

NOVACON TECHNOLOGY GROUP LIMITED 連成科技集團有限公司

(incorporated in the Cayman Islands with limited liability)

STOCK CODE: 8635



2022

FIRST QUARTERLY REPORT

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

GEM has been positioned as a market designed to accommodate 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 of the Stock Exchange and no assurance is given that there will be a liquid market in the securities traded on GEM.

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This report, for which the Directors 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.

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Corporate Information

BOARD OF DIRECTORS

Executive Directors

Mr. Chung Chau Kan (*Chief Executive Officer*)
Mr. Wong Wing Hoi

Non-executive Director

Mr. Wei Ming (*Chairman*)

Independent Non-executive Directors

Mr. Moo Kai Pong
Mr. Lo Chi Wang
Mr. Wu Kin San Alfred

COMPANY SECRETARY

Ms. Chu Mei Po (*CPA*)

COMPLIANCE OFFICER

Mr. Chung Chau Kan

AUTHORISED REPRESENTATIVES

Mr. Chung Chau Kan
Ms. Chu Mei Po

AUDIT COMMITTEE

Mr. Lo Chi Wang (*Chairman*)
Mr. Moo Kai Pong
Mr. Wu Kin San Alfred

REMUNERATION COMMITTEE

Mr. Moo Kai Pong (*Chairman*)
Mr. Chung Chau Kan
Mr. Wu Kin San Alfred

NOMINATION COMMITTEE

Mr. Wei Ming (*Chairman*)
Mr. Moo Kai Pong
Mr. Wu Kin San Alfred

PRINCIPAL BANKERS

China Construction Bank (Asia) Corporation Limited
28/F, CCB Tower, 3 Connaught Road Central,
Central, Hong Kong

The Hongkong and Shanghai Banking
Corporation Limited
1 Queen's Road Central, Hong Kong

REGISTERED OFFICE

Cricket Square, Hutchins Drive, P.O. Box 2681,
Grand Cayman, KY1-1111, Cayman Islands

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Office E, 17th Floor, EGL Tower,
No. 83 Hung To Road, Kwun Tong,
Kowloon, Hong Kong

HONG KONG LEGAL ADVISERS

Raymond Siu & Lawyers
Units 1302-3 & 1802, Ruttonjee House,
Ruttonjee Centre, 11 Duddell Street,
Central, Hong Kong

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Conyers Trust Company (Cayman) Limited
Cricket Square, Hutchins Drive, P.O. Box 2681,
Grand Cayman, KY1-1111, Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR

Tricor Investor Services Limited
Level 54, Hopewell Centre,
183 Queen's Road East,
Hong Kong
(Changes to: 17/F, Far East Finance Centre,
16 Harcourt Road, Hong Kong with effect
from 15 August 2022)

STOCK CODE

8635

WEBSITE OF THE COMPANY

www.novacontechgroup.com

Unaudited First Quarterly Results

The Board is pleased to announce the unaudited condensed consolidated results of the Group for the three months ended 30 June 2022 together with the unaudited comparative figures for the corresponding period in 2021, as follows:

Unaudited Condensed Consolidated Statement of Comprehensive Income

For the three months ended 30 June 2022

	Note	Three months ended 30 June	
		2022 HK\$'000 (unaudited)	2021 HK\$'000 (unaudited)
Revenue	4	13,595	11,799
Other income	5	806	67
Expenses			
Cost of sales of computer hardware and software		–	(7)
License and subscription cost		(454)	(450)
Internet services cost		(816)	(759)
Employee benefit expenses		(4,906)	(4,095)
Depreciation of property and equipment		(486)	(632)
Depreciation of right-of-use asset		(43)	–
Amortisation of intangible assets		(1,377)	(1,248)
Other (loss)/gain	6	(1,151)	417
Other expenses		(1,777)	(1,464)
Finance costs		(2)	(15)
Profit before income tax		3,389	3,613
Income tax expense	7	(721)	(596)
Profit and total comprehensive income attributable to owners of the Company for the period		2,668	3,017
Earnings per share attributable to owners of the Company for the period			
– Basic (express in HK cents per share)	8	0.67	0.75
– Diluted (express in HK cents per share)	8	0.67	0.75

Unaudited Condensed Consolidated Statement of Changes in Equity

For the three months ended 30 June 2022

	Attributable to owners of the Company				
	Share capital HK\$'000 (Note 10)	Share premium HK\$'000	Other reserves HK\$'000	Retained earnings HK\$'000	Total equity HK\$'000
Balance at 1 April 2021 (audited)	4,000	34,992	9,668	65,277	113,937
Total comprehensive income					
Profit and other comprehensive income for the period	-	-	-	3,017	3,017
Transaction with owners in their capacity as owners					
Share-based payment expenses	-	-	150	-	150
Balance at 30 June 2021 (unaudited)	4,000	34,992	9,818	68,294	117,104
Balance at 1 April 2022 (audited)	4,000	34,992	10,111	75,698	124,801
Total comprehensive income					
Profit and other comprehensive income for the period	-	-	-	2,668	2,668
Exchange differences arising on translation of foreign operations	-	-	*	-	*
Transaction with owners in their capacity as owners					
Reversal of lapsed share option	-	-	(255)	255	-
Share-based payment expenses	-	-	2	-	2
Balance at 30 June 2022 (unaudited)	4,000	34,992	9,858	78,621	127,471

