

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



2020

THIRD 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

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
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REGISTERED OFFICE

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HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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HONG KONG LEGAL ADVISERS

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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 Third Quarterly Results

The Board is pleased to announce the unaudited condensed consolidated results of the Group for the three months and nine months ended 31 December 2020 together with the unaudited comparative figures for the corresponding period in 2019, as follows:

Unaudited Condensed Consolidated Statement of Comprehensive Income

For the three months and nine months ended 31 December 2020

	Note	Three months ended 31 December		Nine months ended 31 December	
		2020	2019	2020	2019
		HK\$'000 (unaudited)	HK\$'000 (unaudited)	HK\$'000 (unaudited)	HK\$'000 (unaudited)
Revenue	4	10,311	10,815	30,724	31,883
Other income	5	597	200	1,892	589
Expenses					
License and subscription cost		(446)	(565)	(1,398)	(1,469)
Internet services cost		(633)	(746)	(1,870)	(1,894)
Employee benefit expenses		(4,327)	(5,223)	(10,665)	(11,045)
Depreciation of property and equipment		(653)	(639)	(1,966)	(1,728)
Amortisation of intangible assets		(1,234)	(888)	(3,589)	(2,566)
Net fair value gain on financial assets at fair value through profit or loss		417	–	494	–
Listing expenses		–	–	–	(4,528)
Other expenses		(853)	(1,083)	(2,687)	(3,912)
Finance costs		(33)	(47)	(136)	(167)
Profit before income tax		3,146	1,824	10,799	5,163
Income tax expense	6	(621)	(910)	(2,177)	(2,659)
Profit and total comprehensive income attributable to owners of the Company for the period		2,525	914	8,622	2,504
Earnings per share attributable to owners of the Company for the period					
– Basic and diluted (express in HK cents per share)	7	0.63	0.23	2.16	0.64

Unaudited Condensed Consolidated Statement of Changes in Equity

For the nine months ended 31 December 2020

	Share capital HK\$'000 (Note 9)	Share Premium HK\$'000	Other reserves HK\$'000	Retained earnings HK\$'000	Total HK\$'000
At 1 April 2019 (audited)	*	–	7,500	46,286	53,786
Total comprehensive income					
Profit and other comprehensive income for the period	–	–	–	2,504	2,504
Transaction with owners in their capacity as owners					
Capitalisation issue of Shares	3,000	(3,000)	–	–	–
Issuance of Shares upon Listing	1,000	52,000	–	–	53,000
Listing expenses charged to share premium	–	(14,008)	–	–	(14,008)
Share-based payment expenses	–	–	622	–	622
At 31 December 2019 (unaudited)	4,000	34,992	8,122	48,790	95,904
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	–	–	–	8,622	8,622
Transaction with owners in their capacity as owners					
Dividend paid (Note 8)	–	–	–	(800)	(800)
Share-based payment expenses	–	–	972	–	972
At 31 December 2020 (unaudited)	4,000	34,992	9,518	60,867	109,377

* 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 nine months ended 31 December 2020 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 nine months ended 31 December 2020 should be read in conjunction with the audited consolidated financial statements for the year ended 31 March 2020 and the notes thereto (the "**2020 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 2020 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 2020 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.

Notes to the Unaudited Condensed Consolidated Financial Statements

4. REVENUE AND SEGMENT INFORMATION

	Three months ended 31 December		Nine months ended 31 December	
	2020 HK\$'000 (unaudited)	2019 HK\$'000 (unaudited)	2020 HK\$'000 (unaudited)	2019 HK\$'000 (unaudited)
Licensing and maintenance services	9,766	10,408	29,803	31,274
Initial set up and customisation services	545	407	921	609
	10,311	10,815	30,724	31,883

(a) Disaggregation of revenue from contracts with customers

During the nine months ended 31 December 2020, all sources of revenue were recognised over time (2019: same).

