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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)

INTERIM RESULTS ANNOUNCEMENT
FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2019

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. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.

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.

UNAUDITED INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2019

The board (the “**Board**”) of directors (the “**Directors**”) of Novacon Technology Group Limited (the “**Company**”) is pleased to announce the unaudited condensed consolidated results of the Company and its subsidiaries (collectively the “**Group**”) for the three months and six months ended 30 September 2019, together with the unaudited comparative figures for the corresponding period in 2018, as follows:

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the three months and six months ended 30 September 2019

	Note	Three months ended 30 September		Six months ended 30 September	
		2019 HK\$'000 (unaudited)	2018 HK\$'000 (unaudited)	2019 HK\$'000 (unaudited)	2018 HK\$'000 (unaudited)
Revenue	4	10,629	9,806	21,068	20,033
Other income	5	54	29	389	33
Expenses					
License and subscription cost		(497)	(396)	(904)	(790)
Internet services cost		(646)	(491)	(1,148)	(982)
Employee benefit expenses		(3,140)	(4,019)	(5,822)	(6,201)
Depreciation of property and equipment		(554)	(237)	(1,089)	(484)
Amortisation of intangible assets		(864)	(712)	(1,678)	(1,287)
Rental expenses		–	(674)	–	(1,348)
Fair value adjustment to an investment property		–	2,570	–	2,570
Listing expenses		–	(2,102)	(4,528)	(6,901)
Other expenses	6	(1,475)	(547)	(2,829)	(1,211)
Finance costs	7	(60)	(58)	(120)	(122)
Profit before income tax		3,447	3,169	3,339	3,310
Income tax expense	8	(805)	(434)	(1,749)	(1,265)
Profit and total comprehensive income attributable to owners of the Company for the period		2,642	2,735	1,590	2,045
Earnings per share attributable to owners of the Company for the period					
– Basic and diluted (express in HK cents per share)	9	0.66	0.91	0.42	0.68

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 September 2019

	<i>Note</i>	As at 30 September 2019 HK\$'000 (unaudited)	As at 31 March 2019 HK\$'000 (audited)
ASSETS			
Non-current assets			
Property and equipment	<i>11</i>	38,094	37,294
Intangible assets		15,471	14,504
Deposits	<i>12</i>	66	66
Deferred income tax asset		221	216
		<u>53,852</u>	<u>52,080</u>
Current assets			
Trade receivables, deposits and prepayments	<i>12</i>	3,184	8,510
Contract assets	<i>4</i>	379	513
Income tax recoverable		–	289
Cash and cash equivalents		53,247	10,405
		<u>56,810</u>	<u>19,717</u>
Total assets		<u>110,662</u>	<u>71,797</u>
EQUITY			
Equity attributable to owners of the Company			
Share capital	<i>14</i>	4,000	*
Retained earnings		47,876	46,286
Other reserves	<i>15</i>	42,690	7,500
Total equity		<u>94,566</u>	<u>53,786</u>

		As at 30 September 2019 HK\$'000 (unaudited)	As at 31 March 2019 HK\$'000 (audited)
LIABILITIES			
Non-current liabilities			
Deferred income tax liabilities		<u>571</u>	<u>326</u>
		<u>571</u>	<u>326</u>
Current liabilities			
Bank borrowing		11,725	11,950
Accruals and other payables	<i>13</i>	2,254	5,440
Income tax payable		1,228	8
Contract liabilities	<i>4</i>	318	287
		<u>15,525</u>	<u>17,685</u>
Total liabilities		<u>16,096</u>	<u>18,011</u>
Total equity and liabilities		<u>110,662</u>	<u>71,797</u>

* Less than HK\$1,000

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 September 2019

	Share capital <i>HK\$'000</i> <i>(Note 14)</i>	Other reserves <i>HK\$'000</i> <i>(Note 15)</i>	Retained earnings <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1 April 2018 (audited)	*	7,500	39,801	47,301
Total comprehensive income				
Profit and other comprehensive income for the period	—	—	2,045	2,045
At 30 September 2018 (unaudited)	*	7,500	41,846	49,346
At 1 April 2019 (audited)	*	7,500	46,286	53,786
Total comprehensive income				
Profit and other comprehensive income for the period	—	—	1,590	1,590
Transaction with owners in their capacity as owners				
Issue of ordinary shares	1,000	52,000	—	53,000
Capitalisation issue of shares	3,000	(3,000)	—	—
Capitalisation of Listing expenses	—	(14,008)	—	(14,008)
Share-based payments	—	198	—	198
At 30 September 2019 (unaudited)	4,000	42,690	47,876	94,566

* Less than HK\$1,000

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 September 2019

	Six months ended	
	30 September	2018
	2019	2018
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Net cash generated from operating activities	4,071	1,945
Net cash used in investing activities	(4,151)	(2,354)
Net cash generated from/(used in) financing activities	42,922	(1,754)
Net increase/(decrease) in cash and cash equivalents	42,842	(2,163)
Cash and cash equivalents at beginning of the period	10,405	14,647
Cash and cash equivalents at end of the period	53,247	12,484

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2019

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 (“**Listing**”) by way of share offer on the 2 May 2019 (“**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 six months ended 30 September 2019 have been prepared in accordance with Hong Kong Accounting Standard 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”) and the applicable disclosure provisions of the Rules Governing the Listing of Securities on GEM of the Stock Exchange (“**GEM Listing Rules**”).

The unaudited condensed consolidated financial statements for the six months ended 30 September 2019 should be read in conjunction with the audited consolidated financial statements for the year ended 31 March 2019 and the notes thereto as contained in the 2019 annual report of the Company (the “**2019 Audited Consolidated Financial Statements**”). The significant accounting policies adopted in the preparation of the unaudited condensed consolidated financial statements for the six months ended 30 September 2019 are consistent with those followed in the preparation of the 2019 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 have not been audited or reviewed by the Company’s external auditors, but has been reviewed by the audit committee of the Company (“the **Audit Committee**”).

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

Certain new and revised Hong Kong Financial Reporting Standards (“**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 2019 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 new issued HKFRSs.

4. REVENUE AND SEGMENT INFORMATION

	Three months ended		Six months ended	
	30 September		30 September	
	2019	2018	2019	2018
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Licensing and maintenance services	10,552	9,493	20,866	18,242
Initial set up and customisation services	77	313	202	1,791
	<u>10,629</u>	<u>9,806</u>	<u>21,068</u>	<u>20,033</u>

(a) Disaggregation of revenue from contracts with customers

During the six months ended 30 September 2019, all sources of revenue were recognised over time (2018: same).