* Less than HK\$1,000

Notes to the Unaudited Condensed Consolidated Financial Statements

1. GENERAL INFORMATION

The Company was incorporated in the Cayman Islands on 7 February 2018 as an exempted company with limited liability under the Companies Law (Cap. 22, Law 3 of 1961 as consolidated and revised) of the Cayman Islands. The Shares were listed on GEM by way of placing and public offer on the Listing Date. The address of the Company's registered office is located at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands and its principal place of business is located at Office E, 17th Floor, EGL Tower, No. 83 Hung To Road, Kwun Tong, Kowloon, Hong Kong. The Company is an investment holding company. The Group is principally engaged in the development and provision of financial trading solutions and development and supply of resource allocation, planning, scheduling and management of software and services.

2. BASIS OF PREPARATION

The unaudited condensed consolidated financial statements for the three months ended 30 June 2022 have been prepared in accordance with HKFRSs and the applicable disclosure provisions of the GEM Listing Rules.

The unaudited condensed consolidated financial statements for the three months ended 30 June 2022 should be read in conjunction with the audited consolidated financial statements for the year ended 31 March 2022 and the notes thereto (the "2022 Audited Consolidated Financial Statements"). The significant accounting policies adopted in the preparation of the unaudited condensed consolidated financial statements are consistent with those followed in the preparation of the 2022 Audited Consolidated Financial Statements except for the new and revised standards, amendments and interpretations issued by the HKICPA that are adopted for the first time for the current period's financial statements. It should be noted that accounting estimates and assumptions were adopted in the preparation of the unaudited condensed consolidated financial statements. Although the estimates are based on the management's best knowledge of and judgement on the present events and actions, the actual results may eventually differ from those estimates.

The unaudited condensed consolidated financial statements has not been audited or reviewed by the Company's external auditors, but has been reviewed by the Audit Committee.

3. ADOPTION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

Certain new and revised HKFRSs have been issued. The Directors considered that the adoption of those new HKFRSs which are effective for the accounting periods beginning on 1 April 2022 will not have any material impact on the preparation and presentation of the results and financial conditions of the current period and previous periods. For the HKFRSs that are not yet effective nor have not been early adopted, the Group is in the process of making an assessment of the potential impact of the newly issued HKFRSs.

4. REVENUE AND SEGMENT INFORMATION

	Three months ended 30 June	
	2022 HK\$'000 (unaudited)	2021 HK\$'000 (unaudited)
Licensing and maintenance services	10,649	9,625
Initial set up and customisation services	2,946	2,165
Sales of computer hardware and software	-	9
	13,595	11,799

Notes to the Unaudited Condensed Consolidated Financial Statements

4. REVENUE AND SEGMENT INFORMATION (Continued)

(a) Disaggregation of revenue from contracts with customers

During the three months ended 30 June 2022, all sources of revenue were recognised over time (2021: all sources of revenue were recognised over time, except for revenue from sales of computer hardware and software which was recognised at a point in time).

(b) Segment information

The executive Directors have been identified as the chief operating decision-makers of the Group who review the Group's internal reporting in order to assess performance and allocate resources. For the three months ended 30 June 2022, the Directors considered that the Group's operations were operated and managed as a single segment and no separate segment information was presented for the financial periods (2021: same).

The Group domiciles and operates in Hong Kong. All revenue of the Group was generated in Hong Kong during the three months ended 30 June 2022 (2021: same).

(c) Information about major customers

Certain customers contributed more than 10% of the total sales of the Group during the period. The amount of sales of these customers are disclosed as follows:

	Three months ended 30 June	
	2022 HK\$'000 (unaudited)	2021 HK\$'000 (unaudited)
Customer A	1,974	1,955
Customer B	1,478	N/A
Customer C	N/A	1,370
Customer D	1,596	1,380

N/A: The revenue of the particular customer for the particular period was less than 10% of the Group's revenue for the particular period.

5. OTHER INCOME

	Three months ended 30 June	
	2022 HK\$'000 (unaudited)	2021 HK\$'000 (unaudited)
Dividend from fund investments	39	5
Government grant (Note)	672	30
Interest income on bank deposits	–	1
Interest income on time deposits	93	27
Other income	2	4
	806	67

Note: For the three months ended 30 June 2022, wages subsidies of approximately HK\$672,000 were granted from the Hong Kong SAR Government's Employment Support Scheme ("ESS") under Anti-Epidemic Fund for the use of paying wages of employees from May to June 2022 (2021: approximately HK\$30,000 from the FinTech Anti-Epidemic Scheme for Talent Development ("FAST") launched by Cyberport).

