$'000	US\$'000
Amortisation of intangible assets	142	142
Depreciation of property, plant and equipment	25	72
Exchange (gain) loss, net	(2)	8

7. INCOME TAX EXPENSES

	(Unaudited)	
	For the three months	
	ended 31 March	
	2023	2022
	US\$'000	US\$'000
Current tax		
PRC enterprise income tax	-	-
Malaysia corporate income tax ("Malaysia CIT")	-	-
Singapore corporate income tax ("Singapore CIT")	-	-
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 2023 and 2022.

Hong Kong profits tax is calculated at 16.5% (*Three months ended 31 March 2022: 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 2022: 25%*) of the estimated assessable profits for the three months ended 31 March 2023 based on the existing legislation, interpretations and practices in respect thereof.

7. INCOME TAX EXPENSES (Continued)

Malaysia CIT is calculated at 24% of the estimated assessable profits for the three months ended 31 March 2023. 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 2023 and 2022.

Singapore CIT is calculated at 17% of the estimated assessable profits with Singapore CIT rebate of 25%, capped at Singapore Dollars ("SG\$") 15,000 during the three months ended 31 March 2023 and 2022. 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 2023 and 2022.

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	
	2023	2022
	US\$'000	US\$'000
Loss for the period attributable to owners of the Company, used in basic and diluted loss per share calculation	(218)	(203)
	Number of shares ('000)	
Weighted average number of ordinary shares for basic and diluted loss per share calculation	739,800	720,000
	US cents	US cents
Basis and diluted loss per share	(0.03)	(0.03)

8. LOSS PER SHARE (Continued)

Diluted loss per share was the same as the basic loss per share for the three months ended 31 March 2023 as there were no dilutive potential ordinary shares.

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 First Quarterly 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.

9. DIVIDENDS

The Directors did not recommend a payment of dividend for the three months ended 31 March 2023 (*Three months ended 31 March 2022: 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 WerkDone Pte. Ltd. ("WerkDone", *previously known as Storm Front Pte. Ltd.*) 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 WerkDone 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 WerkDone 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\$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 "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\$656,000), the remaining balance shall be satisfied in cash.

In the event of WerkDone 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 WerkDone 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.

The Acquisition constituted a business combination and had been accounted for using the acquisition method under IFRS 3 (Revised) "Business Combination". For more details on the accounting recognition of the Acquisition, please refer to Note 25 to the 2022 Consolidated Financial Statements.

On 5 May 2021, the Acquisition was completed and WerkDone has become wholly-owned subsidiary of the Group since then. Details of the Acquisition are set out in the Company's announcements dated 7 April 2021, 20 April 2021, 5 May 2021 and 15 October 2021.

During the year ended 31 December 2022, upon the fulfilment of the Profit Guarantee 2021, the Company was required to satisfy the Payments of SG\$1,166,500 (equivalent to approximately US\$858,000). Accordingly, on 1 August 2022, a total of 19,800,000 Consideration Shares, being the Maximum Consideration Shares, were allotted and issued to the Vendors at HK\$0.1822 per Consideration Shares under the general mandate of the Company with a total amount of approximately US\$462,000, and the remaining balance of approximately US\$396,000 would be satisfied by way of cash. Details of the fulfilment of the Profit Guarantee 2021 are set out in the announcement of the Company dated 1 August 2022.

Having reviewed the unaudited financial statements of WerkDone for the Profit Guarantee 2022, the Company and the Vendors have reached consensus that the net profit of WerkDone is unlikely to fulfill the whole or at least 60% of the Profit Guarantee 2022. In view of this, on 10 May 2023, the Company and the Vendors reached a mutual agreement confirming that the Company is not liable to make the Payments for the Profit Guarantee 2022 and accordingly the Company and the Vendors confirm that the Company has fully discharged all its obligations relating to the Payments for the Acquisition under the Agreement. Details of the non-fulfilment of the Profit Guarantee 2022 are set out in the announcement of the Company dated 10 May 2023.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS OVERVIEW AND OUTLOOK

The Group is a well-established information and communication technology (“ICT”) solution provider headquartered in Singapore focusing on provision of cyber infrastructure solutions services and cyber security solutions services. Starting from 2019, the Group has established offices in the PRC focusing on providing SaaS.