(b) Contract assets and liabilities

		As at	As at
		30 September	31 March
		2019	2019
	Note	HK\$'000	HK\$'000
		(unaudited)	(audited)
Contract assets	(i)	379	513
Contract liabilities	(ii)-(iii)	<u>318</u>	<u>287</u>

Notes:

- (i) Contract assets represent revenue recognised prior to the date on which it is invoiced to customers. As at 30 September 2019, the contract assets mainly consisted of unbilled amount resulting from initial set up and customisation services and licensing and maintenance services. Contract assets decreased by approximately HK\$134,000 during the six months ended 30 September 2019 and such decrease was primarily due to timing of issue of sales invoices. There was no impairment loss recognised on any contract assets during the six months ended 30 September 2019.
- (ii) Contract liabilities represent advance payments received from customers for goods or services that have not yet been transferred to the customers. As at 30 September 2019, the contract liabilities mainly included the advance payments received from provision of initial set up and customisation services and provision of licensing and maintenance services. During the six months ended 30 September 2019, contract liabilities increased by approximately HK\$31,000 and such increase was due to advance payments received from customers for provision of initial set up and customisation services of financial trading solutions.
- (iii) During the six months ended 30 September 2019, approximately HK\$165,000 of carried-forward contract liabilities at the beginning of financial year were recognised as revenue and the remaining approximately HK\$122,000 was not yet recognised as revenue, which is mainly due to services have not yet been transferred to the customers.

- (iv) As at 30 September 2019, the aggregate amount of the transaction price allocated to performance obligations that are unsatisfied (or partially unsatisfied) was approximately HK\$5,159,000 (31 March 2019: HK\$2,426,000). Management expects that the transaction price allocated to the unsatisfied performance obligations will be recognised as revenue when the related services, mainly related to provision of maintenance services, are provided over the next 6 years (31 March 2019: 5 years) for the six months ended 30 September 2019.

The Group has elected the practical expedient for not to disclose the aggregate amount of the transaction price allocated to performance obligations that are unsatisfied (or partially unsatisfied) for revenue contracts which have an original expected duration of one year or less.

(c) 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 six months ended 30 September 2019, 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 (2018: same).

The Group domiciles and operates in Hong Kong. All revenue of the Group was generated in Hong Kong during the six months ended 30 September 2019 (2018: same).

- (d) 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 follow:

	Three months ended 30 September		Six months ended 30 September	
	2019 HK\$'000 (unaudited)	2018 HK\$'000 (unaudited)	2019 HK\$'000 (unaudited)	2018 HK\$'000 (unaudited)
Customer A	1,954	1,961	3,912	4,232
Customer B	*	*	2,115	*

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

5. OTHER INCOME

	Three months ended 30 September		Six months ended 30 September	
	2019 HK\$'000 (unaudited)	2018 HK\$'000 (unaudited)	2019 HK\$'000 (unaudited)	2018 HK\$'000 (unaudited)
Commission income	4	3	7	6
Bank interest income	50	–	382	1
Sundry income	–	26	–	26
	<u>54</u>	<u>29</u>	<u>389</u>	<u>33</u>

6. OTHER EXPENSES

	Three months ended 30 September		Six months ended 30 September	
	2019 <i>HK\$'000</i> (unaudited)	2018 <i>HK\$'000</i> (unaudited)	2019 <i>HK\$'000</i> (unaudited)	2018 <i>HK\$'000</i> (unaudited)
Advertising expenses	56	85	75	85
Auditor's remuneration				
– Audit services	210	20	420	200
– Non-audit services	14	20	28	27
Building management fees	21	135	42	271
Entertainment expenses	45	30	91	104
Exchange loss/(gain), net	(9)	2	2	28
Insurance expenses	37	–	79	90
Legal and professional fee	828	77	1,531	90
Loss on write-off of trade receivable	–	–	63	–
Telephone and utilities	41	50	79	110
Others	232	128	419	206
	<u>1,475</u>	<u>547</u>	<u>2,829</u>	<u>1,211</u>

7. FINANCE COSTS

	Three months ended 30 September		Six months ended 30 September	
	2019 <i>HK\$'000</i> (unaudited)	2018 <i>HK\$'000</i> (unaudited)	2019 <i>HK\$'000</i> (unaudited)	2018 <i>HK\$'000</i> (unaudited)
Finance costs on				
– Bank borrowing	109	100	210	181
Amount capitalised (<i>Note</i>)	(49)	(42)	(90)	(59)
	<u>60</u>	<u>58</u>	<u>120</u>	<u>122</u>

Note: The amount represent borrowing costs capitalised as development costs of intangible assets. The capitalisation rate used to determine the amount of borrowing costs to be capitalised is the weighted average interest rate applicable to the Group's general borrowings. During the six months ended 30 September 2019, the capitalisation rate was 3.52% (2018: 2.92%).

8. INCOME TAX EXPENSE

Hong Kong profits tax is levied at progress rate at 8.25% on the estimated assessable profit below HK\$2,000,000, and thereafter at a fixed rate at 16.5% for the six months ended 30 September 2019 (2018: fixed rate at 16.5%). The amount of tax charged to the unaudited condensed consolidated statement of comprehensive income represents:

	Three months ended 30 September		Six months ended 30 September	
	2019 HK\$'000 (unaudited)	2018 HK\$'000 (unaudited)	2019 HK\$'000 (unaudited)	2018 HK\$'000 (unaudited)
Hong Kong profits tax				
– Current period	798	516	1,509	1,347
Deferred income tax	7	(82)	240	(82)
	<u>805</u>	<u>434</u>	<u>1,749</u>	<u>1,265</u>

9. EARNINGS PER SHARE

Earnings per share is calculated by dividing the profits attributable to owners of the Company by the weighted average number of ordinary shares in issue during the period.

	Note	Three months ended 30 September		Six months ended 30 September	
		2019 (unaudited)	2018 (unaudited)	2019 (unaudited)	2018 (unaudited)
Profit attributable to owners of the Company (HK\$'000)		<u>2,642</u>	<u>2,735</u>	<u>1,590</u>	<u>2,045</u>
Weighted average number of ordinary shares in issue for the purpose of calculation of basic earnings per share (thousands)	(i)	400,000	300,000	383,060	300,000
Effect of diluted potential ordinary shares as a result of the Share Options (as defined in Note 16) granted	(ii)	–	–	–	–
Weighted average number of ordinary share in issue for the purpose of calculation of diluted earnings per share (thousands)		<u>400,000</u>	<u>300,000</u>	<u>383,060</u>	<u>300,000</u>
Basic and diluted earnings per share (HK cents)		<u>0.66</u>	<u>0.91</u>	<u>0.42</u>	<u>0.68</u>

Notes:

- (i) The weighted average number of shares in issue for the periods ended 30 September 2019 and 2018 for the purpose of earnings per share computation has been retrospectively adjusted for the effect of the 90 shares issued on 21 March 2019, 299,999,900 shares issued under the capitalisation issue and 100,000,000 shares issued for the Listing which took place on the Listing Date.
- (ii) The computation of diluted earnings per share for the periods does not assume the conversion of the Company's outstanding Share Options because the adjusted exercise of those Share Options is higher than the average market price of the share for the periods which is regarded as anti-dilutive.

