

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

(incorporated in the Cayman Islands with limited liability)

STOCK CODE: 8635



# 2022

## THIRD QUARTERLY REPORT

## CHARACTERISTICS OF GEM OF THE STOCK EXCHANGE

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*This report, for which the Directors of the Company 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*)  
(*resigned with effect from 2 September 2022*)  
Ms. Lee Wing Yin (*CPA*)  
(*appointed with effect from 2 September 2022*)

## COMPLIANCE OFFICER

Mr. Chung Chau Kan

## AUTHORISED REPRESENTATIVES

Mr. Chung Chau Kan  
Ms. Lee Wing Yin

## AUDIT COMMITTEE

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

## REMUNERATION COMMITTEE

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

## NOMINATION COMMITTEE

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

## PRINCIPAL BANKERS

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

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

## REGISTERED OFFICE

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

## HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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

## HONG KONG LEGAL ADVISERS

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

## PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

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

## HONG KONG BRANCH SHARE REGISTRAR

Tricor Investor Services Limited  
17/F, Far East Finance Centre,  
16 Harcourt Road, Hong Kong

## STOCK CODE

8635

## WEBSITE OF THE COMPANY

[www.novacontechgroup.com](http://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 2022 together with the unaudited comparative figures for the corresponding period in 2021, as follows:

## Unaudited Condensed Consolidated Statement of Comprehensive Income

For the three months and nine months ended 31 December 2022

	Note	Three months ended 31 December		Nine months ended 31 December	
		2022 HK\$'000 (unaudited)	2021 HK\$'000 (unaudited)	2022 HK\$'000 (unaudited)	2021 HK\$'000 (unaudited)
<b>Revenue</b>	4	<b>13,249</b>	12,578	<b>41,379</b>	37,217
Other income	5	<b>511</b>	55	<b>1,943</b>	201
<b>Expenses</b>					
Cost of sales of computer hardware and software		–	–	–	(7)
License and subscription cost		(455)	(450)	(1,363)	(1,350)
Internet services cost		(881)	(717)	(2,576)	(2,201)
Employee benefit expenses		(5,225)	(5,524)	(15,063)	(14,295)
Depreciation of property and equipment		(499)	(629)	(1,487)	(1,891)
Depreciation of right-of-use asset		(109)	–	(261)	–
Amortisation of intangible assets		(1,642)	(1,037)	(4,404)	(3,322)
Other (loss)/gain	6	<b>596</b>	130	(991)	470
Other expenses	7	<b>(3,944)</b>	(1,149)	<b>(7,349)</b>	(3,825)
Finance costs		(4)	(3)	(12)	(27)
<b>Profit before income tax</b>		<b>1,597</b>	3,254	<b>9,816</b>	10,970
Income tax expense	8	(272)	(864)	(2,035)	(2,396)
<b>Profit and total comprehensive income attributable to owners of the Company for the period</b>		<b>1,325</b>	2,390	<b>7,781</b>	8,574
<b>Earnings per share attributable to owners of the Company for the period</b>					
– Basic (expressed in HK cents per share)	9(a)	<b>0.33</b>	0.60	<b>1.95</b>	2.14
– Diluted (expressed in HK cents per share)	9(b)	<b>0.33</b>	0.60	<b>1.94</b>	2.14