(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 nine months ended 31 December 2020, 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 period (2019: same).

The Group domiciles and operates in Hong Kong. All revenue of the Group was generated in Hong Kong during the nine months ended 31 December 2020 (2019: 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 31 December		Nine months ended 31 December	
	2020 HK\$'000 (unaudited)	2019 HK\$'000 (unaudited)	2020 HK\$'000 (unaudited)	2019 HK\$'000 (unaudited)
Customer A	1,951	1,961	5,885	5,873
Customer B	1,434	N/A	3,527	N/A
Customer C	1,166	N/A	3,427	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.

Notes to the Unaudited Condensed Consolidated Financial Statements

5. OTHER INCOME

	Note	Three months ended 31 December		Nine months ended 31 December	
		2020	2019	2020	2019
		HK\$'000 (unaudited)	HK\$'000 (unaudited)	HK\$'000 (unaudited)	HK\$'000 (unaudited)
Dividends	(i)	8	–	11	–
Other income		3	3	38	9
Interest income on bank deposits		–	5	1	337
Interest income on time deposits		38	192	223	243
Government subsidies	(ii)	548	–	1,619	–
		597	200	1,892	589

Notes:

- (i) Dividends are received from financial assets measured at fair value through profit or loss.
- (ii) The government subsidies of approximately HK\$1,593,000 and approximately HK\$26,000 are granted under the Employment Support Scheme ("ESS") and FinTech Anti-epidemic Scheme for Talent Development ("FAST") respectively. Both schemes are under the Anti-epidemic Fund of the Government of Hong Kong, of which ESS aims to retain employment and combat Coronavirus Disease 2019 ("COVID-19") and FAST aims to create new job opportunities in the FinTech sector improving the employment situation following the adverse impact of the COVID-19 pandemic. As a condition of receiving the subsidies from the ESS, the Group undertakes not to make redundancies during the subsidy period.

6. INCOME TAX EXPENSE

Under the two-tiered profits tax rates regime, the first HK\$2 million of profits of qualifying group entity in Hong Kong will be taxed at 8.25%, and profits above HK\$2 million will be taxed at 16.5%. Accordingly, the Hong Kong profits tax is calculated at 8.25% on the first HK\$2 million of the estimated assessable profits for the Group's qualifying entity and at 16.5% on the estimated assessable profits above HK\$2 million for the nine months ended 31 December 2020 (2019: 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% (2019: same). The amount of tax charged to the unaudited condensed consolidated statement of comprehensive income represents:

	Three months ended 31 December		Nine months ended 31 December	
	2020	2019	2020	2019
	HK\$'000 (unaudited)	HK\$'000 (unaudited)	HK\$'000 (unaudited)	HK\$'000 (unaudited)
Hong Kong profits tax				
– Current period	606	903	2,140	2,412
Deferred income tax	15	7	37	247
Income tax expense	621	910	2,177	2,659

Notes to the Unaudited Condensed Consolidated Financial Statements

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 31 December		Nine months ended 31 December	
	2020 (unaudited)	2019 (unaudited)	2020 (unaudited)	2019 (unaudited)
Profit attributable to owners of the Company (HK\$'000)	2,525	914	8,622	2,504
Weighted average number of ordinary shares in issue (thousands) (Note)	400,000	400,000	400,000	388,727
Basic earnings per share (HK cents)	0.63	0.23	2.16	0.64

Note: The weighted average number of Shares in issue for the nine months ended 31 December 2019 for the purpose of earnings per share computation has been retrospectively adjusted for the effect of the 10 Shares and 90 Shares issued on 7 February 2018 and 21 March 2019, respectively pursuant to the Reorganisation, and 299,999,900 Shares issued under the capitalisation issue which took place on the Listing Date.

(b) Diluted

During the nine months ended 31 December 2020, assumed conversion of the share options granted by the Company has anti-dilutive effect (2019: same). For the nine months ended 31 December 2020, diluted earnings per share was equivalent to basic earnings per share (2019: same).