Notes to the Unaudited Condensed Consolidated Financial Statements

6. OTHER (LOSS)/GAIN

	Three months ended 30 June	
	2022 HK\$'000 (unaudited)	2021 HK\$'000 (unaudited)
Change in fair value of financial assets through profit or loss ("Change in FV of FA at FVTPL")	(1,158)	417
Gain on disposal of financial assets through profit or loss ("Gain on disposal of FA at FVTPL")	7	-
Other (loss)/gain	(1,151)	417

7. INCOME TAX EXPENSE

Under the two-tiered profits tax rates regime, the first HK\$2,000,000 of profits of qualifying group entity in Hong Kong will be taxed at 8.25%, and profits above HK\$2,000,000 will be taxed at 16.5%. Accordingly, the Hong Kong profits tax is calculated at 8.25% on the first HK\$2,000,000 of the estimated assessable profits for the Group's qualifying entity and at 16.5% on the estimated assessable profits above HK\$2,000,000 for the three months ended 30 June 2022 (2021: same). The profits of other group entities in Hong Kong not qualifying for the two-tiered profits tax rates regime will continue to be taxed at the flat rate of 16.5% (2021: same). The amount of tax charged to the unaudited condensed consolidated statement of comprehensive income represents:

	Three months ended 30 June	
	2022 HK\$'000 (unaudited)	2021 HK\$'000 (unaudited)
Hong Kong profits tax		
– Current period	698	581
Deferred income tax	23	15
Income tax expense	721	596

8. EARNINGS PER SHARE

(a) Basic

Basic earnings per share is calculated by dividing the profit attributable to owners of the Company by the weighted average number of ordinary Shares in issue during the period.

	Three months ended 30 June	
	2022 (unaudited)	2021 (unaudited)
Profit attributable to owners of the Company (HK\$'000)	2,668	3,017
Weighted average number of ordinary Shares in issue (thousands)	400,000	400,000
Basic earnings per share (HK cents)	0.67	0.75

Notes to the Unaudited Condensed Consolidated Financial Statements

8. EARNINGS PER SHARE (Continued)

(b) Diluted

In calculating the diluted earnings per share, the weighted average number of Shares is adjusted to assume conversion of all dilutive potential Shares from share options. For the three months ended 30 June 2022 and 2021, adjustment has been made to determine the number of Shares that could have been acquired at fair value (according to the average annual market price of the Shares) based on the monetary value of the subscription rights attached to the outstanding share options. The number of Shares calculated below is compared with the number of Shares that would have been issued assuming the exercise of the share options.

	Three months ended 30 June	
	2022 (unaudited)	2021 (unaudited)
Profit attributable to owners of the Company (HK\$'000)	2,668	3,017
Weighted average number of ordinary Shares in issue (thousands) (Note)	400,144	400,125
Diluted earnings per share (HK cents)	0.67	0.75

Note:

	Three months ended 30 June	
	2022 (unaudited)	2021 (unaudited)
Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share (thousands)	400,000	400,000
Adjustments for calculation of diluted earnings per share: Share options (thousands)	144	125
Weighted average number of ordinary shares used as the denominator in calculating diluted earnings per share (thousands)	400,144	400,125

9. DIVIDEND

The Directors do not recommend the payment of interim dividend for the three months ended 30 June 2022 (2021: nil).

10. SHARE CAPITAL

	Number of Shares '000	Nominal value HK\$'000
Authorised:		
Ordinary Shares of HK\$0.01 each		
At 1 April 2021 (audited), 30 June 2021 (unaudited), 1 April 2022 (audited) and 30 June 2022 (unaudited)	10,000,000	100,000
Issued and fully paid:		
Ordinary Shares of HK\$0.01 each		
At 1 April 2021 (audited), 30 June 2021 (unaudited), 1 April 2022 (audited) and 30 June 2022 (unaudited)	400,000	4,000

Management Discussion and Analysis

BUSINESS REVIEW

We are a Hong Kong-based financial trading solution provider principally engaged in the development and provision of financial trading solutions. We mainly provide comprehensive and integrated financial trading solutions that enable trading of OTC-traded financial instruments, stock exchange-traded financial instruments and fund management to brokerage firms and wealth management companies to satisfy their various business needs.

For the three months ended 30 June 2022, the Group recorded a revenue of approximately HK\$13.6 million, representing an increase of approximately 15% from approximately HK\$11.8 million recorded for the three months ended 30 June 2021. Profit attributable to owners of the Company for the three months ended 30 June 2022 amounted to approximately HK\$2.7 million, representing a decrease of approximately 12% as compared with the profit of approximately HK\$3.0 million for the three months ended 30 June 2021. The decrease is mainly due to decrease in Change in FV of FA at FVTPL by HK\$1.6 million and increase in some of the expenses by approximately HK\$1.5 million in total, including but not limited to increase in internet services cost of approximately HK\$0.1 million, employee benefit expenses of approximately HK\$0.8 million, amortisation of intangible assets of approximately HK\$0.1 million, other expenses of approximately HK\$0.3 million and income tax expense of approximately HK\$0.1 million. It was partially offset by increase in revenue and other income by approximately HK\$1.8 million and HK\$0.7 million respectively and decrease in depreciation of property and equipment of approximately HK\$0.1 million. If the Change in FV of FA at FVTPL was excluded, the profit attributable to owners of the Company would increase by 47% from approximately HK\$2.6 million for the three months ended 30 June 2021 to approximately HK\$3.8 million for the three months ended 30 June 2022.