10. DIVIDEND

The Directors do not recommend any payment of interim dividend for the six months ended 30 September 2019 (2018: nil).

11. PROPERTY AND EQUIPMENT

During the six months ended 30 September 2019, the Group acquired items of property and equipment with cost of approximately HK\$1,889,000 (2018: approximately HK\$62,000). No property, plant and equipment were written off during the six months ended 30 September 2019 (2018: cost of approximately HK\$77,000 were written off, no gain or loss were resulted).

The land and building amounted to approximately HK\$33,899,000 and HK\$34,479,000 as at 30 September 2019 and 31 March 2019 respectively was pledged as security against the bank borrowing (refer to Note 17(b)).

12. TRADE RECEIVABLES, DEPOSITS AND PREPAYMENTS

	As at 30 September 2019 HK\$'000 (unaudited)	As at 31 March 2019 HK\$'000 (audited)
Trade receivables	2,034	2,121
Deposits	466	319
Prepayments	750	6,136
	3,250	8,576
Less: non-current portion of deposits	(66)	(66)
Trade receivables, deposits and prepayments – Current	3,184	8,510

The carrying amounts of the Group's trade receivables, deposits and prepayments approximated their fair values at the end of each reporting period.

Credit period ranging from 0 days to 45 days were granted to the customers. As at the end of each reporting period, the ageing analysis of trade receivables by the invoice date was as follows:

	As at 30 September 2019 HK\$'000 (unaudited)	As at 31 March 2019 HK\$'000 (audited)
Less than 30 days	970	1,549
31 days to 90 days	932	552
Over 90 days	132	20
	<u>2,034</u>	<u>2,121</u>

The Group's trade receivables were denominated in the following currencies:

	As at 30 September 2019 HK\$'000 (unaudited)	As at 31 March 2019 HK\$'000 (audited)
United States dollars ("US\$")	1,527	1,921
Hong Kong dollars ("HK\$")	507	200
	<u>2,034</u>	<u>2,121</u>

The maximum exposure to credit risk at the reporting date was the fair value of the receivables mentioned above. The Group did not hold any collateral as security.

13. ACCRUALS AND OTHER PAYABLES

	As at 30 September 2019 HK\$'000 (unaudited)	As at 31 March 2019 HK\$'000 (audited)
Accrued payroll and employee benefits	1,061	564
Accrued listing expenses	–	4,079
Accrued expenses and other payables	1,193	797
	<u>2,254</u>	<u>5,440</u>

The carrying amounts of the accruals and other payables were denominated in HK\$.

All accruals and other payable were expected to be settled within one year.

14. SHARE CAPITAL

	Number of shares	Nominal value HK\$'000 (unaudited)
Authorised:		
At 1 April 2018 (audited)	38,000,000	380
Increase in authorised share capital on 29 March 2019	9,962,000,000	99,620
	<hr/>	<hr/>
At 31 March 2019 (audited)	10,000,000,000	100,000
	<hr/>	<hr/>
At 30 September 2019 (unaudited)	10,000,000,000	100,000
	<hr/>	<hr/>
Issued and fully paid:		
Ordinary shares of HK\$0.01 each		
At 1 April 2018 (audited)	10	*
Issuance of shares pursuant to the Reorganisation (as defined in the 2019 Audited Consolidated Financial Statements) on 21 March 2019	90	*
	<hr/>	<hr/>
At 31 March 2019 and 1 April 2019 (audited)	100	*
Capitalisation issue of shares on the Listing Date	299,999,900	3,000
Issue of ordinary shares on the Listing Date	100,000,000	1,000
	<hr/>	<hr/>
At 30 September 2019 (unaudited)	400,000,000	4,000
	<hr/>	<hr/>

* Less than HK\$1,000

15. OTHER RESERVES

	Share Premium HK\$'000	Capital Reserve HK\$'000 (Note)	Share Option Reserve HK\$'000 (Note 16)	Total HK\$'000
At 1 April 2018 and 30 September 2018 (unaudited)	–	7,500	–	7,500
	<hr/>	<hr/>	<hr/>	<hr/>
At 1 April 2019 (audited)	*	7,500	–	7,500
Transaction with owners in their capacity as owners				
Issue of ordinary shares	52,000	–	–	52,000
Capitalisation issue of shares	(3,000)	–	–	(3,000)
Capitalisation of Listing expenses	(14,008)	–	–	(14,008)
Share-based payments	–	–	198	198
	<hr/>	<hr/>	<hr/>	<hr/>
At 30 September 2019 (unaudited)	34,992	7,500	198	42,690
	<hr/>	<hr/>	<hr/>	<hr/>

* Less than HK\$1,000

Note: Capital reserve of HK\$7,500,000 represented the difference between the share capital of Operating Companies (as defined in the 2019 Audited Consolidated Financial Statements) acquired over the nominal value of the share capital of the Company issued in exchange thereof.

16. SHARE OPTION SCHEME

The Company has adopted the share option scheme (the “**Share Option Scheme**”) on 29 March 2019. The principal terms of the Share Option Scheme were summarised in the paragraph headed “Statutory and General Information – D. Share Option Scheme” in Appendix VI to the prospectus of the Company published on 15 April 2019 (the “**Prospectus**”).

On 15 August 2019, the Company has granted a total number of 36,400,000 share options (the “**Share Options**”) to certain eligible participants (the “**Grantees**”) under the Share Option Scheme which will entitle the Grantees to subscribe for a total number of 36,400,000 shares. The validity period of the Share Options shall be ten years from 15 August 2019, being the date of grant (the “**Date of Grant**”), to 14 August 2029 (both dates inclusive). The Share Options shall lapse at the expiry of the validity period. The vesting and exercise periods of the Share Options shall be as follows:

- (1) 50% of the Share Options granted shall be exercisable from 15 August 2020, being the first anniversary date of the Date of Grant, to 14 August 2029 (both dates inclusive); and
- (2) the remaining 50% of the Share Options granted shall be exercisable from 15 August 2021, being the second anniversary date of the Date of Grant, to 14 August 2029 (both dates inclusive).