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 services 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 systems to provide cyber security solutions services and SaaS respectively.

Upon the Acquisition, the Group has continuously strived to strengthen its businesses and explore markets into the enterprise digital transformation area and smart technology industry. The Acquisition complements and strengthens the Group’s existing cyber security solutions segment and enables the Group to expand into the enterprise digital transformation area, as well as to reinforce and further develop innovation and the collaboration in the smart technology industry.

Stepping into post COVID-19 pandemic era, businesses and institutions all over the world are embracing distributed and diverse information technology setups to ensure business resilience and explore new growth opportunities. The adoption of a wide range of digital tools and technologies has also increased the scope and nature of cyber threats, therefore more companies are willing to invest in the best practices to build a secure working environment.

According to the research from International Data Corporation (IDC), a wholly-owned subsidiary of International Data Group (IDG, Inc.), cyber security spending in Southeast Asia topped approximately US\$3.2 billion in 2021, with expectations that this will increase by approximately 14% to approximately US\$6.1 billion by 2026. In view of the huge market opportunities of cyber security in Southeast Asia as Southeast Asia has leaped forward to a cyber-ready future, and the unstable demand with less profit margin in the cyber infrastructure solutions business, the Group has reallocated internal resources and adjust business strategy to develop our cyber security solutions business as well as exploring markets into the enterprise digital transformation area and smart technology industry. The cyber security solutions business will therefore become the Group’s main business in the coming years.

CYBER INFRASTRUCTURE SOLUTIONS SEGMENT AND CYBER SECURITY SOLUTIONS SEGMENT

For the three months ended 31 March 2023, the reportable segment results (Adjusted EBITDA) in the cyber infrastructure solutions segment and the cyber security solutions segment were profit of approximately US\$15,000 (*Three months ended 31 March 2022: approximately US\$18,000*) and profit of approximately US\$57,000 (*Three months ended 31 March 2022: approximately US\$16,000*), respectively. The increase in results of the cyber security solutions segment was mainly attributable to the decrease in employee benefits expenses arisen in the profit guarantee from the Acquisition to nil (*Three months ended 31 March 2022: approximately US\$43,000*).

Despite WerkDone was unable to fulfill the performance-based conditions of the Profit Guarantee 2022, the Group is still optimistic on the business operation of WerkDone due to the security of projects with significant contract amount, the continuously increment in global cyber security size as well as strategic investment by the Group.

Currently, except end-to-end access management solutions like visitor management system, automated intelligent gantries, and business process automation, WerkDone 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, which are under the cyber security solutions segment, will be expanded upon the development of senior care management.

SAAS SEGMENT

For the three months ended 31 March 2023, the reportable segment result (Adjusted EBITDA) in SaaS segment was profit of approximately US\$20,000 (*Three months ended 31 March 2022: approximately US\$105,000*). Decrease in loss was mainly attributable to decrease in secured projects 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 three months ended 31 March 2023, the Group recorded total revenue of approximately US\$446,000 (*Three months ended 31 March 2022: approximately US\$758,000*), which were generated from the cyber infrastructure solutions business of approximately US\$84,000 (*Three months ended 31 March 2022: approximately US\$165,000*), the cyber security solutions business of approximately US\$245,000 (*Three months ended 31 March 2022: approximately US\$431,000*) and the SaaS business of approximately US\$117,000 (*Three months ended 31 March 2022: approximately US\$162,000*).

The decrease in revenue from the cyber infrastructure solutions business was mainly due to the decrease in scale of new projects completed during the three months ended 31 March 2023; the decrease in revenue from the cyber security solutions business was mainly due to the delay of completion of projects; and the decrease in revenue from the SaaS business was mainly due to overall decrease in sales activities.

COST OF INVENTORIES SOLD

The Group's cost of inventories sold decreased from approximately US\$143,000 for the three months ended 31 March 2022 to approximately US\$138,000 for the three months ended 31 March 2023. The decrease was mainly due to the decrease in number of purchase of hardware components.