OUTLOOK

In line with the Group's long-term objective to strengthen our position as a financial technology solution provider and to expand our market share, the Group intends to expend resources on enhancing and upgrading our existing financial trading solutions, exploring the development of new IT solutions and establishing our research and development ("R&D") centre.

Looking forward, the Group believes that providing good products and services to our customers is our key to success. The Group will continue focusing on R&D on innovative IT products and services and providing stable and reliable financial trading solutions. Our next focus will be a substantial enhancement of GES IX, a non-financial IT solutions project awarded in April 2021 and a tender under the standing offer agreement awarded in May 2022. We believe that we can build a strong reputation after we complete these projects successfully.

Management Discussion and Analysis

FINANCIAL REVIEW

Revenue

The Group derives its revenue primarily from the provision of financial trading solutions which can be classified into (i) licensing and maintenance services; (ii) initial set up and customisation services; and (iii) sales of computer hardware and software. For the three months ended 30 June 2022, the Group recorded revenue of approximately HK\$13.6 million, representing an increase of approximately 15% as compared with the previous period of approximately HK\$11.8 million. The following table sets forth the breakdown of our revenue by source of revenue:

	Three months ended 30 June			
	2022 HK\$'000 (unaudited)	%	2021 HK\$'000 (unaudited)	%
Licensing and maintenance services	10,649	78	9,625	82
Initial set up and customisation services	2,946	22	2,165	18
Sales of computer hardware and software	–	–	9	*
Total	13,595	100	11,799	100

* Less than 1%

The increase was mainly attributable to the increase in revenue from licensing and maintenance services and initial set up and customisation services. Revenue from licensing and maintenance services increased by approximately 11% from approximately HK\$9.6 million for the three months ended 30 June 2021 to approximately HK\$10.7 million for the three months ended 30 June 2022, contributed by services provided to new customers and additional services provided to existing customers amounting to approximately HK\$1.0 million. In addition, revenue from initial set up and customisation services increased by approximately 36% from approximately HK\$2.2 million for the three months ended 30 June 2021 to approximately HK\$2.9 million for the three months ended 30 June 2022. Both initial set up and customisation services and sales of computer hardware and software are generally provided on an on-demand basis, depending on our customers' business needs.

Other Income

The Group's other income were approximately HK\$806,000 and HK\$67,000 for the three months ended 30 June 2022 and 2021 respectively. The increase in other income by approximately HK\$739,000 was mainly due to increase in government grant amounted to approximately HK\$642,000, increase in interest income on time deposits amounted to approximately HK\$66,000 and increase in dividend from fund investments amounted to approximately HK\$34,000.

Cost of Sales of Computer Hardware and Software

During the three months ended 30 June 2022, no computer hardware and software was sold (2021: HK\$9,000).

Management Discussion and Analysis

License and Subscription Cost

For the three months ended 30 June 2022, the Group's license and subscription cost was approximately HK\$454,000, representing a slight increase of approximately 1% over the license and subscription cost of approximately HK\$450,000 for the three months ended 30 June 2021. Such slight increase was mainly because of the appreciation in US\$, and some of the license and subscription cost of which are paid in US\$.

Internet Services Cost

For the three months ended 30 June 2022, the Group's internet services cost was approximately HK\$816,000, representing an increase of approximately 8% over the internet services cost of approximately HK\$759,000 for the three months ended 30 June 2021. Such increase was primarily because the Group implemented the business plans as mentioned in the paragraph headed "Outlook" under this section, which increased the cost by approximately HK\$58,000.

Intangible Assets

For the three months ended 30 June 2022 and 2021, our R&D expenses (which were mostly included in employee benefit expenses) amounted to approximately HK\$3.9 million and HK\$3.4 million, respectively. Out of the total R&D costs, approximately HK\$1.4 million and HK\$1.3 million for the three months ended 30 June 2022 and 2021, respectively, was capitalised as intangible assets.

Employee Benefit Expenses

For the three months ended 30 June 2022, the Group's employee benefit expenses were approximately HK\$4.9 million, representing an increase of approximately 20% over the employee benefit expenses of approximately HK\$4.1 million for the three months ended 30 June 2021. The increase is primarily due to increase in staff costs by approximately HK\$1.1 million in total for our business needs and implementation of our business plan as mentioned in the paragraph headed "Outlook" under this section. It was partially offset by decrease in share-based payment expenses by approximately HK\$0.1 million and decrease in staff cost capitalised as intangible assets by approximately HK\$0.2 million.

Depreciation of Property and Equipment

The Group's depreciation of property and equipment was approximately HK\$0.5 million for the three months ended 30 June 2022, representing a decrease of approximately 23% from approximately HK\$0.6 million for the three months ended 30 June 2021. The decrease was primarily due to certain items of property and equipment being fully depreciated during the year ended 31 March 2022 and thus no depreciation was recognised for those assets during the three months ended 30 June 2022.

Depreciation of Right-of-use Asset

The Group entered into a lease agreement in May 2022 and recognised a right-of-use asset of approximately HK\$868,000 for such lease agreement, which was not subject to announcement nor shareholders' requirements under Chapter 19 of the GEM Listing Rules. During the three months ended 30 June 2022, the Group recognised depreciation of right-of-use asset of approximately HK\$43,000 (2021: nil).