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 Grantees**”). For details, please refer to the relevant announcement of the Company dated 15 August 2019 published in the websites of the Stock Exchange and the Company. The movements of the Share Options granted under the Share Option Scheme during the six months ended 30 September 2019 are as follows:

Name and position/ capacity of participant	Number of shares represented by Share Options outstanding as at 1 April 2019	Date of grant (Note 1)	Exercise price (HK\$)	Number of Share Options granted during the period	Share Options exercise during the period	Share Options lapsed/cancelled during the period (Note 2)	Number of shares represented by Share Options outstanding as at 30 September 2019
Connected Grantees							
Mr. Wong Wing Hoi (Executive Director)	-	15 August 2019	0.178	4,000,000	-	-	4,000,000
Mr. Wei Chun Pong Benjamin (Associate of Non-executive Director and Substantial Shareholder)	-	15 August 2019	0.178	800,000	-	-	800,000
Employees	-	15 August 2019	0.178	31,600,000	-	-	31,600,000
Total number of Share Options				36,400,000	-	-	36,400,000

Notes:

1. The closing price per share is HK\$0.158 as stated in the daily quotation sheets issued by the Stock Exchange on 14 August 2019, being the trading day immediately before the Date of Grant.
2. 4,000,000 Share Options lapsed after 30 September 2019 and up to the date of this announcement due to resignation of an employee.

The aggregate fair values of the Share Options granted during the six months ended 30 September 2019, which was determined as at the Date of Grant based on the Black Scholes model, was approximately HK\$2,901,000.

The following assumptions were used to calculate the fair values of Share Options granted on the Date of Grant:

Date of Grant share price (per share)	HK\$0.162
Exercise price (per share)	HK\$0.178
Contractual life (year(s))	10
Expected volatility (%)	56
Expected dividend yield (%)	0
Risk-free interest rate (%)	1.15

The Black Scholes model has been used to estimate the fair value of the Share Options. The variables and assumptions used in computing the fair value of the Share Options are based on the Directors' best estimate. Changes in variables and assumptions may result in changes in the fair value of the Share Options.

The Group reverses the share-based payments recognised in profit and loss for forfeiture prior to the expiry date, if any.

At the end of the reporting period, the Group revised its estimates of the number of Share Options that are expected to ultimately vest. The impact of the revision of the estimates, if any, is recognised in profit and loss with a corresponding adjustment to the Share Option reserve.

For the six months ended 30 September 2019, the Group recognised share-based payments of approximately HK\$198,000 (2018: nil), which has been charged to the unaudited condensed consolidated statement of comprehensive income.

No Share Options were exercisable as at 30 September 2019 (31 March 2019: nil).

17. RELATED PARTY TRANSACTION

As at 30 September 2019, the Directors considered Mr. Wei Ming (“**Mr. Wei**”) and Essential Strategy Investments Limited (“**Essential Strategy**”), which was incorporated in the British Virgin Islands, as the ultimate controlling shareholder and immediate holding company of the Company, respectively.

(a) Significant related party transactions

Save as disclosed elsewhere in this announcement, the Group had the following related party transaction during the period.

Name of party	Nature of transaction	Three months ended 30 September		Six months ended 30 September	
		2019 HK\$'000 (unaudited)	2018 HK\$'000 (unaudited)	2019 HK\$'000 (unaudited)	2018 HK\$'000 (unaudited)
Mr. Wei Chun Pong Benjamin (<i>Note</i>)	Employee benefits payable	<u>85</u>	<u>78</u>	<u>159</u>	<u>143</u>

Note: Mr. Wei Chun Pong Benjamin is a close family member of Mr. Wei. The above transaction was conducted in the normal course of business of the Company and charged at terms mutually agreed by the parties concerned or in accordance with the terms of the underlying agreements, where appropriate.

(b) As at 30 September 2019, the bank borrowing was secured by a corporate guarantee from Global eSolutions (HK) Limited (“**GES**”), a corporate guarantee from the Company and a land and building (refer to Note 11).

(c) **Key management compensation**

Key management includes executive Directors of the Company and the senior management of the Group.

Compensation of key management personnel of the Group, including Directors' emoluments, was as follows:

	Three months ended		Six months ended	
	30 September		30 September	
	2019	2018	2019	2018
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Salaries and allowances	1,422	937	2,575	1,715
Discretionary bonuses	–	1,233	81	1,286
Pension costs – defined contribution plans	21	18	41	36
Staff welfare and benefits	11	–	23	1
	1,454	2,188	2,720	3,038

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 over-the-counter-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 six months ended 30 September 2019, the Group recorded a revenue of approximately HK\$21.0 million, representing an increase of approximately 5% from approximately HK\$20.0 million recorded for the six months ended 30 September 2018. Profit attributable to owners of the Company for the six months ended 30 September 2019 amounted to approximately HK\$1.6 million, representing a decrease of approximately 22% as compared with the profit of approximately HK\$2.0 million for the six months ended 30 September 2018 mainly due to decrease in fair value gain on investment property by approximately HK\$2.6 million and increase in some of the expenses by approximately HK\$3.3 million in total, including but not limited to increase in license and subscription cost of approximately HK\$0.1 million, internet services cost of approximately HK\$0.2 million, depreciation of property and equipment of approximately HK\$0.6 million, amortisation of intangible assets of approximately HK\$0.4 million, other expenses of approximately HK\$1.6 million and income tax expense of HK\$0.4 million. It was partially offset by increase in revenue by approximately HK\$1.0 million, increase in other income by approximately HK\$0.4 million and decrease in some of the expenses by approximately HK\$4.1 million in total, including but not limited to decrease in employee benefit expenses of approximately HK\$0.4 million, rental expenses of approximately HK\$1.3 million and listing expenses of approximately HK\$2.4 million. If the fair value adjustment to an investment property and listing expenses were excluded, the profit attributable to owners of the Company decreased by approximately 4% from approximately HK\$6.4 million for the six months ended 30 September 2018 to approximately HK\$6.1 million for the six months ended 30 September 2019.

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 financial technology industry is a fast-evolving industry. In recent years, financial service market practitioners are incorporating prevailing technologies such as big data and cloud computing into the finance industry. In addition, industry competition is expected to continue to intensify in the near future and financial technology is taking a more and more important role in the trading process, from pre-trade risk management to clearing and settlement. Market participants are actively exploring ways to perform system upgrades and service enhancements. In particular, cloud, algo-trading, big data and artificial intelligence applications are increasingly important in the areas of investment, trading, clearing and settlement as well as regulation. As such, the Group plans to explore new business initiatives by diversifying our financial trading solutions with an aim to becoming a one-stop financial trading solution provider covering the whole life cycle of trading and settlement process from order placing, risk management, compliance to settlement.

In line with the fast evolving business environment and the continuous innovation of the financial market, the Group responded swiftly to the needs of the financial institutions by broadening our IT offerings to our clients.

In addition, in view of the Group's stable revenue in recent years, the Group plans to continue to commit in research and development of our financial trading solutions by (a) enhancing and upgrading our financial trading solutions; and (b) incorporating prevailing technologies to promote algo-trading and awareness of our trading terminal and trading systems. Our management is devoted to retaining experienced staff members and maintaining sustainable recruitment, finding suitable location for the research and development centre and identifying suitable target for acquisition. For details of how the Group expects to utilise the net proceeds from the Listing in light of the future prospects of the Group in the financial technology industry, please refer to the paragraph headed "Use of Proceeds from the Listing" under this section.