# Unaudited Condensed Consolidated Statement of Changes in Equity

For the nine months ended 31 December 2022

	Attributable to owners of the Company				
	Share capital HK\$'000 (Note 11)	Share premium HK\$'000	Other reserves HK\$'000	Retained earnings HK\$'000	Total equity HK\$'000
<b>Balance at 1 April 2021 (audited)</b>	4,000	34,992	9,668	65,277	113,937
<b>Total comprehensive income</b>					
Profit and other comprehensive income for the period	–	–	–	8,574	8,574
<b>Transaction with owners in their capacity as owners</b>					
Dividend paid (Note 10)	–	–	–	(800)	(800)
Share-based payment expenses	–	–	441	–	441
<b>Balance at 31 December 2021 (unaudited)</b>	4,000	34,992	10,109	73,051	122,152
<b>Balance at 1 April 2022 (audited)</b>	4,000	34,992	10,111	75,698	124,801
<b>Total comprehensive income</b>					
Profit and other comprehensive income for the period	–	–	–	7,781	7,781
Exchange differences arising on translation of foreign operations	–	–	*	–	*
<b>Transaction with owners in their capacity as owners</b>					
Dividend paid (Note 10)	–	–	–	(800)	(800)
Reversal of lapsed share option	–	–	(478)	478	–
Share-based payment expenses	–	–	8	–	8
<b>Balance at 31 December 2022 (unaudited)</b>	<b>4,000</b>	<b>34,992</b>	<b>9,641</b>	<b>83,157</b>	<b>131,790</b>

\* 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 Act (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 2022 have been prepared in accordance with HKFRS(s) and the applicable disclosure provisions of the GEM Listing Rules.

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

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

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

Certain new and revised HKFRS(s) have been issued. The Directors considered that the adoption of those new HKFRS(s) which are effective for the accounting periods beginning on 1 April 2022 will not have any material impact on the preparation and presentation of the results and financial conditions of the current period and previous periods. For the HKFRS(s) 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 HKFRS(s).

# Notes to the Unaudited Condensed Consolidated Financial Statements

## 4. REVENUE AND SEGMENT INFORMATION

	Three months ended 31 December		Nine months ended 31 December	
	2022 HK\$'000 (unaudited)	2021 HK\$'000 (unaudited)	2022 HK\$'000 (unaudited)	2021 HK\$'000 (unaudited)
Licensing and maintenance services	10,977	9,760	32,707	29,070
Initial set up and customisation services	2,272	2,818	8,672	8,138
Sales of computer hardware and software	-	-	-	9
	<b>13,249</b>	12,578	<b>41,379</b>	37,217

### (a) Disaggregation of revenue from contracts with customers

During the nine months ended 31 December 2022, all sources of revenue were recognised over time (2021: all sources of revenue were recognised over time, except for revenue from sales of computer hardware and software which was recognised at a point in time).

### (b) Segment information

The executive directors have been identified as the chief operating decision-makers of the Group who review the Group's internal reporting in order to assess performance and allocate resources. For the nine months ended 31 December 2022, the Directors considered that the Group's operations were operated and managed as a single segment and no separate segment information was presented for the financial periods (2021: same).

The Group domiciles and operates in Hong Kong. During the nine months ended 31 December 2022, all revenue of the Group was generated in Hong Kong and non-current assets of the Group were located in Hong Kong and the People's Republic of China ("PRC") (2021: all revenue and non-current assets were generated and were located in Hong Kong).

### (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	
	2022 HK\$'000 (unaudited)	2021 HK\$'000 (unaudited)	2022 HK\$'000 (unaudited)	2021 HK\$'000 (unaudited)
Customer A	1,971	2,209	5,920	6,120
Customer B	2,313	N/A	5,711	N/A
Customer C	N/A	N/A	N/A	3,797
Customer D	N/A	1,490	N/A	5,023

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

	Three months ended 31 December		Nine months ended 31 December	
	2022 HK\$'000 (unaudited)	2021 HK\$'000 (unaudited)	2022 HK\$'000 (unaudited)	2021 HK\$'000 (unaudited)
Dividend from fund investments	32	30	80	39
Government grant (Note)	8	4	1,016	64
Interest income on bank deposits	6	–	6	1
Interest income on time deposits	465	18	839	60
Other income	–	3	2	37
	<b>511</b>	<b>55</b>	<b>1,943</b>	<b>201</b>

Note: For the nine months ended 31 December 2022, wages subsidies of approximately HK\$1 million were granted from the Hong Kong SAR Government's Employment Support Scheme under Anti-epidemic Fund for the payment of wages of employees from May to July 2022 (2021: approximately HK\$64,000 from the FinTech Anti-epidemic Scheme for Talent Development launched by Cyberport).

