

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

2021

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.

Contents

Corporate Information	2
Unaudited Condensed Consolidated Statement of Comprehensive Income	3
Unaudited Condensed Consolidated Statement of Changes in Equity	4
Notes to the Unaudited Condensed Consolidated Financial Statements	5
Management Discussion and Analysis	9
Definitions	21

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

COMPLIANCE ADVISER

Dongxing Securities (Hong Kong) Company Limited
6805-6806A, 68/F,
International Commerce Centre,
1 Austin Road West, Kowloon, Hong Kong

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

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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

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 2021 together with the unaudited comparative figures for the corresponding period in 2020, as follows:

Unaudited Condensed Consolidated Statement of Comprehensive Income

For the three months ended 30 June 2021

	Note	Three months ended 30 June	
		2021 HK\$'000 (unaudited)	2020 HK\$'000 (unaudited)
Revenue	4	11,799	10,209
Other income	5	484	132
Expenses			
Cost of computer hardware and software		(7)	–
License and subscription cost		(450)	(510)
Internet services cost		(759)	(611)
Employee benefit expenses		(4,095)	(3,152)
Depreciation of property and equipment		(632)	(656)
Amortisation of intangible assets		(1,248)	(1,143)
Other expenses		(1,464)	(863)
Finance costs		(15)	(63)
Profit before income tax		3,613	3,343
Income tax expense	6	(596)	(614)
Profit and total comprehensive income attributable to owners of the Company for the period		3,017	2,729
Earnings per share attributable to owners of the Company for the period			
– Basic (express in HK cents per share)	7a	0.75	0.68
– Diluted (express in HK cents per share)	7b	0.75	0.68

Unaudited Condensed Consolidated Statement of Changes in Equity

For the three months ended 30 June 2021

	Share capital HK\$'000 (Note 9)	Share Premium HK\$'000	Other reserves HK\$'000	Retained earnings HK\$'000	Total HK\$'000
At 1 April 2020 (audited)	4,000	34,992	8,546	53,045	100,583
Total comprehensive income					
Profit and other comprehensive income for the period	–	–	–	2,729	2,729
Transaction with owners in their capacity as owners					
Share-based payment expenses	–	–	424	–	424
At 30 June 2020 (unaudited)	4,000	34,992	8,970	55,774	103,736
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
At 30 June 2021 (unaudited)	4,000	34,992	9,818	68,294	117,104

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 2021 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 2021 should be read in conjunction with the audited consolidated financial statements for the year ended 31 March 2021 and the notes thereto (the "2021 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 2021 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 2021 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	
	2021 HK\$'000 (unaudited)	2020 HK\$'000 (unaudited)
Licensing and maintenance services	9,625	9,885
Initial set up and customisation services	2,165	324
Sales of computer hardware and software	9	-
	11,799	10,209

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 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 (2020: all sources of revenue were recognised over 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 2021, 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 (2020: 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 2021 (2020: 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	
	2021 HK\$'000 (unaudited)	2020 HK\$'000 (unaudited)
Customer A	1,955	1,983
Customer B	N/A	1,046
Customer C	1,370	1,127
Customer D	1,380	N/A

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	
	2021 HK\$'000 (unaudited)	2020 HK\$'000 (unaudited)
Other income	4	2
Interest income on bank deposits	1	1
Government grant <i>(Note)</i>	30	–
Dividend from fund investments	5	–
Change in fair value of financial assets at fair value through profit or loss	417	–
Interest income on time deposits	27	129
	484	132

Note: Wages subsidies of approximately HK\$30,000 were granted from the FinTech Anti-epidemic Scheme for Talent Development launched by Cyberport.

Notes to the Unaudited Condensed Consolidated Financial Statements

6. 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 2021 (2020: 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% (2020: same). The amount of tax charged to the unaudited condensed consolidated statement of comprehensive income represents:

	Three months ended 30 June	
	2021 HK\$'000 (unaudited)	2020 HK\$'000 (unaudited)
Hong Kong profits tax		
– Current period	581	606
Deferred income tax	15	8
Income tax expense	596	614

7. 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	
	2021 (unaudited)	2020 (unaudited)
Profit attributable to owners of the Company (HK\$'000)	3,017	2,729
Weighted average number of ordinary Shares in issue (thousands)	400,000	400,000
Basic earnings per share (HK cents)	0.75	0.68

(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 2021, adjustment has been made to determine the number of Shares that could have been acquired at fair value (according to the average period 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.