Amortisation of Intangible Assets

The Group's amortisation of intangible assets was approximately HK\$1.4 million for the three months ended 30 June 2022, representing an increase of approximately 10% from approximately HK\$1.2 million for the three months ended 30 June 2021. The increase was primarily due to additions of computer software systems mainly contributed from staff costs capitalised in the year ended 31 March 2022.

Management Discussion and Analysis

Other (Loss)/Gain

The Group's other (loss)/gain mainly include Change in FV of FA at FVTPL and Gain on disposal of FA at FVTPL. For the three months ended 30 June 2022, the Group acquired certain financial assets at an aggregate consideration (exclusive of transaction costs) of approximately HK\$6.3 million (2021: nil), disposed certain financial assets at an aggregate sales proceeds (exclusive of transaction costs) of approximately HK\$2.3 million (2021: nil) and recorded loss on Change in FV of FA at FVTPL of approximately HK\$1.2 million (2021: gain on Change in FV of FA at FVTPL of approximately HK\$0.4 million) and Gain on disposal of FA at FVTPL of approximately HK\$7,000 (2021: nil) under other (loss)/gain and exchange loss of approximately HK\$18,000 (2021: exchange gain of approximately HK\$16,000) under other expenses.

Other Expenses

The Group's other expenses mainly include (i) legal and professional fees, (ii) auditors' remuneration, (iii) telephone and utilities, (iv) insurance expenses and (v) consultancy fees. The Group's other expenses for the three months ended 30 June 2022 were approximately HK\$1.8 million, representing an increase of approximately 21% over the other expenses of approximately HK\$1.5 million for the three months ended 30 June 2021. The increase was primarily attributable to the increase in legal and professional fee and computer expenses of approximately HK\$0.1 million and HK\$0.1 million respectively.

Finance Costs

For the three months ended 30 June 2022, the Group's finance costs were approximately HK\$2,000, representing a decrease of approximately 87% over the finance costs of approximately HK\$15,000 for the three months ended 30 June 2021. The decrease is mainly due to there was no finance cost for the bank borrowing (2021: approximately HK\$44,000) as the Group has already fully repaid the bank borrowing in November 2021 as disclosed in our 2022 annual report and no borrowing costs being capitalised as development cost of intangible assets (2021: approximately HK\$29,000) during the three months ended 30 June 2022. It is partially offset by the finance cost of approximately HK\$2,000 (2021: nil) for lease liability of approximately HK\$868,000 recognised under the lease agreement in May 2022.

Profit Before Income Tax

Profit before income tax for the three months ended 30 June 2022 amounted to approximately HK\$3.4 million, representing a decrease of approximately 6% as compared with the profit before income tax of approximately HK\$3.6 million for the three months ended 30 June 2021. The decrease is mainly due to decrease in Change in FV of FA at FVTPL by approximately HK\$1.6 million and increase in some of the expenses by approximately HK\$1.4 million in total, included but not limited to increase in internet services cost of approximately HK\$0.1 million, employee benefit expenses of approximately HK\$0.8 million, amortisation of intangible assets of approximately HK\$0.1 million and other expenses of approximately HK\$0.3 million. It was partially offset by increase in revenue and other income by approximately HK\$1.8 million and HK\$0.7 million respectively and decrease in depreciation of property and equipment of approximately HK\$0.1 million. If the Change in FV of FA at FVTPL was excluded, the profit before income tax would increase by approximately 42% from approximately HK\$3.2 million for the three months ended 30 June 2021 to approximately HK\$4.5 million for the three months ended 30 June 2022.

Management Discussion and Analysis

Income Tax Expense

The Group's income tax expense for the three months ended 30 June 2022 was approximately HK\$721,000, representing an increase of approximately 21% from approximately HK\$596,000 for the three months ended 30 June 2021. Such increase was mainly due to increase in profit before income tax (excluding Change in FV of FA at FVTPL and government grant) by approximately 22%. The effective income tax rates of the Group, which equal to the income tax expense divided by profit before tax, were approximately 21.3% and 16.5% for the three months ended 30 June 2022 and 2021, respectively. If the non-deductible corporate expenses after the Listing, Change in FV of FA at FVTPL and non-taxable income were excluded, the effective income tax would be 16.9% and 15.3% for the three months ended 30 June 2022 and 2021, respectively.

Profit for the Period Attributable to Owners of the Company

Profit attributable to owners of the Company for the three months ended 30 June 2022 amounted to approximately HK\$2.7 million, representing a decrease of approximately 12% as compared with the profit of approximately HK\$3.0 million for the three months ended 30 June 2021. Such decrease was due to the above-mentioned reasons and increase in income tax expense by approximately HK\$125,000. If the Change in FV of FA at FVTPL was excluded, the profit attributable to owners of the Company would increase by approximately 47% from approximately HK\$2.6 million for the three months ended 30 June 2021 to approximately HK\$3.8 million for the three months ended 30 June 2022.

PURCHASE, SALE OR REDEMPTION OF THE SECURITIES BY THE COMPANY AND ITS SUBSIDIARIES

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any securities, convertible securities, options, warrants or similar rights of the Company during the three months ended 30 June 2022 and up to the date of this report.