## 6. OTHER (LOSS)/GAIN

	Three months ended 31 December		Nine months ended 31 December	
	2022 HK\$'000 (unaudited)	2021 HK\$'000 (unaudited)	2022 HK\$'000 (unaudited)	2021 HK\$'000 (unaudited)
Change in fair value of financial assets at fair value through profit or loss ("FVTPL")	596	130	(998)	470
Gain on disposal of financial assets at FVTPL	–	–	7	–
	<b>596</b>	<b>130</b>	<b>(991)</b>	<b>470</b>

# Notes to the Unaudited Condensed Consolidated Financial Statements

## 7. OTHER EXPENSES

	Three months ended 31 December		Nine months ended 31 December	
	2022 HK\$'000 (unaudited)	2021 HK\$'000 (unaudited)	2022 HK\$'000 (unaudited)	2021 HK\$'000 (unaudited)
Advertising expenses	5	5	12	12
Auditor's remuneration				
– Audit services	118	(3)	354	338
– Non-audit services	–	–	–	–
Building management fees	34	21	78	63
Entertainment expenses	70	38	188	117
Exchange loss/(gain), net	58	(16)	46	(38)
Insurance expenses	61	53	203	162
Gain on disposal of property and equipment	–	–	–	(4)
Rental expenses	13	–	26	–
Provision for loss allowance for trade receivables	2,544	–	2,544	–
Consultancy fees	546	424	1,764	1,171
Legal and professional fees	131	291	839	988
Telephone and utilities	203	189	606	575
Others	161	147	689	441
	<b>3,944</b>	<b>1,149</b>	<b>7,349</b>	<b>3,825</b>

## 8. 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 nine months ended 31 December 2022 (2021: same). The profits of other group entities in Hong Kong not qualifying for the two-tiered profits tax rates regime will continue to be taxed at the flat rate of 16.5% (2021: same). The amount of tax charged to the unaudited condensed consolidated statement of comprehensive income represents:

	Three months ended 31 December		Nine months ended 31 December	
	2022 HK\$'000 (unaudited)	2021 HK\$'000 (unaudited)	2022 HK\$'000 (unaudited)	2021 HK\$'000 (unaudited)
Hong Kong profits tax				
– Current period	243	847	1,956	2,349
Deferred income tax	22	17	67	47
Valued added tax	7	–	12	–
	<b>272</b>	<b>864</b>	<b>2,035</b>	<b>2,396</b>

# Notes to the Unaudited Condensed Consolidated Financial Statements

## 9. 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	
	2022 (unaudited)	2021 (unaudited)	2022 (unaudited)	2021 (unaudited)
Profit attributable to owners of the Company (HK\$'000)	1,325	2,390	7,781	8,574
Weighted average number of ordinary Shares in issue (thousands)	400,000	400,000	400,000	400,000
Basic earnings per share (HK cents)	0.33	0.60	1.95	2.14

### (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 nine months ended 31 December 2022, 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.

	Three months ended 31 December		Nine months ended 31 December	
	2022 (unaudited)	2021 (unaudited)	2022 (unaudited)	2021 (unaudited)
Profit attributable to owners of the Company (HK\$'000)	1,325	2,390	7,781	8,574
Weighted average number of ordinary Shares in issue (thousands) (Note)	400,350	400,249	400,236	400,304
Diluted earnings per share (HK cents)	0.33	0.60	1.94	2.14

# Notes to the Unaudited Condensed Consolidated Financial Statements

## 9. EARNINGS PER SHARE (CONTINUED)

### (b) Diluted (Continued)

Note:

	Three months ended 31 December		Nine months ended 31 December	
	2022 '000 (unaudited)	2021 '000 (unaudited)	2022 '000 (unaudited)	2021 '000 (unaudited)
Weighted average number of ordinary Shares used as the denominator in calculating basic earnings per share	400,000	400,000	400,000	400,000
Adjustments for calculation of diluted earnings per share:				
Share options	350	249	236	304
Weighted average number of ordinary Shares used as the denominator in calculating diluted earnings per share	400,350	400,249	400,236	400,304

## 10. DIVIDEND

During the nine months ended 31 December 2022 and 2021, the final dividend for the years ended 31 March 2022 and 31 March 2021 in the aggregate amount of HK\$0.8 million was paid at HK\$0.002 per ordinary share. The Directors do not recommend the payment of an interim dividend for the nine months ended 31 December 2022 (2021: nil).