The Directors believe that the financial resources obtained by the Group from the Listing will strengthen its financial position and enable it to implement its business plan as mentioned above.

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 six months ended 30 September 2019, the Group recorded revenue of approximately HK\$21.0 million, representing an increase of approximately 5% as compared with the corresponding period in 2018 of approximately HK\$20.0 million. The following table sets forth the breakdown of our revenue by source of revenue:

	Three months ended 30 September				Six months ended 30 September			
	2019		2018		2019		2018	
	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%
	(unaudited)		(unaudited)		(unaudited)		(unaudited)	
Licensing and maintenance services	10,552	99	9,493	97	20,866	99	18,242	91
Initial set up and customisation services	77	1	313	3	202	1	1,791	9
Total	10,629	100	9,806	100	21,068	100	20,033	100

The increase was mainly attributable to the increase in revenue from licensing and maintenance services and it was partially offset by decrease in revenue from initial set up and customisation services. Revenue from licensing and maintenance services increased by approximately 14% from approximately HK\$18.2 million for the six months ended 30 September 2018 to approximately HK\$20.8 million for the six months ended 30 September 2019. It was primarily because existing customers acquired new features on existing products that they previously acquired for their business needs. However, revenue from initial set up and customisation services decreased by approximately 89% from approximately HK\$1.8 million for the six months ended 30 September 2018 to approximately HK\$0.2 million for the six months ended 30 September 2019. In addition, the Group did not generate revenue from the sales of computer hardware and software for both periods. Since 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, there is no predictable trend or seasonality factor for these two revenue streams.

Other Income

The Group's other income consists of interest income on bank deposits and commission income generated from the referral of internet access services. The Group's other income were approximately HK\$33,000 and HK\$389,000 for the six months ended 30 September 2018 and 2019, respectively. Such drastic increase was mainly because the bank deposits increased significantly after obtaining the proceeds from the Listing.

License and Subscription Cost

For the six months ended 30 September 2019, the Group's license and subscription cost was approximately HK\$0.9 million, representing an increase of approximately 14% over the same cost of approximately HK\$0.8 million for the six months ended 30 September 2018. Such increase was mainly due to increase in number of suppliers (2019: 7; 2018: 6) for business needs and implementation of our business plan as mentioned in the paragraph headed "Outlook" under this section.

Internet Services Cost

For the six months ended 30 September 2019 and 2018, the Group's internet services cost were approximately HK\$1.2 million and HK\$1.0 million, respectively. For business needs and implementation of our business plan as mentioned in the paragraph headed "Outlook" under this section, we increased our number of suppliers (2019: 8; 2018: 6).

Intangible Assets

For the six months ended 30 September 2018 and 2019, our research and development expenses (which were mostly included in employee benefit expenses) amounted to approximately HK\$3.2 million and HK\$3.4 million, respectively. Out of the total research and development costs, approximately HK\$2.2 million and HK\$2.6 million for the six months ended 30 September 2018 and 2019, respectively, were capitalised as intangible assets.

Employee Benefit Expenses

For the six months ended 30 September 2019, the Group's employee benefit expenses were approximately HK\$5.8 million, representing a decrease of approximately 6% over the employee benefit expenses of approximately HK\$6.2 million for the six months ended 30 September 2018. The decrease is primarily because no special bonus has been paid to staff during the six month ended 30 September 2019 (2018: approximately HK\$1.4 million) and increase in capitalised staff cost as intangible assets by approximately HK\$0.3 million. It was partially offset by increase in staff cost by approximately HK\$0.6 million in total for implementation of our business plan as mentioned in the paragraph headed "Outlook" under this section, increase in allowance to management and director fee by approximately HK\$0.6 million after the Listing and increase in share-based payment by approximately HK\$0.2 million.

Depreciation of Property and Equipment

The Group's depreciation of property and equipment was approximately HK\$1.1 million for the six months ended 30 September 2019, representing an increase of approximately 125% from approximately HK\$0.5 million for the six months ended 30 September 2018. The increase was primarily due to the increase in depreciation on a self-owned property located at Office E, 17th Floor, EGL Tower, No. 83 Hung To Road, Kwun Tong, Kowloon, Hong Kong (the "Property") reclassified from investment property to land and building in October 2018.

Amortisation of Intangible Assets

The Group's amortisation of intangible assets was approximately HK\$1.7 million for the six months ended 30 September 2019, representing an increase of approximately 30% from approximately HK\$1.3 million for the six months ended 30 September 2018. The increase was primarily due to additions of computer software systems mainly contributed from staff costs capitalised during the year ended 31 March 2019.

Rental Expenses

For the six months ended 30 September 2019, no rental expenses were incurred (2018: approximately HK\$1.3 million). The decrease was primarily due to the Group entering into a surrender agreement with the landlord for early termination in respect of the leased premises in November 2018 and self-use of the Property as operating office since January 2019.

Fair Value Adjustment to an Investment Property

The Property was acquired in January 2018 at approximately HK\$31.4 million, with transaction cost of approximately HK\$2.7 million. It was initially recognised as investment property and subject to fair value adjustment. The Group conducted a valuation for fair value adjustment for the six months ended 30 September 2018 and recognised a fair value gain of approximately HK\$2.6 million.

On 15 October 2018, the Property was reclassified as property and equipment in the consolidated statement of financial position, as the management of the Group had passed a resolution to change the usage of the Property from earning rental to self-use as operating office.

Valuation of Property

For the purpose of the Listing, a valuation as at 31 January 2019 was conducted on the Property. As above-mentioned, on 15 October 2018, the Property was reclassified as property and equipment in the consolidated statement of financial position, as the management of the Group had passed a resolution to change the usage of the Property from earning rental to self-use as operating office. As detailed in note 2.5 to the 2019 Audited Consolidated Financial Statements, the property and equipment is carried at historical cost less depreciation and impairment loss. Accordingly, no additional depreciation would be charged to the consolidated statement of comprehensive income regardless of the changes in market value of the Property.

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. The Group's listing expenses was approximately HK\$4.5 million for the six months ended 30 September 2019, representing a decrease of approximately 34% from approximately HK\$6.9 million for the six months ended 30 September 2018.

Other Expenses

The Group's other expenses mainly include (i) legal and professional fee; (ii) auditors' remuneration; (iii) building management fees; and (iv) advertising expenses. The Group's other expenses for the six months ended 30 September 2019 were approximately HK\$2.8 million, representing an increase of approximately 134% over the other expenses of approximately HK\$1.2 million for the six months ended 30 September 2018. The increase was primarily attributable to the increase in legal and professional fee after the Listing.