8. DIVIDEND

	Three months ended 31 December		Nine months ended 31 December	
	2020 HK\$'000 (unaudited)	2019 HK\$'000 (unaudited)	2020 HK\$'000 (unaudited)	2019 HK\$'000 (unaudited)
2020 Final, paid – HK\$0.002 per ordinary share (2019: nil)	–	–	800	–

The Directors do not recommend the payment of interim dividend for the nine months ended 31 December 2020 (2019: nil).

Notes to the Unaudited Condensed Consolidated Financial Statements

9. SHARE CAPITAL

	Number of Shares	Nominal value HK\$'000
Authorised:		
At 1 April 2019 (audited), 31 December 2019 (unaudited), 1 April 2020 (audited) and 31 December 2020 (unaudited)	10,000,000,000	100,000
Issued and fully paid:		
Ordinary Shares of HK\$0.01 each		
At 1 April 2019 (audited)	100	*
Capitalisation issue of Shares (<i>Note</i>)	299,999,900	3,000
Issuance of Shares upon the Listing (<i>Note</i>)	100,000,000	1,000
At 31 December 2019 (unaudited), 1 April 2020 (audited) and 31 December 2020 (unaudited)	400,000,000	4,000

* Less than HK\$1,000

Note: On the Listing Date, pursuant to the capitalisation issue approved on 29 March 2019, the Company issued a total number of additional 299,999,900 Shares to Essential Strategy and Expert Wisdom, credited as fully paid, by way of capitalisation of HK\$2,999,999 standing to the credit of the Company's share premium account. On the same date, the Company issued a total of 100,000,000 Shares by way of public offer and placing at a price of HK\$0.53 each for a total consideration of HK\$38,992,000, net of expenses in connection with the issue of Shares, and successfully listed its Shares on GEM of the Stock Exchange.

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 nine months ended 31 December 2020, the Group recorded a revenue of approximately HK\$30.7 million, representing a decrease of approximately 4% from approximately HK\$31.9 million recorded for the nine months ended 31 December 2019. Profit attributable to owners of the Company for the nine months ended 31 December 2020 amounted to approximately HK\$8.6 million, representing an increase of approximately 244% as compared with the profit of approximately HK\$2.5 million for the nine months ended 31 December 2019. The significant increase in net profit is due to increase in other income by approximately HK\$1.3 million, increase in net fair value gain on financial assets at fair value through profit or loss by approximately HK\$0.5 million and decrease in some of the expenses by approximately HK\$6.7 million in total, including but not limited to no listing expenses being recorded for the nine months ended 31 December 2020 (2019: listing expenses of approximately HK\$4.5 million), decrease in license and subscription cost of approximately HK\$0.1 million, employee benefit expenses of approximately HK\$0.4 million, other expenses of approximately HK\$1.2 million and income tax expense of approximately HK\$0.5 million. It was partially offset by decrease in revenue by approximately HK\$1.2 million and increase in some of the expenses by approximately HK\$1.2 million in total, including but not limited to increase in depreciation of property and equipment of approximately HK\$0.2 million and amortisation of intangible assets of approximately HK\$1.0 million. If the net fair value gain on financial assets at fair value through profit or loss and listing expenses were excluded, the profit attributable to owners of the Company would increase by approximately 16% from approximately HK\$7.0 million for the nine months ended 31 December 2019 to approximately HK\$8.1 million for the nine months ended 31 December 2020.

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 centre and pursuing selective acquisition(s).