CORPORATE GOVERNANCE PRACTICES

The Company is committed to achieving high standards of corporate governance. The Directors believe that sound and reasonable corporate governance practices are essential in providing a framework for the Company to safeguard the interests of Shareholders, enhance corporate value, formulate its business strategies and policies, and enhance its transparency and accountability.

The Company has adopted the principles of good corporate governance and code provisions in Part 2 of the CG Code contained in Appendix 15 of the GEM Listing Rules as the basis of the Company's corporate governance practices.

The Board is of the view that during the three months ended 30 June 2022 and up to the date of this report (the "**Relevant Period**"), the Company has complied with all applicable code provisions as set out in the CG Code.

SHARE OPTIONS

The Company has adopted the Share Option Scheme on 29 March 2019. The purpose of the Share Option Scheme is to enable the Group to grant options to the eligible participants as incentives or rewards for their contribution to the Group and/or to enable the Group to recruit and retain high-calibre employees and attract human resources that are valuable to the Group or any entity in which any member of the Group holds any equity interest.

Management Discussion and Analysis

(i) 2019 Share Option Scheme

On 15 August 2019, the Company has granted a total number of 36,400,000 share options (“**2019 Share Option**”) to certain eligible participants (“**Grantee(s)**”) under the Share Option Scheme which will entitle the Grantees to subscribe for a total number of 36,400,000 Shares. The details of 2019 Share Option are summarised as follows:

	% of the total share options	2019 Share Option	
		Vesting period	Exercise period
Tranche 1	50%	15 August 2019 to 14 August 2020	15 August 2020 to 14 August 2029
Tranche 2	50%	15 August 2019 to 14 August 2021	15 August 2021 to 14 August 2029

Among the 36,400,000 share options granted above, 4,800,000 share options were granted to two Grantees who are a Director and an associate of a Director and Substantial Shareholder of the Company (“**Connected Grantee(s)**”).

The movements of the share options outstanding under the 2019 Share Option during the three months ended 30 June 2022 are as follows:

Name and position/capacity of participant	Date of grant	Exercise price (HK\$)	Number of Shares represented by share options outstanding as at 1 April 2022 (Audited)	Number of share options granted during the period	Number of share options exercised during the period	Number of share options forfeited during the period	Number of Shares represented by share options
							outstanding as at 30 June 2022 (Unaudited)
Connected Grantees							
Mr. Wong Wing Hoi (“ Mr. Wong ”) (Executive Director)	15 August 2019	0.178	4,000,000	-	-	-	4,000,000
Mr. Wei Chun Pong Benjamin (Associate of a Non-executive Director and Substantial Shareholder)	15 August 2019	0.178	800,000	-	-	-	800,000
Employees	15 August 2019	0.178	23,600,000	-	-	(3,200,000)	20,400,000
Consultant	15 August 2019	0.178	4,000,000	-	-	-	4,000,000
Total number of share options			32,400,000	-	-	(3,200,000)	29,200,000

Management Discussion and Analysis

The 2019 Share Option was measured at fair value at grant date using Black-Scholes model with following key assumptions:

	2019 Share Option	
	Tranche 1	Tranche 2
Fair value at grant date (per share)	HK\$0.078	HK\$0.082
Share price at grant date (per share)	HK\$0.162	HK\$0.162
Exercise price (per share)	HK\$0.178	HK\$0.178
Expected life (years)	5.5	6.0
Expected volatility	55.89%	56.23%
Expected dividend yield	0.00%	0.00%
Risk-free interest rate	1.15%	1.15%

For the three months ended 30 June 2022, no share-based payment expenses (2021: approximately HK\$137,000) was charged to the unaudited condensed consolidated statement of comprehensive income.

29,200,000 share options (2021: 16,200,000 share options) were exercisable as at 30 June 2022.

(ii) 2020 Share Option Scheme

On 3 November 2020, the Company has granted a total number of 1,600,000 share options ("2020 Share Option") to the Grantees under the Share Option Scheme which will entitle the Grantees to subscribe for a total number of 1,600,000 Shares. The details of 2020 Share Option are summarised as follows:

	% of the total share options	2020 Share Option	
		Vesting period	Exercise period
Tranche 1	50%	3 November 2020 to 2 November 2021	3 November 2021 to 2 November 2030
Tranche 2	50%	3 November 2020 to 2 November 2022	3 November 2022 to 2 November 2030

Among the 1,600,000 share options granted above, 800,000 share options were granted to one Connected Grantee who is a Director.

Management Discussion and Analysis

The movements of the share options outstanding under the 2020 Share Option during the three months ended 30 June 2022 are as follows:

Name and position/capacity of participant	Date of grant	Exercise price (HK\$)	Number of Shares represented by share options outstanding as at 1 April 2022 (Audited)	Number of share options granted during the period	Number of share options exercised during the period	Number of share options forfeited during the period	Number of Shares represented by share options outstanding as at 30 June 2022 (Unaudited)
Connected Grantees							
Mr. Wong (Executive Director)	3 November 2020	0.095	800,000	-	-	-	800,000
Total number of share options			800,000	-	-	-	800,000

The 2020 Share Option was measured at fair value at grant date using Black-Scholes model with following key assumptions:

	2020 Share Option	
	Tranche 1	Tranche 2
Fair value at grant date (per share)	HK\$0.046	HK\$0.046
Share price at grant date (per share)	HK\$0.095	HK\$0.095
Exercise price (per share)	HK\$0.095	HK\$0.095
Expected life (years)	5.5	6.0
Expected volatility	55.27%	54.01%
Expected dividend yield	0.20%	0.20%
Risk-free interest rate	0.29%	0.29%

For the three months ended 30 June 2022, the Group recognised share-based payment expenses amounting to approximately HK\$2,000 (2021: approximately HK\$13,000), which has been charged to the unaudited condensed consolidated statement of comprehensive income.