Finance Costs

Finance costs remain constant at approximately HK\$0.1 million for the six months ended 30 September 2019 and 2018. It was primarily because borrowing costs capitalised as development cost of intangible assets increased by approximately 53% from approximately HK\$59,000 for the six months ended 30 September 2018 to approximately HK\$90,000 for the six months ended 30 September 2019 offset by an increase in variable interest rate which resulted in increase in finance costs by approximately 16% from approximately HK\$181,000 for the six months ended 30 September 2018 to approximately HK\$210,000 for the six months ended 30 September 2019.

Profit Before Income Tax

Profit before income tax remained constant at approximately HK\$3.3 million for the six months ended 30 September 2019 and 2018. It was primarily due to the increase in revenue by approximately HK\$1.0 million, increase in other income by approximately HK\$0.4 million and decrease in employee benefit expenses, rental expenses and listing expenses by approximately HK\$4.1 million in total (as explained item by item above) and offset by decrease in fair value gain on investment property by approximately HK\$2.6 million and increase in license and subscription cost, internet services cost, depreciation of property and equipment, amortisation of intangible assets and other expenses by approximately HK\$2.9 million in total (as explained item by item above). If the fair value adjustment to an investment property and listing expenses were excluded, the profit before income tax of the Company increased by approximately 3% from approximately HK\$7.6 million for the six months ended 30 September 2018 to approximately HK\$7.9 million for the six months ended 30 September 2019.

Income Tax Expense

The Group's income tax expense for the six months ended 30 September 2019 was approximately HK\$1.7 million, representing an increase of approximately 38% from approximately HK\$1.3 million for the six months ended 30 September 2018. Such increase was mainly due to the recognition of deferred tax liability of accumulated fair value changes of investment property. The effective income tax rates of the Group, which were equal to the income tax expense divided by profit before tax, were approximately 52.4% and 38.2% for the six months ended 30 September 2019 and 2018, respectively. If the fair value adjustment to an investment property, listing expenses and above-mentioned deferred tax were excluded, the effective income tax rates would be 19.1% and 16.6% for the six months ended 30 September 2019 and 2018, respectively.

Profit for the Period Attributable to Owners of the Company

Profit attributable to owners of the Company for the six months ended 30 September 2019 amounted to approximately HK\$1.6 million, representing a decrease of approximately 22% as compared with the profit of approximately HK\$2.0 million for the six months ended 30 September 2018. Such decrease was due to the combination of above-mentioned reasons, and the increase in income tax expense by approximately HK\$0.4 million. If the fair value adjustment to an investment property and listing expenses were excluded, the profit attributable to owners of the Company decreased by approximately 4% from approximately HK\$6.4 million for the six months ended 30 September 2018 to approximately HK\$6.1 million for the six months ended 30 September 2019.

LIQUIDITY AND FINANCIAL RESOURCES

The Group's operations are financed mainly by cash generated from operations. The Group recorded net current assets of approximately HK\$41.3 million as at 30 September 2019 (31 March 2019: approximately HK\$2.0 million).

As at 30 September 2019, the Group's current assets amounted to approximately HK\$56.8 million (31 March 2019: approximately HK\$19.7 million) of which approximately HK\$3.2 million (31 March 2019: approximately HK\$8.5 million) was trade receivables, deposits and prepayments, approximately HK\$0.4 million (31 March 2019: approximately HK\$0.5 million) was contract assets and approximately HK\$53.2 million (31 March 2019: approximately HK\$10.4 million) was cash and cash equivalents. The Group had no income tax recoverable as at 30 September 2019 (31 March 2019: approximately HK\$0.3 million).

As at 30 September 2019, the Group has interest-bearing bank borrowing of approximately HK\$11.7 million (31 March 2019: approximately HK\$12.0 million) at 3.58% effective interest rate (31 March 2019: 3.03%). On the same date, the Group had unused banking facilities of approximately HK\$8.0 million. The banking facilities were secured by a corporate guarantee from GES, a corporate guarantee from the Company and the land and building with carrying amount of approximately HK\$33.9 million. As at 30 September 2019, none of the Group's borrowing bears interest at fixed rate.

The gearing ratio of the Group, which was defined as total debt divided by total equity, was 12.4% as at 30 September 2019 (31 March 2019: 22.2%). The decrease in gearing ratio was mainly due to the issue of shares which resulted in increase in total equity. The net debt to equity of the Group, which was defined as total debt net of cash and cash equivalents divided by total equity, was net cash position as at 30 September 2019 (31 March 2019: 2.9%).

The Group's financial position has been further enhanced by the net proceeds of approximately HK\$17.5 million obtained from the Listing in May 2019.

PRINCIPAL RISKS AND UNCERTAINTIES

The Group's operations are subject to certain risks and the major ones that may have a material and adverse effect on the Group's business, financial conditions and results of operations include research and development risk, retention of customers and staff and concentration of customers and suppliers. For details, please refer to the same paragraph under the same section of the 2019 annual report of the Company. In addition, the Group's activities are exposed to a variety of financial risks including, exchange rate risk, credit risk, liquidity risk and interest rate risk.

EXPOSURE TO FLUCTUATION IN EXCHANGE RATES

The Group's revenue and cost are primarily denominated in US\$ and HK\$. Since HK\$ is pegged to US\$, the Group does not have significant currency risks and it is the Group's policy not to engage in speculative activities. The Group has not entered into any contracts to hedge its exposure for foreign exchange risk.

EXPOSURE TO CREDIT RISK

The Group's credit risk is primarily attributable to cash and cash equivalents and trade receivables due from customers and contract assets as set out in notes 4(b) and 12 to the unaudited condensed consolidated financial statements. The Group has a credit policy in place and the exposures to these credit risks are monitored on an ongoing basis.

To manage the risk arising from cash at banks, the Group only transacts with reputable banks which are all high-credit-quality financial institutions. In addition, the credit record and credit period for each customer or debtor are regularly assessed, based on the customer's or debtor's financial condition, their credit records and other factors such as current market condition. For details, please refer to note 3.1(b) to the 2019 Audited Consolidated Financial Statements.

The Group has credit policy to monitor the level of credit risk in relation to customers. In general, the credit record and credit period for each customer or debtor are regularly assessed based on the customer's or debtor's financial condition, their credit records and other factors such as current market condition. The Group applies the simplified approach to provide for expected credit losses prescribed by HKFRS 9, which permits the use of the lifetime expected loss provision for all trade receivables and contract assets from third parties. The Group overall considers the shared credit risk characteristic and the days past due of the trade receivables and contract assets to measure the expected credit loss. Our management, considered among other factors including forward looking information, analysed historical payment pattern and concluded that the expected loss rate of trade receivables and contract assets are assessed to be less than 1% for the six months ended 30 September 2019 (31 March 2019: less than 1%). No loss allowance provision for these balances was made during the six months ended 30 September 2019 (31 March 2019: nil). The loss on write-off of trade receivable is not material during the six months ended 30 September 2019 (31 March 2019: nil).