## 11. SHARE CAPITAL

	Number of Shares '000	Nominal value HK\$'000
<b>Authorised:</b>		
Ordinary Shares of HK\$0.01 each		
<b>At 1 April 2021, 31 March 2022, 1 April 2022 (audited) and 31 December 2022 (unaudited)</b>	<b>10,000,000</b>	<b>100,000</b>
<b>Issued and fully paid:</b>		
Ordinary Shares of HK\$0.01 each		
<b>At 1 April 2021, 31 March 2022, 1 April 2022 (audited) and 31 December 2022 (unaudited)</b>	<b>400,000</b>	<b>4,000</b>

# 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 nine months ended 31 December 2022, the Group recorded a revenue of approximately HK\$41.4 million, representing an increase of approximately 11% from approximately HK\$37.2 million recorded for the nine months ended 31 December 2021. Profit attributable to owners of the Company for the nine months ended 31 December 2022 amounted to approximately HK\$7.8 million, representing a decrease of approximately 9% as compared with the profit of approximately HK\$8.6 million for the nine months ended 31 December 2021. The decrease is mainly due to decrease in change in fair value of financial assets at FVTPL by approximately HK\$1.5 million and increase in some of the expenses by approximately HK\$6.0 million in total, including but not limited to increase in amortisation of intangible assets of approximately HK\$1.1 million, increase in employee benefit expenses of approximately HK\$0.8 million and other expenses of approximately HK\$3.5 million. It was partially offset by increase in revenue and other income of approximately HK\$5.9 million in total and decrease in income tax expenses of approximately HK\$0.4 million. If the change in fair value of financial assets at FATPL was excluded, the profit attributable to owners of the Company would be increased by approximately 8% from approximately HK\$8.1 million for the nine months ended 31 December 2021 to approximately HK\$8.8 million for the nine months ended 31 December 2022.

## OUTLOOK

In line with the Group's long-term objective to strengthen our position as a financial technology solution provider and to expand our market share, the Group has already expanded the professional team in order to provide quality information technology ("IT") professional services.

Looking forward, the Group believes that providing good products and services to our customers is our key to success. The Group will continue focusing on research and development ("R&D") on innovative IT products and services and providing stable and reliable financial trading solutions and non-financial IT solutions. Our next focus will be a substantial enhancement of GES IX, a non-financial IT solutions project awarded in April 2021 and a tender under the standing offer agreement awarded in May 2022 as disclosed in our announcement dated 11 May 2022 ("**Announcement**"). We believe that we can build a strong reputation after we complete these projects successfully.

A subsidiary has been established in the PRC, namely Shenzhen Gaopuyi Technology Company Limited ("**SZGPY**"), in June 2022. SZGPY acts as supportive function to the Group for providing reliable human resources and exploring the business opportunities in the PRC.

## 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 2022, the Group recorded revenue of approximately HK\$41.4 million, representing an increase of approximately 11% as compared with the corresponding period in 2021 of approximately HK\$37.2 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			
	2022		2021		2022		2021	
	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%
	(unaudited)		(unaudited)		(unaudited)		(unaudited)	
Licensing and maintenance services	10,977	83	9,760	78	32,707	79	29,070	78
Initial set up and customisation services	2,272	17	2,818	22	8,672	21	8,138	22
Sales of computer hardware and software	-	-	-	-	-	-	9	*
Total	13,249	100	12,578	100	41,379	100	37,217	100