Notes to the Unaudited Condensed Consolidated Financial Statements

7. EARNINGS PER SHARE (Continued)

(b) Diluted (Continued)

Diluted earnings per share for the three months ended 30 June 2020 was the same as basic earnings per share since the exercise of share options would have an anti-dilutive effect.

	Three months ended 30 June	
	2021 (unaudited)	2020 (unaudited)
Profit attributable to owners of the Company (HK\$'000)	3,017	2,729
Weighted average number of ordinary Shares in issue (thousands) (Note)	400,125	400,000
Diluted earnings per share (HK cents)	0.75	0.68

Note:

The following were used as the denominator in calculating the diluted earnings per share:

	Three months ended 30 June	
	2021 Thousands (unaudited)	2020 Thousands (unaudited)
Weighted average number of ordinary Shares used as the denominator in calculating basic earnings per share	400,000	400,000
Adjustments for calculation of diluted earnings per share:		
Share options	125	–
Weighted average number of ordinary Shares used as the denominator in calculating diluted earnings per share	400,125	400,000

8. DIVIDEND

The Directors do not recommend the payment of an interim dividend for the three months ended 30 June 2021 (2020: nil).

9. SHARE CAPITAL

	Number of Shares	Nominal value HK\$'000
Authorised:		
At 1 April 2020 (audited), 30 June 2020 (unaudited), 1 April 2021 (audited) and 30 June 2021 (unaudited)	10,000,000,000	100,000
Issued and fully paid:		
Ordinary Shares of HK\$0.01 each		
At 1 April 2020 (audited), 30 June 2020 (unaudited), 1 April 2021 (audited) and 30 June 2021 (unaudited)	400,000,000	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 and development and supply of resource allocations, planning, scheduling and management of software and services. 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 2021, the Group recorded a revenue of approximately HK\$11.8 million, representing an increase of approximately 16% from approximately HK\$10.2 million recorded for the three months ended 30 June 2020. Profit attributable to owners of the Company for the three months ended 30 June 2021 amounted to approximately HK\$3.0 million, representing an increase of approximately 11% as compared with the profit of approximately HK\$2.7 million for the three months ended 30 June 2020. Such increase is mainly due to increase in revenue and other income by approximately HK\$1.6 million and HK\$0.4 million respectively. It was partially offset by increase in some of the expenses by approximately HK\$1.7 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\$0.9 million, amortisation of intangible assets of approximately HK\$0.1 million and other expenses of approximately HK\$0.6 million. If the change in fair value of financial assets at fair value through profit or loss (included in other income) was excluded, the profit attributable to owners of the Company would decrease by approximately 5% from approximately HK\$2.7 million for the three months ended 30 June 2020 to approximately HK\$2.6 million for the three months ended 30 June 2021.

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, establishing our research and development ("R&D") centre and pursuing selective acquisition(s).

Looking forward, the Group believe that the COVID-19 may continue to adversely affect the financial performance of the Group for the coming financial year. In response to the unfavorable market conditions, the Group will continue to focus on R&D in innovative IT products and services and provide stable and reliable financial trading solutions and non-financial IT solutions. Our next focus will be the financial and non-financial IT solutions projects awarded in January 2021 and April 2021 respectively. We believe that we can build a strong reputation after completing those projects successfully. Our management will also keep in view the progress of other business objectives such as pursuing selective acquisition(s) and establishment of R&D centre.