400,000 share options (2021: Nil) were exercisable as at 30 June 2022.

Management Discussion and Analysis

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 30 June 2022, the interests or short positions of the Directors and the Chief Executive of the Company in the Shares, underlying Shares and debentures of the Company and any of its associated corporations (within the meaning of Part XV of SFO) which are 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 in which they are 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) have to be notified to the Company and the Stock Exchange pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules, were as follows:

Name of Director	Company/name of associated corporation	Capacity and nature of interest	Number of shares of the Company/ associated corporation held <i>(Note 4)</i>	Approximate percentage of the issued shares of the Company/ associated corporation
Mr. Wei Ming ("Mr. Wei") <i>(Chairman and Non-executive Director)</i>	Company	Interest in controlled corporation <i>(Note 1)</i>	210,000,000 (L)	52.5%
Mr. Chung Chau Kan ("Mr. Chung") <i>(Chief Executive Officer and Executive Director)</i>	Company	Interest in controlled corporation <i>(Note 2)</i>	90,000,000 (L)	22.5%
Mr. Wong	Company	Beneficial owner	4,800,000 (L) <i>(Note 3)</i>	1.2%
Mr. Wei	Essential Strategy	Beneficial owner	1,000 (L)	100% <i>(Note 1)</i>

Notes:

- (1) The 210,000,000 Shares were held by Essential Strategy which is wholly owned by Mr. Wei. As such, Mr. Wei was deemed to be interested in all the Shares held by Essential Strategy pursuant to Part XV of the SFO.
- (2) The 90,000,000 Shares were held by Expert Wisdom which is wholly owned by Mr. Chung. As such, Mr. Chung was deemed to be interested in all the Shares held by Expert Wisdom pursuant to Part XV of the SFO.
- (3) These Shares represent the 2019 Share Option and 2020 Share Option granted by the Company on 15 August 2019 and 3 November 2020, respectively, under the Share Option Scheme. For details, please refer to the paragraph headed "Share Options" under this section.
- (4) The letter "L" denotes "long position" in such Shares or underlying Shares.

Management Discussion and Analysis

Saved as disclosed above, as at 30 June 2022, none of the Directors or Chief Executive of the Company had registered an interest or short position in any Shares or underlying Shares and/or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which would have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions in which they are taken or deemed to have under such provisions of the SFO) or that was required to be recorded in the register kept by the Company pursuant to section 352 of the SFO, or which are required to be notified to the Company and the Stock Exchange pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules.

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at 30 June 2022, the following persons (other than the Directors or Chief Executive of the Company) had interests and short positions in the Shares or underlying Shares of the Company which were required to be notified to the Company pursuant to Divisions 2 and 3 of Part XV of the SFO or as recorded in the register of interests required to be kept by the Company pursuant to section 336 of the SFO:

Name	Capacity and nature of interest	Number of Shares held (Note 5)	Approximate percentage of the issued Shares
Essential Strategy	Beneficial owner (Note 1)	210,000,000 (L)	52.5%
Ms. Wong Siu King ("Ms. Wong")	Interest of spouse (Note 2)	210,000,000 (L)	52.5%
Expert Wisdom	Beneficial owner (Note 3)	90,000,000 (L)	22.5%
Ms. Yip Kim Kam ("Ms. Yip")	Interest of spouse (Note 4)	90,000,000 (L)	22.5%

Notes:

- (1) Mr. Wei held 210,000,000 Shares through a company wholly-owned by him, Essential Strategy.
- (2) Ms. Wong is the spouse of Mr. Wei. Under the SFO, Ms. Wong is deemed to be interested in the same number of Shares in which Mr. Wei is interested.
- (3) Mr. Chung held 90,000,000 Shares through a company wholly-owned by him, Expert Wisdom.
- (4) Ms. Yip is the spouse of Mr. Chung. Under the SFO, Ms. Yip is deemed to be interested in the same number of Shares in which Mr. Chung is interested.
- (5) The letter "L" denotes "long position" in such Shares or underlying Shares.

Saved as disclosed above, as at 30 June 2022, the Company has not been notified by any persons (other than the Directors or Chief Executive of the Company) who has interests or short positions in the Shares or underlying Shares of the Company which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were required, pursuant to section 336 of the SFO, to be recorded in the register referred to therein.

Management Discussion and Analysis

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted a code of conduct regarding securities transactions by Directors on terms no less exacting than the required standard of dealings set out in Rules 5.48 to 5.67 of the GEM Listing Rules (the "**Securities Transactions Code**").