STAFF COSTS AND RELATED EXPENSES

For the three months ended 31 March 2023, the Group recorded staff costs and related expenses of approximately US\$201,000 (*Three months ended 31 March 2022: approximately US\$293,000*). The decrease was mainly due to the decrease in employee benefits expenses arisen in profit guarantee from the Acquisition to nil (*Three months ended 31 March 2022: approximately US\$43,000*).

SUBCONTRACTING FEE

For the three months ended 31 March 2023, subcontracting fee of approximately US\$42,000 was recorded by the Group (*Three months ended 31 March 2022: Nil*) for individual service providers to provide subcontracting services in the SaaS business.

SALES AND MARKETING EXPENSES

For the three months ended 31 March 2023, the Group recorded sales and marketing expenses of approximately US\$7,000 (*Three months ended 31 March 2022: approximately US\$11,000*). There was no material fluctuation between two periods.

GENERAL AND ADMINISTRATIVE EXPENSES

The amount of general and administrative expenses decreased from approximately US\$342,000 for the three months ended 31 March 2022 to approximately US\$104,000 for the three months ended 31 March 2023. The decrease was mainly due to cost control of the Group.

LOSS FOR THE PERIOD

The Group recorded an increase in loss for the period from approximately US\$190,000 for the three months ended 31 March 2022 to approximately US\$205,000 for the three months ended 31 March 2023. The increase in loss was mainly due to the aggregate effect of (i) the increase reportable segment results (Adjusted EBITDA) in the cyber security solutions segment; (ii) the decrease reportable segment results (Adjusted EBITDA) in the cyber infrastructure solutions segment and SaaS segment; and (iii) decrease in depreciation and amortisation recognised during the three months ended 31 March 2023.

SHARE CAPITAL

As at 31 March 2023 and 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. As at 31 March 2023, the issued share capital of the Company was HK\$7,398,000 (*equivalent to approximately US\$948,000*) divided into 739,800,000 ordinary shares of HK\$0.01 each (the "Share(s)") (*At 31 March 2022: HK\$7,200,000 (equivalent to approximately US\$923,000) divided into 720,000,000 shares of HK\$0.01 each*).

TREASURY POLICY

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

FOREIGN EXCHANGE EXPOSURE

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

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 2023 and 2022.

SIGNIFICANT INVESTMENT, MATERIAL ACQUISITIONS AND DISPOSALS

The Group has no significant investment, material acquisitions and disposal for the three months ended 31 March 2023 and 2022.

CHARGE ON THE GROUP'S ASSETS

There was no charge on the Group's assets as at 31 March 2023 and 2022.

EMPLOYEES INFORMATION

As at 31 March 2023, the Group had a total number of 23 employees (*At 31 March 2022: 33 employees*) (including executive Directors). During the three months ended 31 March 2023, the total staff costs amount to approximately US\$201,000 (*Three months ended 31 March 2022: approximately US\$293,000*), representing a decrease of approximately US\$92,000 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.

EVENT AFTER THE PERIOD

Save as disclosed in Note 10 to the First Quarterly Consolidated Financial Statements in respect of the non-fulfilment of the Profit Guarantee 2022, there was no significant event of the Group after the reporting period and up to the date of this report.

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

As at 31 March 2023, 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 31 March 2023, 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 Moo Teng ("Mr. Foo") (Note 3)	Interest in a controlled corporation	154,838,000 (L) 154,838,000 (S)	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 31 March 2023, 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 2023, 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 Gim Hai (“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 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 2023.

INTERESTS IN COMPETING BUSINESS

During the three months ended 31 March 2023 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 2023.

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 2023.

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 2023, no share option had been granted, cancelled, exercised or lapsed pursuant to the Scheme. There was no share option outstanding as at 31 March 2023.

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 2023, 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 First Quarterly Consolidated Financial Statements 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, 11 May 2023

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.

This report will remain on website of the Stock Exchange at <http://www.hkexnews.hk> on the "Latest Listed Company information" page for at least 7 days from the date of its publication. This report will also be published on the Company's website at <http://nexion.com.hk>.