EXPOSURE TO LIQUIDITY RISK

The Group's policy is to regularly monitor current and expected liquidity requirements to ensure that it maintains sufficient reserves of cash to meet its liquidity requirements in the short and longer term.

The table below analyses the Group's financial liabilities into relevant maturity groupings based on the remaining period at the reporting period end to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. As at 30 September 2019, the bank borrowing with a repayment on demand clause, amounting to HK\$11,725,000 (31 March 2019: HK\$11,950,000), is included in the "on demand" time band in the maturity analysis below. Balances due within 12 months equal their carrying values as the impact of discounting is not significant.

	On demand <i>HK\$'000</i>	Within 1 year <i>HK\$'000</i>	Between 1 and 2 years <i>HK\$'000</i>	Between 2 and 5 years <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 30 September 2019 (unaudited)					
Bank borrowing	11,725	–	–	–	11,725
Accruals and other payables (excluding accrued payroll and employee benefits)	–	1,154	–	–	1,154
At 31 March 2019 (audited)					
Bank borrowing	11,950	–	–	–	11,950
Accruals and other payables (excluding accrued payroll and employee benefits)	–	4,876	–	–	4,876
	<u>–</u>	<u>4,876</u>	<u>–</u>	<u>–</u>	<u>4,876</u>

Specifically, for a bank borrowing which contains a repayment on demand clause which can be exercised at the bank's sole discretion, the analysis shows the cash outflow based on the earliest date in which the Group can be required to pay, that is if the lender was to invoke their unconditional rights to call the loans with immediate effect.

The table below summarises the maturity analysis of the bank borrowing (subject to a repayment on demand clause) based on agreed scheduled repayments set out in the loan agreement. The amounts include interest payments computed using contractual rates. Taking into account the Group's financial position, the Directors do not consider that it is probable that the bank will exercise its discretion to demand immediate repayment. The Directors believe that such bank borrowing will be repaid in accordance with the scheduled repayment dates set out in the loan agreement.

	Less than 1 year <i>HK\$'000</i>	Between 1 and 2 years <i>HK\$'000</i>	Between 2 and 5 years <i>HK\$'000</i>	Over 5 years <i>HK\$'000</i>
At 30 September 2019 (unaudited)	863	863	2,589	11,507
At 31 March 2019 (audited)	<u>791</u>	<u>791</u>	<u>2,374</u>	<u>10,947</u>

The Group maintains continuous communication with its bank and has obtained a letter from the bank, confirming that, subject to normal banking criteria and its periodic review, and in the absence of unforeseen circumstance, the facilities will not be demanded before 30 June 2020.

EXPOSURE TO INTEREST RATE RISK

The Group's exposure to interest rate risk arises from its bank deposits and bank borrowing. These deposits and the borrowing bear interests at variable rates varied with the then prevailing market condition. Except as stated above, the Group has no other interest-bearing assets and liabilities as at 30 September 2019 (31 March 2019: same), its income and operating cash flows are substantially independent of changes in variable interest rates.

CAPITAL STRUCTURE

The shares were listed on GEM of the Stock Exchange on the Listing Date. There has been no change in the capital structure of the Company since then. As at 30 September 2019, the capital structure of the Company comprised mainly issued share capital and reserves.

PLEDGE OF ASSETS

As at 30 September 2019, the Group has pledged its land and building with carrying amount of approximately HK\$33.9 million (31 March 2019: approximately HK\$34.5 million) to secure banking facilities granted to the Group to the extent of approximately HK\$19.7 million (31 March 2019: approximately HK\$20.0 million).

MATERIAL ACQUISITIONS AND DISPOSALS

The Group has not made any significant investments or material acquisitions and disposals of subsidiaries during the six months ended 30 September 2019.

CAPITAL COMMITMENTS AND CONTINGENT LIABILITIES

As at 30 September 2019, the Group did not have any material capital commitments and contingent liabilities.

HUMAN RESOURCES AND REMUNERATION POLICIES

As at 30 September 2019, the Group had a workforce of 33 (31 March 2019: 30) full-time employees. The remuneration of the Group's employees is determined depending on a number of factors, including their qualifications, function, experience, work performance and local market conditions. The Group regularly reviews its compensation and benefit policies to ensure that the remuneration package offered remains competitive and in line with relevant labour regulations. For the six months ended 30 September 2019, the total employee benefit expenses of the Group (including salaries, bonuses, allowances, pension costs (defined contribution plans) and staff welfare and benefits) before deduction of capitalised staff costs as development costs of computer software system was approximately HK\$8.3 million (2018: approximately HK\$8.4 million). The Company has adopted the Share Option Scheme on 29 March 2019 to enable the Company to grant options to, amongst others, the employees and directors of the Group. For details, please refer to note 16 of the unaudited condensed consolidated financial statements and the paragraph headed "Share Option Scheme" under this section.

INTERIM DIVIDEND

Pursuant to the meeting held on 1 November 2019, the Board does not recommend the payment of an interim dividend for the six months ended 30 September 2019 (2018: nil).

SIGNIFICANT INVESTMENTS AND PLAN FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

The Company did not have any significant investments as at 30 September 2019. Save as disclosed in the Prospectus and as at the date of this announcement, the Company did not have other plans for material investments or capital assets in the coming financial year.

EVENTS AFTER THE REPORTING DATE

Save as disclosed elsewhere in this announcement, the Group has no significant events subsequent to 30 September 2019 and up to the date of this announcement.

COMPARISON OF BUSINESS OBJECTIVES WITH ACTUAL BUSINESS PROGRESS

An analysis comparing the business objectives as set out in the Prospectus with the Group's actual business progress for the period from the Listing Date to 30 September 2019 is set out below:

<u>Business objectives</u>	<u>Actual progress</u>
Continue to commit in research and development of our financial trading solutions	<p>From the Listing Date to 30 September 2019, the Group entered into a hosting services subscription agreement with HKEX Hosting Services Limited (“HKEX Hosting”) for the co-location facilities, which provide us access to the trading and market data, trading and clearing systems of the Stock Exchange at a low latency connection. As a result, the Group became one of the HKEX Hosting application service providers (“ASP”) ecosystem members to provide approved ASP services to our customer(s).</p> <p>In addition, the Group hired 4 research and development staff from the Listing Date to 30 September 2019. However, we have not yet engaged the consultant to provide technical support for research and development. It was primarily because the details of the services to be provided were not yet confirmed.</p> <p>The Group had used approximately HK\$0.2 million to recruit research and development staff, approximately HK\$0.4 million to purchase the abovementioned hosting and connectivity services from HKEX Hosting and approximately HK\$1.4 million to acquire computer hardware and software, such as servers and network devices.</p>
Pursue selective acquisition(s)	<p>Our management is devoted to identifying suitable target for acquisition. We did not identify any suitable target for acquisition up to 30 September 2019.</p>
Establish a research and development centre	<p>The expected timeline to commence the establishment of research and development centre is changed from the third quarter of 2019 to November 2020. It is primarily because we currently have sufficient office space for the additional headcounts of research and development staff as a result of change in staff composition. The Board considers that the delay will allow the Company to deploy its financial resources more effectively, which is in the best interest of the Company and its shareholders as a whole.</p>

USE OF PROCEEDS FROM THE LISTING

The shares of the Company were initially listed on GEM of the Stock Exchange by way of a share offer of 100,000,000 shares on the Listing Date, at HK\$0.53 per share.