\* Less than 1%

# Management Discussion and Analysis

The increase was mainly attributable to the increase in revenue from licensing and maintenance services and initial set up and customisation services. Revenue from licensing and maintenance services increased by approximately 13% from approximately HK\$29.1 million for the nine months ended 31 December 2021 to approximately HK\$32.7 million for the nine months ended 31 December 2022, contributed by services provided to new customers and additional services provided to existing customers in the aggregate amount of approximately HK\$3.6 million. In addition, revenue from initial set up and customisation services increased by approximately 7% from approximately HK\$8.1 million for the nine months ended 31 December 2021 to approximately HK\$8.7 million for the nine months ended 31 December 2022. Both initial set up and customisation services and sales of computer hardware and software are generally provided on an on-demand basis, depending on our customers' business needs.

## Other Income

The Group's other income were approximately HK\$1.9 million and HK\$0.2 million for the nine months ended 31 December 2022 and 2021 respectively. The increase in other income by approximately 867% was mainly due to the increase in government grant and time deposit interest income by approximately HK\$0.9 million and HK\$0.8 million respectively.

## License and Subscription Cost

For the nine months ended 31 December 2022, the Group's license and subscription cost was approximately HK\$1.4 million, representing an increase of approximately 1% over the license and subscription cost of approximately HK\$1.3 million for the nine months ended 31 December 2021. No material change is noted.

## Internet Services Cost

For the nine months ended 31 December 2022, the Group's internet services cost was approximately HK\$2.6 million, representing an increase of approximately 17% over the internet services cost of approximately HK\$2.2 million for the nine months ended 31 December 2021. Such increase was primarily because the Group implemented the business plans as mentioned in the paragraph headed "Outlook" under this section, which increased the cost by approximately HK\$0.4 million.

## Intangible Assets

For the nine months ended 31 December 2022 and 2021, our R&D expenses (which were mostly included in employee benefit expenses) amounted to approximately HK\$11.9 million and HK\$10.6 million, respectively. Out of the total R&D costs, approximately HK\$4.6 million and HK\$3.8 million for the nine months ended 31 December 2022 and 2021, respectively, was capitalised as intangible assets.

## Employee Benefit Expenses

For the nine months ended 31 December 2022, the Group's employee benefit expenses were approximately HK\$15.1 million, representing an increase of approximately 5% over the employee benefit expenses of approximately HK\$14.3 million for the nine months ended 31 December 2021. The increase is primarily due to increase in staff costs by approximately HK\$3 million in total for our business needs and implementation of our business plan as mentioned in the paragraph headed "Outlook" under this section. It was partially offset by increase in capitalised staff cost as intangible assets by approximately HK\$0.8 million and decrease in share-based payment expenses and discretionary bonuses of approximately HK\$0.5 million and HK\$1 million respectively.

## Depreciation of Property and Equipment

The Group's depreciation of property and equipment was approximately HK\$1.5 million for the nine months ended 31 December 2022, representing a decrease of approximately 21% from approximately HK\$1.9 million for the nine months ended 31 December 2021. The decrease was primarily due to certain items of property and equipment being fully depreciated during the year ended 31 March 2022 and thus no depreciation was recognised for those assets during the nine months ended 31 December 2022.

# Management Discussion and Analysis

## Amortisation of Right-of-use Assets

The Group entered into a lease agreement in May 2022 and recognised a right-of-use asset of approximately HK\$0.9 million for such lease agreement. During the nine months ended 31 December 2022, the Group recognised depreciation of right-of-use asset of approximately HK\$0.3 million (2021: nil).

## Amortisation of Intangible Assets

The Group's amortisation of intangible assets was approximately HK\$4.4 million for the nine months ended 31 December 2022, representing an increase of approximately 33% from approximately HK\$3.3 million for the nine months ended 31 December 2021. The increase was primarily due to additions of computer software systems mainly contributed from staff costs capitalised in the year ended 31 March 2022.