Looking ahead, the Group believe that the coming year shall continue to be challenging. The outbreak of COVID-19 has been rapidly evolving globally and has significantly impacted the global economy and financial markets. The Board consider that such significant impact on the global economic and financial markets 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 focusing on research and development in innovative IT products and services and providing stable and reliable financial trading solutions. In addition, in order to broaden the sources of income of the Group and mitigate the risk that substantially all of our revenue was derived from our financial trading solutions, the Group submitted a tender to develop a non-financial IT solutions (resource planning and management software) in March 2020 and was awarded the project in May 2020. The project was in good progress and we expect to launch part of the non-financial IT solutions by the end of April 2021. Our management believe that our staff has improved their skillset in developing non-financial IT solutions after completion of such project, thereby increasing our chance and experiences of securing other similar projects. Moreover, the Board resolved to change and reallocate the uses of part of its unutilised net proceeds from the share offer (the "Net Proceeds") on 22 July 2020. The Directors consider that the changes in the uses of the Net Proceeds are fair and reasonable, as they would allow the Company to deploy its financial resources more effectively to support the latest development of the business of the Group.

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 nine months ended 31 December 2020, the Group recorded revenue of approximately HK\$30.7 million, representing a decrease of approximately 4% as compared with the corresponding period in 2019 of approximately HK\$31.9 million. The following table sets forth the breakdown of our revenue by source of revenue:

	Three months ended 31 December				Nine months ended 31 December			
	2020		2019		2020		2019	
	HK\$'000 (unaudited)	%	HK\$'000 (unaudited)	%	HK\$'000 (unaudited)	%	HK\$'000 (unaudited)	%
Licensing and maintenance services	9,766	95	10,408	96	29,803	97	31,274	98
Initial set up and customisation services	545	5	407	4	921	3	609	2
Total	10,311	100	10,815	100	30,724	100	31,883	100

The slight decrease was mainly attributable to the decrease in revenue from licensing and maintenance services and it was partially offset by increase in revenue from initial set up and customisation services. Revenue from licensing and maintenance services decreased by approximately 5% from approximately HK\$31.3 million for the nine months ended 31 December 2019 to approximately HK\$29.8 million for the nine months ended 31 December 2020. It was primarily because some customers terminated or cut our services amounting to approximately HK\$2.8 million in term of contract amount due to uncertainties of the global and local economic and political environment. It was partially offset by services provided to new customers and additional services acquired by existing customers amounting to approximately HK\$1.5 million. On the other hand, revenue from initial set up and customisation services increased by approximately 51% from approximately HK\$0.6 million for the nine months ended 31 December 2019 to approximately HK\$0.9 million for the nine months ended 31 December 2020. For both periods, the Group did not generate revenue from the sales of computer hardware and software. 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\$1.9 million and HK\$0.6 million for the nine months ended 31 December 2020 and 2019 respectively. It mainly consists of interest income on bank deposits and time deposits amounting to approximately HK\$0.2 million in total (2019: approximately HK\$0.6 million in total) and one-off government subsidies granted under ESS and FAST amounting to approximately HK\$1.6 million (2019: nil). The increase in other income by approximately 221% was mainly because of the government subsidies.

License and Subscription Cost

For the nine months ended 31 December 2020, the Group's license and subscription cost was approximately HK\$1.4 million, representing a decrease of approximately 5% over the cost of approximately HK\$1.5 million for the nine months ended 31 December 2019. Such decrease was mainly because the Group changed its suppliers with lower price, which saved cost by approximately HK\$0.2 million for the nine months ended 31 December 2020. It was partially offset by more services being subscribed from suppliers for our business needs and implementation of our business plans as mentioned in the paragraph headed "Outlook" under this section, which slightly increased the cost by approximately HK\$0.1 million.

Internet Services Cost

For the nine months ended 31 December 2020 and 2019, the Group's internet services cost was approximately HK\$1.9 million for both periods. Such cost was relatively stable primarily because the Group has saved approximately HK\$0.2 million by changing the data centre service providers in order to meet our business needs. It was offset by the implementation of our business plans as mentioned in the paragraph headed "Outlook" under this section, which increased the cost by approximately HK\$0.2 million.

