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)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 MARCH 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.

ANNUAL RESULTS FOR THE YEAR ENDED 31 MARCH 2019

The board (the "Board") of directors (the "Directors") of Novacon Technology Group Limited (the "Company") is pleased to announce the audited consolidated results of the Company and its subsidiaries (collectively the "Group") for the year ended 31 March 2019, together with the corresponding comparative figures for the year ended 31 March 2018. The information should be read in conjunction with the prospectus of the Company dated 15 April 2019 (the "Prospectus"). Capitalised terms used in this announcement shall have the same respective meanings as those defined in the Prospectus unless otherwise stated.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 March 2019

	Notes	**2019** ***HK$'000***	2018 *HK$'000*
Revenue	*3*	**44,242**	43,474
Other income		**44**	30
Expenses			
Cost of sales of computer hardware and software		**(1,042)**	(926)
License and subscription cost		**(1,587)**	(1,262)
Internet services cost		**(1,963)**	(1,842)
Employee benefits expenses		**(13,249)**	(12,718)
Depreciation of property and equipment		**(1,529)**	(1,168)
Amortisation of intangible assets		**(2,783)**	(2,123)
Rental expenses		**(2,901)**	(2,589)
Fair value adjustment to an investment property		**3,400**	(2,459)
Listing expenses		**(10,224)**	(6,785)
Other expenses		**(3,085)**	(2,118)
Finance costs	*4*	**(236)**	(21)
Profit before income tax		**9,087**	9,493
Income tax expense	*5*	**(2,602)**	(3,067)
Profit and total comprehensive income attributable to owners of the Company for the year		**6,485**	6,426
Earnings per share attributable to owners of the Company for the year:			
– Basic and diluted (expressed in HK cents per share)	*7*	**2.16**	2.14

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2019

	Notes	2019 HK$'000	2018 HK$'000
ASSETS			
Non-current assets			
Property and equipment	8	**37,294**	2,524
Investment property	9	**–**	31,610
Intangible assets		**14,504**	12,524
Deposits		**66**	865
Deferred income tax asset		**216**	20
		52,080	47,543
Current assets			
Trade receivables, deposits and prepayments	10	**8,510**	3,941
Contract assets		**513**	542
Income tax recoverable		**289**	–
Cash and cash equivalents		**10,405**	14,647
		19,717	19,130
Total assets		**71,797**	66,673
EQUITY			
Equity attributable to owners of the Company			
Share capital	11	*****	*
Retained earnings		**46,286**	39,801
Other reserves		**7,500**	7,500
Total equity		**53,786**	47,301
LIABILITIES			
Non-current liabilities			
Provision for reinstatement costs		**–**	100
Deferred income tax liabilities		**326**	246
		326	346

	Notes	**2019**	2018
		HK$'000	*HK$'000*
Current liabilities			
Bank borrowing		**11,950**	12,417
Accruals and other payable	*12*	**5,440**	5,493
Income tax payable		**8**	1,030
Contract liabilities		**287**	86
		17,685	19,026
Total liabilities		**18,011**	19,372
Total equity and liabilities		**71,797**	66,673

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 March 2019

	Share capital *HK$'000*	Other reserves *HK$'000*	Retained earnings *HK$'000*	Total *HK$'000*
At 1 April 2017	–	*	40,875	40,875
Changes in equity for the year ended 31 March 2018				
Total comprehensive income				
Profit and other comprehensive income for the year	–	–	6,426	6,426
Transaction with owners in their capacity as owners				
Capitalisation from retained earnings	–	7,500	(7,500)	–
Issuance of shares at the date of incorporation (Note 1.2 (a))	*	–	–	*
At 31 March 2018	*	7,500	39,801	47,301
At 1 April 2018	*	7,500	39,801	47,301
Changes in equity for the year ended 31 March 2019				
Total comprehensive income				
Profit and other comprehensive income for the year	**–**	**–**	**6,485**	**6,485**
Transaction with owners in their capacity as owners				
Issuance of shares pursuant to the Reorganisation (Note 1.2 (c))	*	(*)	**–**	**–**
At 31 March 2019	*	**7,500**	**46,286**	**53,786**

* *Less than HK$1,000*

1. CORPORATE INFORMATION, REORGANISATION AND BASIS OF PRESENTATION

1.1 Corporate 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 address of the Company's registered office is at the offices of Conyers Trust Company (Cayman) Limited, Cricket Square, Hutchins Drive, PO Box 2681, Grand Cayman, KY1-1111, Cayman Islands and its principal place of business is at office E, 17th Floor, EGL Tower, No.83 Hung To Road, Kwun Tong, Kowloon, Hong Kong.