Specific enquiry has been made with all the Directors and each of the Directors has confirmed that he has complied with the Securities Transactions Code throughout the Relevant Period.

During the Relevant Period, the Company is not aware of any incident of non-compliance of the Securities Transactions Code by the Directors.

DIRECTORS' AND CHIEF EXECUTIVE'S RIGHTS TO ACQUIRE SHARES AND DEBENTURES

Saved as disclosed in the paragraphs headed "Directors' and Chief Executive's Interests and Short Positions in Shares, Underlying Shares and Debentures" and "Share Options" above, at no time during the Relevant Period were there any rights to acquire benefits by means of the acquisition of Shares in or debentures of the Company granted to any Directors or Chief Executive of the Company or their respective associates or were there any such rights exercised by them; or was the Company, its holding company, or any of its subsidiaries or fellow subsidiaries a party to any arrangements to enable the Directors or Chief Executive of the Company or their respective associates to acquire such rights in any other body corporate.

COMPETING INTEREST

During the Relevant Period, none of the Directors or the Controlling Shareholders or their respective close associates are interested in any business which competes or may compete, either directly or indirectly, with the business of the Group nor did they have any conflicts of interest with the Group.

Management Discussion and Analysis

REVIEW OF FINANCIAL STATEMENTS

The Company established the Audit Committee on 29 March 2019 in compliance with Rule 5.28 of the GEM Listing Rules. Written terms of reference in compliance with Rule 5.29 of the GEM Listing Rules and code provision D.3.3 of the CG Code have been adopted. The primary duties of the Audit Committee are to make recommendations to the Board on appointment, reappointment and removal of the external auditor, review and supervise the financial reporting process and the financial controls, internal control and risk management systems of the Company.

The Audit Committee consists of three Independent Non-executive Directors, being Mr. Lo Chi Wang, Mr. Moo Kai Pong and Mr. Wu Kin San Alfred. Mr. Lo Chi Wang is the Chairman of the Audit Committee.

The Group's unaudited condensed consolidated financial statements for the three months ended 30 June 2022, the accounting policies and practices adopted by the Group, and this report have been reviewed by the Audit Committee.

By Order of the Board

Wei Ming

Chairman and Non-executive Director

Hong Kong, 5 August 2022

Definitions

In this report, unless the context otherwise requires, the following expressions have the following meanings:

“associate(s)”	has the meaning ascribed to it under the GEM Listing Rules
“Audit Committee”	the audit committee of the Board
“Board”	the board of Directors of the Company
“CG Code”	Corporate Governance Code and Corporate Governance Report set out in Appendix 15 of the GEM Listing Rules
“Chairman”	the chairman of the Board, as appointed and designated from time to time
“close associate(s)”	has the meaning ascribed to it under the GEM Listing Rules
“Company”	Novacon Technology Group Limited (連成科技集團有限公司), a company incorporated as an exempted company with limited liability in the Cayman Islands on 7 February 2018
“Controlling Shareholder(s)”	has the meaning ascribed to it under the GEM Listing Rules
“Director(s)”	the director(s) of the Company, as appointed from time to time
“Essential Strategy”	ESSENTIAL STRATEGY INVESTMENTS LIMITED, a company incorporated in the British Virgin Islands with limited liability on 4 January 2016, which is wholly-owned by Mr. Wei Ming and is one of the Controlling Shareholders
“Expert Wisdom”	EXPERT WISDOM HOLDINGS LIMITED, a company incorporated in the British Virgin Islands with limited liability on 21 December 2017, which is wholly-owned by Mr. Chung Chau Kan
“GEM”	the GEM operated by the Stock Exchange
“GEM Listing Rules”	Rules Governing the Listing of Securities on GEM of the Stock Exchange, as amended, supplemented or otherwise modified from time to time
“Group”	the Company and its subsidiaries, or any of them or, where the context so requires, in respect of the period before the Company became the holding company of its present subsidiaries, such subsidiaries as if they were subsidiaries of the Company at that time

Definitions

"HK\$"	Hong Kong dollars, the lawful currency of Hong Kong
"HKFRS(s)"	Hong Kong Financial Reporting Standards issued by the HKICPA
"HKICPA"	Hong Kong Institute of Certified Public Accountants
"Hong Kong" or "HK"	the Hong Kong Special Administrative Region of the People's Republic of China
"Listing"	the listing of the Shares on GEM of the Stock Exchange on 2 May 2019
"Listing Date"	2 May 2019, the date on which the Shares were initially listed on GEM of the Stock Exchange
"OTC-traded financial instruments"	over-the-counter-traded financial instruments, which are contracts that are traded (and privately negotiated) directly between two parties, without going through an exchange or other intermediary
"SFO"	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) as amended, supplemented or otherwise modified from time to time
"Share(s)"	ordinary share(s) of nominal value of HK\$0.01 each in the share capital of the Company
"Share Option Scheme"	the share option scheme of the Company adopted by the Shareholders on 29 March 2019
"Shareholder(s)"	holder(s) of the Shares
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Substantial Shareholder(s)"	has the meaning ascribed to it under the GEM Listing Rules
"US\$"	the United States dollars, the lawful currency of the United States of America
"%"	per cent