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 2021, the Group recorded revenue of approximately HK\$11.8 million, representing an increase of approximately 16% as compared with the previous period of approximately HK\$10.2 million. The following table sets forth the breakdown of our revenue by source of revenue:

	Three months ended 30 June			
	2021 HK\$'000 (unaudited)	%	2020 HK\$'000 (unaudited)	%
Licensing and maintenance services	9,625	82	9,885	97
Initial set up and customisation services	2,165	18	324	3
Sales of computer hardware and software	9	*	–	–
Total	11,799	100	10,209	100

* Less than 1%

The increase was mainly attributable to the increase in revenue from initial set up and customisation services and sales of computer hardware and software. It was partially offset by the decrease in revenue from licensing and maintenance services. Revenue from initial set up and customisation services increased by approximately 568% from approximately HK\$0.3 million for the three months ended 30 June 2020 to approximately HK\$2.2 million for the three months ended 30 June 2021, which was mainly arisen from the projects awarded in January 2021 and April 2021 (as mentioned in the paragraph headed "Outlook" under this section. In addition, during the three months ended 30 June 2021, the Group generated revenue from the sales of computer hardware and software of approximately HK\$9,000 (2020: nil). 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.

However, increase in revenue was partially offset by decrease in revenue from licensing and maintenance services of approximately 3% from approximately HK\$9.9 million for the three months ended 30 June 2020 to approximately HK\$9.6 million for the three months ended 30 June 2021. It was primarily because some customers terminated our services with contract amount of approximately HK\$0.6 million due to uncertainties of the global and local economic and political environment and was partially offset by provision of services to new customers and additional services to existing customers amounting to approximately HK\$0.3 million.

Other Income

The Group's other income were approximately HK\$0.5 million and HK\$0.1 million for the three months ended 30 June 2021 and 2020 respectively. The increase in other income by approximately 267% was mainly due to the increase in change in fair value of financial assets at fair value through profit or loss of approximately HK\$0.4 million.

Management Discussion and Analysis

Cost of Sales of Computer Hardware and Software

During the three months ended 30 June 2021, our cost of sales of computer hardware and software was approximately HK\$7,000 (2020: nil). Such increase was in line with the increase in sales of computer hardware and software.

License and Subscription Cost

For the three months ended 30 June 2021, the Group's license and subscription cost was approximately HK\$450,000, representing a decrease of approximately 12% over the license and subscription cost of approximately HK\$510,000 for the three months ended 30 June 2020. Such decrease was mainly because the Group changed its suppliers with more competitive price, which saved cost by approximately HK\$70,000 for the three months ended 30 June 2021.

Internet Services Cost

For the three months ended 30 June 2021, the Group's internet services cost was approximately HK\$0.8 million, representing an increase of approximately 24% over the internet services cost of approximately HK\$0.6 million for the three months ended 30 June 2020. 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\$0.2 million.

Intangible Assets

For the three months ended 30 June 2021 and 2020, our R&D expenses (which were mostly included in employee benefit expenses) amounted to approximately HK\$3.4 million and HK\$2.4 million, respectively. Out of the total R&D costs, approximately HK\$1.3 million and HK\$1.4 million for the three months ended 30 June 2021 and 2020, respectively, was capitalised as intangible assets.

Employee Benefit Expenses

For the three months ended 30 June 2021, the Group's employee benefit expenses were approximately HK\$4.1 million, representing an increase of approximately 30% over the employee benefit expenses of approximately HK\$3.2 million for the three months ended 30 June 2020. The increase is primarily due to increase in staff costs by approximately HK\$1.0 million in total for our business needs and implementation of our business plan as mentioned in the paragraph headed "Outlook" under this section and decrease in capitalised staff cost as intangible assets by approximately HK\$0.1 million. It was partially offset by decrease in share-based payment expenses by approximately HK\$0.3 million.

Depreciation of Property and Equipment

The Group's depreciation of property and equipment was approximately HK\$0.6 million for the three months ended 30 June 2021, representing a decrease of approximately 4% from approximately HK\$0.7 million for the three months ended 30 June 2020. The decrease was primarily due to certain items of computers being fully depreciated during the year ended 31 March 2021 and thus no depreciation was recognised for those computers during the three months ended 30 June 2021.

Amortisation of Intangible Assets

The Group's amortisation of intangible assets was approximately HK\$1.2 million for the three months ended 30 June 2021, representing an increase of approximately 9% from approximately HK\$1.1 million for the three months ended 30 June 2020. The increase was primarily due to additions of computer software systems mainly contributed from staff costs capitalised in the year ended 31 March 2021.