Pursuant to the group reorganisation as set out in the note 1.2, which was completed on 21 March 2019 (the "Reorganisation"), the Company became the holding company of its subsidiaries now comprising the Group. The shares of the Company were listed on GEM of the Stock Exchange by way of placing and public offer on 2 May 2019.

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 (the "Listing Business"). These consolidated financial statements are presented in Hong Kong dollars ("HK$") and all values are rounded to the nearest thousand (HK$'000), unless otherwise stated.

1.2 Reorganisation

Prior to the incorporation of the Company and the completion of the Reorganisation as described below, the Listing Business was carried out by Global eSolutions (HK) Limited ("GES"), Real Logic Technology Company Limited ("RLT") and Win Investment (HK) Limited ("WIL"), which are companies incorporated in Hong Kong (the "Operating Companies"). RLT and WIL are wholly owned subsidiaries of GES. The Operating Companies were held by Essential Strategy Investments Limited ("Essential Strategy") as to 70% and Mr. Chung Chau Kan ("Mr. Chung") as to 30% (collectively the "Shareholders"). As at 22 March 2016, Essential Strategy was owned by Mr. Wei Ming ("Mr. Wei") as to 55% and Mr. Leung Tsz Fung David Ferreira ("Mr. Leung") as to 45%. On 21 December 2016, Mr. Wei acquired the 45% interest in Essential Strategy from Mr. Leung. Since then, Essential Strategy has been wholly owned by Mr. Wei.

In preparation for the listing of the Company's shares on GEM of the Stock Exchange (the "Listing"), the Group underwent the Reorganisation, which principally involved the following steps:

(a) On 7 February 2018, the Company was incorporated in the Cayman Islands and 1 share of HK$0.01 was allotted and issued to the initial subscriber, which was then transferred to Essential Strategy. On the same day, 6 shares and 3 shares of the Company of HK$0.01 each were allotted and issued to Essential Strategy and Expert Wisdom Holdings Limited ("Expert Wisdom"), a company wholly owned by Mr. Chung, respectively. Since then, the Company was owned as to 70% by Essential Strategy and as to 30% by Expert Wisdom.

(b) On 21 February 2018, Motion Cast Limited ("Motion Cast") was incorporated in the British Virgin Islands ("BVI") and 1 share of US$1.00 was allotted and issued to the Company. Since then, Motion Cast became a wholly-owned subsidiary of the Company.

(c) On 21 March 2019, Motion Cast acquired the entire share capital of GES from Essential Strategy and Mr. Chung at a consideration settled by allotment and issue of 63 and 27 ordinary shares of HK$0.01 each of the Company to Essential Strategy and Expert Wisdom, respectively. Since then, GES became an indirectly wholly-owned subsidiary of the Company.

(d) By a shareholder's resolution dated 29 March 2019 and conditional on the share premium account of the Company being credited as a result of the share offer, the Company will issue additional 299,999,900 shares, credited as fully paid, to the existing shareholders of the Company, by way of capitalisation of HK$2,999,999 standing to the credit of the Company's share premium account.

1.3 Basis of presentation

Immediately prior to and after the Reorganisation, the Listing Business is conducted through the Operating Companies. The Company has not been involved in any other business prior to the Reorganisation and does not meet the definition of a business. The Reorganisation is merely a reorganisation of the Listing Business with no change in management of such business and the ultimate owners of the Listing Business remain the same.