Management Discussion and Analysis

Intangible Assets

For the nine months ended 31 December 2020 and 2019, our research and development expenses (which were mostly included in employee benefit expenses) amounted to approximately HK\$7.8 million and HK\$5.8 million, respectively. Out of the total research and development costs, approximately HK\$4.5 million and HK\$4.1 million for the nine months ended 31 December 2020 and 2019, respectively, were capitalised as intangible assets.

Employee Benefit Expenses

For the nine months ended 31 December 2020, the Group's employee benefit expenses were approximately HK\$10.7 million, representing a decrease of approximately 3% over the employee benefit expenses of approximately HK\$11.0 million for the nine months ended 31 December 2019. The decrease is primarily due to an increase in capitalised staff cost as intangible assets by approximately HK\$0.4 million and decrease in performance bonus paid and payable to staff, gratuity paid to terminated staff and allowance to management by approximately HK\$0.2 million, HK\$0.6 million and HK\$0.1 million respectively. It was partially offset by increase in staff costs for implementation of our business plan as mentioned in the paragraph headed "Outlook" under this section, provision for unutilised annual leave and share-based payment expenses by approximately HK\$0.5 million, HK\$0.1 million and HK\$0.4 million respectively.

Depreciation of Property and Equipment

The Group's depreciation of property and equipment was approximately HK\$2.0 million for the nine months ended 31 December 2020, representing an increase of approximately 14% from approximately HK\$1.7 million for the nine months ended 31 December 2019. The increase was primarily due to additions of certain items of computers during the year ended 31 March 2020.

Amortisation of Intangible Assets

The Group's amortisation of intangible assets was approximately HK\$3.6 million for the nine months ended 31 December 2020, representing an increase of approximately 40% from approximately HK\$2.6 million for the nine months ended 31 December 2019. The increase was primarily due to additions of computer software systems mainly contributed from staff costs capitalised during the year ended 31 March 2020.

Net fair value gain on financial assets at fair value through profit or loss

For the nine months ended 31 December 2020, the Group acquired certain financial assets at an aggregate consideration (exclusive of transaction costs) of approximately HK\$3.8 million and recorded net fair value gain of approximately HK\$0.5 million. The Group did not dispose of any of the financial assets during the period.

Listing Expenses

Listing expenses comprise professional and other expenses in relation to our Listing. They were recognised based on percentage of completion of the Listing by various professional parties. No listing expenses was recognised during the nine months ended 31 December 2020 (2019: approximately HK\$4.5 million).

Other Expenses

The Group's other expenses mainly include (i) legal and professional fees, (ii) auditors' remuneration, (iii) advertising expenses, and (iv) insurance expenses. The Group's other expenses for the nine months ended 31 December 2020 were approximately HK\$2.7 million, representing a decrease of approximately 31% over the other expenses of approximately HK\$3.9 million for the nine months ended 31 December 2019. The decrease was primarily attributable to the decrease in legal and professional fees.

Finance Costs

Finance costs decreased from approximately HK\$167,000 for the nine months ended 31 December 2019 to approximately HK\$136,000 for the nine months ended 31 December 2020. The decrease was primarily due to a decrease in variable interest rate which resulted in decrease in finance costs by approximately 40% from approximately HK\$311,000 for the nine months ended 31 December 2019 to approximately HK\$188,000 for the nine months ended 31 December 2020. It was partially offset by borrowing costs capitalized as development cost of intangible assets, which decreased by approximately 64% from approximately HK\$144,000 for the nine months ended 31 December 2019 to approximately HK\$52,000 for the nine months ended 31 December 2020.