## Other (Loss)/Gain

The Group's other (loss)/gain mainly include loss on change in fair value of financial assets at FVTPL and gain on disposal of financial assets at FVTPL. For the nine months ended 31 December 2022, the Group acquired certain financial assets at an aggregate consideration (exclusive of transaction costs) of approximately HK\$6.3 million (2021: nil), disposed certain financial assets at an aggregate sales proceeds (exclusive of transaction costs) of approximately HK\$2.3 million (2021: nil) and recorded loss on change in fair value of financial assets at FVTPL of approximately HK\$1 million (2021: gain on change in fair value of financial assets at FVTPL of approximately HK\$0.5 million) and gain on disposal of financial assets at FVTPL of approximately HK\$7,000 (2021: nil) under other (loss)/gain and exchange loss of approximately HK\$23,000 (2021: exchange gain of approximately HK\$15,000) under other expenses.

## Other Expenses

The Group's other expenses mainly include (i) legal and professional fees; (ii) auditors' remuneration; (iii) telephone and utilities; (iv) insurance expense; (v) consultancy fees; and (vi) provision for loss allowance for trade receivables. The Group's other expenses for the nine months ended 31 December 2022 were approximately HK\$7.3 million, representing an increase of approximately 92% over the other expenses of approximately HK\$3.8 million for the nine months ended 31 December 2021. The increase was primarily attributable to the increase in provision for loss allowance for trade receivables of approximately HK\$2.5 million, increase in consultancy fee of approximately HK\$0.6 million, increase in computer expenses of approximately HK\$0.1 million and recruitment expenses of approximately HK\$0.1 million respectively. It was partially offset by decrease in legal and professional fee by approximately HK\$0.1 million.

## Finance Costs

For the nine months ended 31 December 2022, the Group's finance costs were approximately HK\$12,000, representing a decrease of approximately 56% over the finance costs of approximately HK\$27,000 for the nine months ended 31 December 2021. The decrease is mainly due to absence of finance cost of the bank borrowing (2021: approximately HK\$0.1 million) as the Group has already fully repaid the bank borrowing in November 2021 as disclosed in our 2022 annual report and no borrowing costs being capitalised as development cost of intangible assets (2021: approximately HK\$0.1 million) during the nine months ended 31 December 2022. It is partially offset by the finance cost of approximately HK\$12,000 (2021: Nil) for lease liability of approximately HK\$0.9 million recognised under the lease agreement in May 2022.

## Profit Before Income Tax

Profit before income tax for the nine months ended 31 December 2022 amounted to approximately HK\$9.8 million, representing a decrease of approximately 11% as compared with the profit before income tax of approximately HK\$11.0 million for the nine months ended 31 December 2021. The decrease is mainly due to increase of some of the expenses as mentioned in the paragraph headed "Business Review" under this section, and partially offset by increase in revenue and other income.

# Management Discussion and Analysis

## Income Tax Expense

The Group's income tax expense for the nine months ended 31 December 2022 was approximately HK\$2.0 million, representing a decrease of approximately 15% from approximately HK\$2.4 million for the nine months ended 31 December 2021. Such decrease was mainly due to decrease in profit before income tax by approximately 11% 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 20.7% and 21.8% for the nine months ended 31 December 2022 and 2021, respectively. If the non-deductible corporate expenses after the Listing were excluded, the effective income tax rates would be approximately 19.4% and 17.3% for the nine months ended 31 December 2022 and 2021, 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 2022 amounted to approximately HK\$7.8 million, representing a decrease of approximately 9% as compared with the profit of approximately HK\$8.6 million for the nine months ended 31 December 2021. Such decrease was due to the above-mentioned reasons. If the change in fair value of financial asset at FVTPL was excluded, the profit attributable to owners of the Company would increase by approximately 8% from approximately HK\$8.1 million for the nine months ended 31 December 2021 to approximately HK\$8.8 million for the nine months ended 31 December 2022.