Management Discussion and Analysis

Other Expenses

The Group's other expenses mainly include (i) legal and professional fees; (ii) auditors' remuneration; (iii) telephone and utilities; and (iv) insurance expenses. The Group's other expenses for the three months ended 30 June 2021 were approximately HK\$1.5 million, representing an increase of approximately 70% over the other expenses of approximately HK\$0.9 million for the three months ended 30 June 2020. The increase was primarily attributable to the increase in consulting fee and call centre support fee of approximately HK\$0.5 million and HK\$0.2 million respectively. It was partially offset by the decrease in legal and professional fee by approximately HK\$0.1 million.

Finance Costs

For the three months ended 30 June 2021, the Group's finance costs were approximately HK\$15,000, representing a decrease of approximately 76% over the finance costs of approximately HK\$63,000 for the three months ended 30 June 2020. Such decrease was primarily because a decrease in variable interest rate which resulted in decrease in finance costs by approximately 47% from approximately HK\$83,000 for the three months ended 30 June 2020 to approximately HK\$44,000 for the three months ended 30 June 2021. In addition, borrowing costs capitalized as development cost of intangible assets increased by approximately 45% from approximately HK\$20,000 for the three months ended 30 June 2020 to approximately HK\$29,000 for the three months ended 30 June 2021.

Profit Before Income Tax

Profit before income tax for the three months ended 30 June 2021 amounted to approximately HK\$3.6 million, representing an increase of approximately 8% as compared with the profit before income tax of approximately HK\$3.3 million for the three months ended 30 June 2020. The increase is mainly due to increase in revenue and other income by approximately HK\$1.6 million and HK\$0.4 million respectively. It was partially offset by increase in some of the expenses by approximately HK\$1.7 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\$0.9 million, amortisation of intangible assets of approximately HK\$0.1 million and other expenses of approximately HK\$0.6 million. If the change in fair value of financial assets at fair value through profit or loss (included in other income) was excluded, the profit before income tax would decrease by approximately 4% from approximately HK\$3.3 million for the three months ended 30 June 2020 to approximately HK\$3.2 million for the three months ended 30 June 2021.

Income Tax Expense

The Group's income tax expense for the three months ended 30 June 2021 was approximately HK\$596,000, representing a decrease of approximately 3% from approximately HK\$614,000 for the three months ended 30 June 2020. Such slight decrease was mainly due to decrease in profit before income tax (excluding change in fair value of financial assets at fair value through profit or loss) by 4% as above-mentioned. The effective income tax rates of the Group, which equal to the income tax expense divided by profit before tax, were approximately 16.5% and 18.4% for the three months ended 30 June 2021 and 2020, respectively. If the non-deductible corporate expenses after the Listing were excluded, the effective income tax rates would be 15.3% and 16.2% for the three months ended 30 June 2021 and 2020, respectively.

Management Discussion and Analysis

Profit for the Period Attributable to Owners of the Company

Profit attributable to owners of the Company for the three months ended 30 June 2021 amounted to approximately HK\$3.0 million, representing an increase of approximately 11% as compared with the profit of approximately HK\$2.7 million for the three months ended 30 June 2020. Such increase was mainly due to the above-mentioned reasons. If the change in fair value of financial assets at fair value through profit or loss (included in other income) was excluded, the profit attributable to owners of the Company would decrease by approximately 5% from approximately HK\$2.7 million for the three months ended 30 June 2020 to approximately HK\$2.6 million for the three months ended 30 June 2021.

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 2021 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 and code provisions as set out in the CG Code contained in Appendix 15 of the GEM Listing Rules as the basis of the Company's corporate governance practices.

The CG Code has been applicable to the Company with effect from the Listing Date. The Board is of the view that during the three months ended 30 June 2021 and up to the date of this report, the Company has complied with all applicable code provisions as set out in the CG Code.