Management Discussion and Analysis

Profit Before Income Tax

Profit before income tax for the nine months ended 31 December 2020 amounted to approximately HK\$10.8 million (2019: approximately HK\$5.2 million). Such significant increase is mainly due to increase in other income by approximately HK\$1.3 million, increase in net fair value gain on financial assets at fair value through profit or loss by approximately HK\$0.5 million and decrease in some of the expenses by approximately HK\$6.2 million in total, including but not limited to no listing expenses being recorded for the nine months ended 31 December 2020 (2019: listing expenses of approximately HK\$4.5 million), decrease in license and subscription cost of approximately HK\$0.1 million, employee benefit expenses of approximately HK\$0.4 million and other expenses of approximately HK\$1.2 million. It was partially offset by decrease in revenue by approximately HK\$1.2 million and increase in some of the expenses by approximately HK\$1.2 million in total, including but not limited to increase in depreciation of property and equipment of approximately HK\$0.2 million and amortisation of intangible assets of approximately HK\$1.0 million. If the net fair value gain on financial assets at fair value through profit or loss and listing expenses were excluded, the profit before income tax would increase by approximately 6% from approximately HK\$9.7 million for the nine months ended 31 December 2019 to approximately HK\$10.3 million for the nine months ended 31 December 2020.

Income Tax Expense

The Group's income tax expense for the nine months ended 31 December 2020 was approximately HK\$2.2 million, representing a decrease of approximately 18% from approximately HK\$2.7 million for the nine months ended 31 December 2019. Such decrease was mainly due to decrease in profit before income tax (excluding listing expenses and government subsidies) by 5% and there was no recognition of deferred tax liability of accumulated fair value changes of investment property during the nine months ended 31 December 2020 (2019: approximately HK\$0.2 million). Besides, the Company did not recognise deferred tax asset for unused tax losses in both periods. The effective income tax rates of the Group, which is calculated by the income tax expense divided by profit before tax, were approximately 51.5% and 20.2% for the nine months ended 31 December 2019 and 2020, respectively. If the listing expenses, non-deductible corporate expenses after the Listing and above-mentioned deferred taxes were excluded, the effective income tax rates would be 19.6% and 20.1% for the nine months ended 31 December 2020 and 2019, respectively.

Profit for the Period Attributable to Owners of the Company

Profit attributable to owners of the Company for the nine months ended 31 December 2020 amounted to approximately HK\$8.6 million, representing an increase of approximately 244% as compared with the profit of approximately HK\$2.5 million for the nine months ended 31 December 2019. Such significant change was due to the above-mentioned reasons and decrease in income tax expense by approximately HK\$0.5 million. If the net fair value gain on financial assets at fair value through profit or loss and listing expenses were excluded, the profit attributable to owners of the Company would increase by approximately 16% from approximately HK\$7.0 million for the nine months ended 31 December 2019 to approximately HK\$8.1 million for the nine months ended 31 December 2020.

Management Discussion and Analysis

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 nine months ended 31 December 2020 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 since the Listing Date 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. Details of the Share Option Scheme are set out in Appendix VI to the Prospectus.

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.

The Company has granted a total number of 36,400,000 share options on 15 August 2019 ("**2019 Share Option**") and 1,600,000 share options on 3 November 2020 ("**2020 Share Option**") to certain eligible participants (the "**Grantees**") under the Share Option Scheme which will entitle the Grantees to subscribe for a total number of 38,000,000 Shares, among which 4,000,000 options were forfeited during the year ended 31 March 2020. The details of 2019 Share Option and 2020 Share Option are summarised as follows:

	% of the total share options	2020 Share Option Vesting period	Exercise period	% of the total share options	2019 Share Option Vesting period	Exercise period
Tranche 1	50%	3 November 2020 to 2 November 2021	3 November 2021 to 2 November 2030	50%	15 August 2019 to 14 August 2020	15 August 2020 to 14 August 2029
Tranche 2	50%	3 November 2020 to 2 November 2022	3 November 2022 to 2 November 2030	50%	15 August 2019 to 14 August 2021	15 August 2021 to 14 August 2029

Among the 38,000,000 share options granted above, 5,600,000 share options were granted to two Grantees who are a Director and an associate of a Director and Substantial Shareholder of the Company (the "**Connected Grantees**").