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

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any securities, convertible securities, options, warrants or similar rights of the Company during the nine months ended 31 December 2022 and up to the date of this report.

## CORPORATE GOVERNANCE PRACTICES

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

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

The Board is of the view that during the nine months ended 31 December 2022 and up to the date of report ("**Relevant Period**"), the Company has complied with all applicable code provisions as set out in the CG code.

## SHARE OPTIONS

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

### (i) 2019 Share Option

On 15 August 2019, the Company has granted a total number of 36,400,000 share options (the "**2019 Share Option**") to certain eligible participants (the "**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



# Management Discussion and Analysis

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 (the “**Connected Grantee(s)**”).

The movements of the share options outstanding under the 2019 Share Option during the nine months ended 31 December 2022 are as follows:

Name and position/ capacity of participant	Date of grant	Exercise price (HK\$)	Number of shares represented by share options outstanding as at 1 April 2022 (Audited)	Number of share options granted during the period	Number of share options exercised during the period	Number of share options forfeited during the period	Number of shares represented by share options outstanding as at 31 December 2022 (Unaudited)
<b>Connected Grantees</b>							
Mr. Wong Wing Hoi (“ <b>Mr. Wong</b> ”) <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
<b>Employees</b>	15 August 2019	0.178	23,600,000	–	–	(6,000,000)	17,600,000
<b>Consultant</b>							
Mr. Ye Chiu Yeung (“ <b>Mr. Ye</b> ”)	15 August 2019	0.178	4,000,000	–	–	–	4,000,000
Total number of share options			32,400,000	–	–	(6,000,000)	26,400,000

# Management Discussion and Analysis

The movements of the share options outstanding under the 2019 Share Option during the nine months ended 31 December 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	Number of share options transferred during the period	Number of share options exercised during the period	Number of share options forfeited during the period	Number of shares represented by share options outstanding as at 31 December 2021 (Unaudited)
<b>Connected Grantees</b>								
Mr. Wong	15 August 2019	0.178	4,000,000	-	-	-	-	4,000,000
Mr. Wei Chun Pong Benjamin	15 August 2019	0.178	800,000	-	-	-	-	800,000
<b>Employees</b>	15 August 2019	0.178	27,600,000	-	(4,000,000)	-	-	23,600,000
<b>Consultant</b>								
Mr. Ye (Note)	15 August 2019	0.178	-	-	4,000,000	-	-	4,000,000
Total number of share options			32,400,000	-	-	-	-	32,400,000

Note: The Board resolved that the 2019 Share Option granted to Mr. Ye will be exercisable from 15 August 2021 to 14 August 2029 notwithstanding his resignation provided that he provides consulting services to the Group.

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

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

For the nine months ended 31 December 2022, no share-based payment expenses (2021: approximately HK\$0.4 million) was charged to the unaudited condensed consolidated statement of comprehensive income.

26,400,000 share options (2021: 32,400,000 share options) were exercisable as at 31 December 2022.

# Management Discussion and Analysis

## (ii) 2020 Share Option

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

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

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

The movements of the share options outstanding under the 2020 Share Option during the nine months ended 31 December 2022 are as follows:

Name and position/ capacity of participant	Date of grant	Exercise price (HK\$)	Number of shares	Number of share options granted during the period	Number of share options exercised during the period	Number of share options forfeited during the period	Number of shares
			represented by share options outstanding as at 1 April 2022 (Audited)				represented by share options outstanding as at 31 December 2022 (Unaudited)
<b>Connected Grantees</b>							
Mr. Wong	3 November 2020	0.095	800,000	-	-	-	800,000
Total number of share options			800,000	-	-	-	800,000

The movements of the share options outstanding under the 2020 Share Option during the nine months ended 31 December 2021 are as follows:

Name and position/ capacity of participant	Date of grant	Exercise price (HK\$)	Number of shares	Number of share options granted during the period	Number of share options exercised during the period	Number of share options forfeited during the period	Number of shares
			represented by share options outstanding as at 1 April 2021 (Audited)				represented by share options outstanding as at 31 December 2021 (Unaudited)
<b>Connected Grantees</b>							
Mr. Wong	3 November 2020	0.095	800,000	-	-	-	800,000
<b>Employees</b>	3 November 2020	0.095	800,000	-	-	(800,000)	-
Total number of share options			1,600,000	-	-	(800,000)	800,000

# Management Discussion and Analysis

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

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

For the nine months ended 31 December 2022, the Group recognised share-based payment expenses amounting to approximately HK\$8,000 (2021: approximately HK\$6,000), which has been charged to the unaudited condensed consolidated statement of comprehensive income.

800,000 share options (2021: 400,000 share options) were exercisable as at 31 December 2022.

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

As at 31 December 2022, 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 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>(Executive Director and Chief Executive Officer)</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>

# Management Discussion and Analysis

Notes:

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

Save as disclosed above, as at 31 December 2022, none of the Directors or chief executive of the Company had registered an interest or short position in any Shares or underlying Shares and/or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which would have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions in which they are taken or deemed to have under such provisions of the SFO) or that was required to be recorded in the register kept by the Company pursuant to section 352 of the SFO, or which are required to be notified to the Company and the Stock Exchange pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules.

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

As at 31 December 2022, the following persons (other than the Directors or chief executive of the Company) had interests and short positions in the Shares or underlying Shares of the Company which were required to be notified to the Company pursuant to Divisions 2 and 3 of Part XV of the SFO or as recorded in the register of interests required to be kept by the Company pursuant to section 336 of the SFO:

Name	Capacity and nature of interest	Number of shares held (Note 5)	Approximate percentage of the issued shares
Essential Strategy	Beneficial owner (Note 1)	210,000,000 (L)	52.5%
Ms. Wong Siu King (" <b>Ms. Wong</b> ")	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 (" <b>Ms. Yip</b> ")	Interest of spouse (Note 4)	90,000,000 (L)	22.5%

Notes:

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

# Management Discussion and Analysis

Save as disclosed above, as at 31 December 2022, the Company has not been notified by any persons (other than the Directors or Chief Executive of the Company) who has interests or short positions in the Shares or underlying Shares of the Company which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were required, pursuant to section 336 of the SFO, to be recorded in the register referred to therein.

## 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 throughout the Relevant Period.

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

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

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

## COMPETING INTEREST

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

## REVIEW OF FINANCIAL STATEMENTS

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

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

The Group's unaudited condensed consolidated financial statements for the nine months ended 31 December 2022, the accounting policies and practices adopted by the Group, and this report have been reviewed by the Audit Committee.

By Order of the Board

**Wei Ming**

*Chairman and Non-executive Director*

Hong Kong, 3 February 2023

# 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 set out in Appendix 15 of the GEM Listing Rules
"Chairman"	the chairman of the Board, as appointed and designated from time to time
"close associate(s)"	has the meaning ascribed to it under the GEM Listing Rules
"Company"	Novacon Technology Group Limited (連成科技集團有限公司), a company incorporated as an exempted company with limited liability in the Cayman Islands on 7 February 2018
"Controlling Shareholder(s)"	has the meaning ascribed to it under the GEM Listing Rules
"Director(s)"	the director(s) of the Company, as appointed from time to time
"Essential Strategy"	ESSENTIAL STRATEGY INVESTMENTS LIMITED, a company incorporated in the British Virgin Islands with limited liability on 4 January 2016, which is wholly-owned by Mr. Wei Ming, the Chairman, a non-executive Director and 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
"GES"	GLOBAL ESOLUTIONS (HK) LIMITED, formerly known as MAY POWER LIMITED (美權有限公司), a company incorporated in Hong Kong with limited liability on 25 January 2006 and an indirect wholly owned subsidiary of our Company
"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

## Definitions

"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
"Shareholder(s)"	holder(s) of the Shares
"Share Option Scheme"	the share option scheme of the Company adopted by the Shareholders on 29 March 2019
"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