The net proceeds from the share offer were approximately HK\$17.5 million, which was based on the gross proceeds from the share offer less the actual expenses relating to the Listing. The change in the amount of net proceeds as disclosed in the Prospectus is primarily due to the fact that the shares were issued at the low-end of the Offer Price Range (as defined in the Prospectus). Subsequent to the Listing, these proceeds are used for the purposes in accordance with the future plans as set out in the Prospectus as below:

Description of intended use of the proceeds	Net proceeds <i>HK\$ million</i>	Approximate percentage of total net proceeds	Planned use of proceeds from Listing Date to 30 September 2019 <i>HK\$ million</i>	Actual use of proceeds from Listing Date to 30 September 2019 <i>HK\$ million</i>	Unutilised amount as at 30 September 2019 <i>HK\$ million</i>	Expected timeline for full use of the unutilised proceeds
Continue to commit in research and development of our financial trading solutions	13.3	75.8%	2.0	2.0	11.3	May 2022
Pursue selective acquisition(s)	1.4	8.0%	–	–	1.4	April 2022
Establish a research and development centre	1.8	10.1%	0.3	–	1.8	May 2022
Working capital and other general corporate purpose	1.0	6.1%	–	–	1.0	N/A
Total	17.5	100.0%	2.3	2.0	15.5	

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

During the six months ended 30 September 2019 and up to the date of this announcement, neither the Company nor any of its subsidiaries purchased, sold or redeemed any securities, convertible securities, options, warrants or similar rights of the Company.

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 interest 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 Corporate Governance Code and Corporate Governance Report (“**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 announcement, the Company has complied with all applicable code provisions as set out in the CG Code.

AUDIT COMMITTEE

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 six months ended 30 September 2019, the accounting policies and practices adopted by the Group, and this announcement have been reviewed by the Audit Committee in a meeting held on 1 November 2019.

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. 36,400,000 Share Options have been granted pursuant to the Share Option Scheme during the six months ended 30 September 2019. For details of the grant of Share Options, please refer to note 16 to the unaudited condensed consolidated financial statements for the six months ended 30 September 2019.

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

As at 30 September 2019, 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 Securities and Futures Ordinance (“**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 ordinary shares of the Company/ associated corporation held (Note 4)	Approximate percentage of the issued shares of the Company/ associated corporation
Mr. Wei	Company	Interest in controlled corporation (Note 1)	210,000,000 (L)	52.5%
Mr. Chung Chau Kan ("Mr. Chung") (Chief Executive Officer)	Company	Interest in controlled corporation (Note 2)	90,000,000 (L)	22.5%
Mr. Wong Wing Hoi	Company	Beneficial owner	4,000,000 (L) (Note 3)	1%
Mr. Wei	Essential Strategy	Beneficial owner	1,000 (L)	100%

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 Holdings Limited ("**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 Share Options granted by the Company on the Date of Grant under the Share Option Scheme adopted by the Company on 29 March 2019.
- (4) The letter "L" denotes "long position" in such shares.

Saved as disclosed above, as at 30 September 2019, 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' INTERESTS AND OTHER PERSONS' INTERESTS IN SHARES, UNDERLYING SHARES

As at 30 September 2019, 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 would fall to be disclosed to the Company and the Stock Exchange 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, or which would be, directly or indirectly, interested in 5% or more of the issued voting shares were as follows:

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 his wholly owned subsidiary, Essential Strategy.
- (2) Ms. Wong Siu King (“**Ms. Wong**”) is the spouse of Mr. Wei. Under the SFO, Ms. Wong was deemed to be interested in the same number of shares in which Mr. Wei was interested.
- (3) Mr. Chung held 90,000,000 shares through his wholly owned subsidiary, Expert Wisdom.
- (4) Ms. Yip Kim Kam (“**Ms. Yip**”) is the spouse of Mr. Chung. Under the SFO, Ms. Yip was deemed to be interested in the same number of shares in which Mr. Chung was interested.
- (5) The letter “L” denotes “long position” in such shares.

Saved as disclosed above, as at 30 September 2019, 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 standing of dealings set out in Rules 5.48 to 5.67 of the GEM Listing Rules (the “**Securities Transactions Code**”).

The Securities Transactions Code was not applicable to the Company before the Listing Date. Specific enquiry has been made with all the Directors and each of the Directors have confirmed that they have complied with the Securities Transactions Code since the Listing Date and up to the date of this announcement.

Since the Listing Date and up to the date of this announcement, the Company is not aware of any incident of non-compliance of the Securities Transactions Code by the Directors.

DIRECTORS' 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 six months ended 30 September 2019 were 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 (as defined under the GEM Listing Rules) or were any such rights exercised by them; or was the Company, its holding company, or any of its subsidiaries or fellow subsidiaries a party to any arrangements to enable the Directors or chief executive of the Company or their respective associates (as defined under the GEM Listing Rules) to acquire such rights in any other body corporate.

COMPETING INTEREST

Since the Listing Date and up to the date of this announcement, none of the Directors or the controlling shareholders or their close associates (as defined in the GEM Listing Rules) 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 (as defined under the GEM Listing Rules) 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 announcement.

PUBLICATION

The interim results announcement for the six months ended 30 September 2019 is available for viewing on the websites of the Stock Exchange at www.hkexnews.hk and the Company at www.novacontechgroup.com, respectively. The interim report of the Company for the six months ended 30 September 2019 shall be despatched to the Company's shareholders and published on the respective websites of the Stock Exchange and the Company in due course.

By order of the Board
Novacon Technology Group Limited
Wei Ming
Chairman and non-executive Director

Hong Kong, 1 November 2019

As at the date of this announcement, the Board comprises Mr. Chung Chau Kan as the executive Director and chief executive officer and Mr. Wong Wing Hoi as the executive Director; Mr. Wei Ming as the chairman of the Board and non-executive Director; and Mr. Moo Kai Pong, Mr. Lo Chi Wang and Mr. Wu Kin San Alfred as the independent non-executive Directors.

This announcement, 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 and its subsidiaries. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this announcement 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 announcement misleading.

This announcement will remain on the "Latest Listed Company Information" page of the GEM website at www.hkgem.com for a minimum period of 7 days from the date of its publication and will also be published on the Company's website at www.novacontechgroup.com.