Management Discussion and Analysis

The movements of the share options outstanding under the 2019 Share Option and 2020 Share Option during the nine months ended 31 December 2020 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 2020 (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 31 December 2020 (Unaudited)
Connected Grantee(s)							
Mr. Wong Wing Hoi (Mr. Wong) (Executive Director)	15 August 2019 3 November 2020	0.178 0.095	4,000,000 –	– 800,000	– –	– –	4,000,000 800,000
Mr. Wei Chun Pong Benjamin (Associate of a non-executive Director and Substantial Shareholder)	15 August 2019	0.178	800,000	–	–	–	800,000
Subtotal – Connected Grantee(s)			4,800,000	800,000	–	–	5,600,000
Employee(s)	15 August 2019 3 November 2020	0.178 0.095	27,600,000 –	– 800,000	– –	– –	27,600,000 800,000
Subtotal – Employee(s)			27,600,000	800,000	–	–	28,400,000
Total number of share options			32,400,000	1,600,000	–	–	34,000,000

	2020 Share Option (unaudited)		2019 Share Option (audited)	
	Tranche 1	Tranche 2	Tranche 1	Tranche 2
Fair value at Date of Grant (per share)	HK\$0.046	HK\$0.047	HK\$0.078	HK\$0.082

The 2019 Share Option and 2020 Share Option were measured at fair value at their respective Date of Grant using Black-Scholes model with following key assumptions:

	2020 Share Option (unaudited)		2019 Share Option (audited)	
	Tranche 1	Tranche 2	Tranche 1	Tranche 2
Share price at Date of Grant (per share)	HK\$0.095	HK\$0.095	HK\$0.162	HK\$0.162
Exercise price (per share)	HK\$0.095	HK\$0.095	HK\$0.178	HK\$0.178
Expected life (years)	5.5	6.0	5.5	6.0
Expected volatility	55.27%	54.01%	55.89%	56.23%
Expected dividend yield	0.00%	0.00%	0.00%	0.00%
Risk-free interest rate	0.29%	0.29%	1.15%	1.15%

For the nine months ended 31 December 2020, the Group recognised share-based payment expenses amounting to approximately HK\$972,000 (2019: approximately HK\$622,000), which has been charged to the unaudited condensed consolidated statement of comprehensive income.

16,200,000 share options were exercisable as at 31 December 2020 (2019: nil).

Management Discussion and Analysis

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

As at 31 December 2020, the interests and 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 the 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 (Note 4)	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 (Note 1)	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 (Note 2)	90,000,000 (L)	22.5%
Mr. Wong	Company	Beneficial owner	4,800,000 (L) (Note 3)	1.2%
Mr. Wei	Essential Strategy	Beneficial owner	1,000 (L)	100% (Note 1)

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 Option Scheme" under this section.
- (4) The letter "L" denotes "long position" in such Shares or underlying Shares.

Saved as disclosed above, as at 31 December 2020, 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.

Management Discussion and Analysis

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

As at 31 December 2020, 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	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	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 Siu King ("**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 Kim Kam ("**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 31 December 2020, 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.

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 nine months ended 31 December 2020 and up to the date of this report.

During the nine months ended 31 December 2020 and up to the date of this report, the Company is not aware of any non-compliance with the Securities Transactions Code by the Directors.

Management Discussion and Analysis

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

Save 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 nine months ended 31 December 2020 and up to the date of this report 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 nine months ended 31 December 2020 and up to the date of this report, none of the Directors or the Controlling Shareholders or their 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.

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 nine months ended 31 December 2020, 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, 1 February 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
"BVI"	the British Virgin Islands
"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 BVI 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 BVI 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
"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

Definitions

“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
“Prospectus”	the prospectus of the Company published on 15 April 2019 in connection with the Listing
“Reorganisation”	the reorganisation of our Group in preparation for the Listing, details of which are set out in the section headed “History, Development and Reorganisation” in the Prospectus
“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