SHARE OPTION SCHEME

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 eligible participants as incentives or rewards for their contribution to the Group, to recruit and retain high-calibre employees and to attract valuable human resources 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

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 2021 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 2021 (Audited)	2019 Share Option			Number of Shares represented by share options outstanding as at 30 June 2021 (Unaudited)
				Number of share options granted during the period	Share options exercised during the period	Share options forfeited during the period	
Connected Grantees							
Mr. Wong Wing Hoi (“ Mr. Wong ”) <i>(Executive Director)</i>	15 August 2019	0.178	4,000,000	-	-	-	4,000,000
Mr. Wei Chun Pong Benjamin <i>(Associate of a non-executive Director and Substantial Shareholder)</i>	15 August 2019	0.178	800,000	-	-	-	800,000
Employees	15 August 2019	0.178	27,600,000	-	-	-	27,600,000
Total number of share options			32,400,000	-	-	-	32,400,000

Management Discussion and Analysis

	2019 Share Option	
	Tranche 1	Tranche 2
Fair value at Date of Grant (per share)	HK\$0.078	HK\$0.082

The 2019 Share Option was measured at fair value at Date of Grant using Black-Scholes model with following key assumptions:

	2019 Share Option	
	Tranche 1	Tranche 2
Share price at Date of Grant (per share)	HK\$0.162	HK\$0.162
Exercise price (per share)	HK\$0.178	HK\$0.178
Expected life (years)	5.5	6
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 2021, the Group recognised share-based payment expenses amounting to approximately HK\$137,000, which has been charged to the unaudited condensed consolidated statement of comprehensive income.

16,200,000 share options were exercisable as at 30 June 2021.

(ii) 2020 Share Option

On 3 November 2020, the Company has granted a total number of 1,600,000 share options ("**2020 Share Option**") to certain 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 2021 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 2021 (Audited)	Number of share options granted during the period	Share options exercised during the period	Share options forfeited during the period	Number of Shares represented by share options outstanding as at 30 June 2021 (Unaudited)
Connected Grantees							
Mr. Wong (Executive Director)	3 November 2020	0.095	800,000	-	-	-	800,000
Employee	3 November 2020	0.095	800,000	-	-	-	800,000
Total number of share options			1,600,000	-	-	-	1,600,000

	2020 Share Option	
	Tranche 1	Tranche 2
Fair value at Date of Grant (per share)	HK\$0.046	HK\$0.046

The 2020 Share Option was measured at fair value at Date of Grant using Black-Scholes model with following key assumptions:

	2020 Share Option	
	Tranche 1	Tranche 2
Share price at Date of Grant (per share)	HK\$0.095	HK\$0.095
Exercise price (per share)	HK\$0.095	HK\$0.095
Expected life (years)	5.5	6
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 2021, the Group recognised share-based payment expenses amounting to approximately HK\$13,000, which has been charged to the unaudited condensed consolidated statement of comprehensive income.

No share options were exercisable as at 30 June 2021.

Management Discussion and Analysis

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

As at 30 June 2021, 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 adopted by the Company on 29 March 2019. For details, please refer to the paragraph headed "Share Option Scheme" 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 2021, 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 2021, 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.

Saved as disclosed above, as at 30 June 2021, 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 they have complied with the Securities Transactions Code during the three months ended 30 June 2021 and up to the date of this report.

During the three months ended 30 June 2021 and up to the date of this report, 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 Option Scheme” above, at no time during the three months ended 30 June 2021 and up to the date of this report were there 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 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 three months ended 30 June 2021 and up to the date of this report, 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.

INTERESTS OF THE COMPLIANCE ADVISER

In accordance with Rule 6A.19 of the GEM Listing Rules, Dongxing Securities (Hong Kong) Company Limited has been appointed as the compliance adviser of the Company (the “**Compliance Adviser**”). Save for the compliance adviser agreement entered into between the Company and the Compliance Adviser dated 23 May 2018, none of the Compliance Adviser or its directors, employees or close associates has or may have any interest in the share capital of the Company or any member of the Group (including options or rights to subscribe for such securities), which is required to be notified to the Company pursuant to Rule 6A.32 of the GEM Listing Rules as at the date of this report.

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 C.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 2021, 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, 28 July 2021

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
“Date of Grant”	15 August 2019 and 3 November 2020, the respective date on which the 2019 Share Option and 2020 Share Option (as applicable) were granted to the Grantees
“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

Definitions

“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
“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
“%”	per cent