Pursuant to the Reorganisation, the Operating Companies and the Listing Business were transferred to the Company and were being held by the Company since 21 March 2019. Accordingly, the Group resulting from the Reorganisation is regarded as a continuation of the Listing Business and the consolidated financial statements of the Company and the Listing Business are prepared in accordance with HKFRS 10, "Consolidated Financial Statements", issued by the Hong Kong Institute of Certified Public Accountants, using the carrying values of assets and liabilities of the Listing Business as if the group structure after the Reorganisation had been in existence throughout the years presented.

Inter-company transactions and between group companies are eliminated on consolidation.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

This note provides a list of the significant accounting policies adopted in the preparation of the consolidated financial statements. These policies have been consistently applied to all the years presented, unless otherwise stated. The consolidated financial statements for the Group is consisting of the Company and its subsidiaries.

2.1 Basis of preparation

The consolidated financial statements has been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") and requirements of Hong Kong Companies Ordinance Cap. 622. The consolidated financial statements has been prepared under the historical cost convention, as modified by the investment property, which is measured at fair value.

The preparation of the consolidated financial statements in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements.

(i) ***New and amended standards and interpretations not yet adopted***

Certain new accounting standards, amendments to accounting standards and interpretations have been published that are not mandatory for these reporting periods and have not been early adopted by the Group.

		Effective for accounting period beginning on or after
HKAS 19 (Amendments)	Employee benefits	1 April 2019
HKAS 28 (Amendments)	Investments in associates and joint ventures	1 April 2019
HKFRS 9 (Amendment)	Prepayment features with negative compensation	1 April 2019
HKFRS 16	Leases	1 April 2019
HK (IFRIC)-Int23	Uncertainty over income tax treatments	1 April 2019
Amendments to HKFRS	Annual Improvements to HKFRS 2015-2017 Cycle	1 April 2019
Conceptual Framework for Financial Reporting 2018	Accounting policies, change in accounting estimates and errors	1 April 2020
HKAS 1 and HKAS 8 (Amendments)	Definition of materiality	1 April 2020
HKFRS 3 (Amendments)	Definition of a business	1 April 2020
HKFRS 17	Insurance contracts	1 April 2021
HKFRS 10 and HKAS 28 (Amendments)	Sale or contribution of assets between an investor and its associate and joint venture	To be determined

None of these new and amended standards and interpretations are expected to have a significant effect on the consolidated financial statements of the Group.

3. REVENUE

	2019	2018
	HK$'000	*HK$'000*
Licensing and maintenance services	**38,350**	38,349
Initial set up and customisation services	**4,632**	3,964
Sales of computer hardware and software	**1,260**	1,161
	44,242	43,474

4. FINANCE COSTS

	2019	2018
	HK$'000	*HK$'000*
Finance costs on		
– Bank borrowing	**362**	47
Amounts capitalised *(Note)*	**(126)**	(26)
Finance costs	**236**	21

Note: The amounts 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 year, the capitalisation rate was 2.95% (2018: 2.33%).

5. INCOME TAX EXPENSE

Hong Kong profits tax is levied at progressive rate at 8.25% on the estimate assessable profit below HK$2,000,000, and thereafter at a fixed rate at 16.5% for the year (2018: fixed rate at 16.5%). The amount of tax charged to the consolidated statement of comprehensive income represents:

	2019	2018
	HK$'000	*HK$'000*
Hong Kong profits tax		
– Current year	**2,718**	3,103
Deferred income tax	**(116)**	(36)
Income tax expense	**2,602**	3,067

6. DIVIDEND

The Board did not recommend the payment of any dividend for the year ended 31 March 2019.

7. EARNINGS PER SHARE

(a) Basic

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

	Year ended 31 March	
	2019	2018
Profit attributable to owners of the Company (HK'000)	**6,485**	6,426
Weighted average number of ordinary shares in issue (thousands) *(Note)*	**300,000**	300,000
Basic earnings per share (HK cents)	**2.16**	2.14

Note: The weighted average number of shares in issue for the years ended 31 March 2019 and 2018 for the purpose of earnings per share computation has been retrospectively adjusted for the effect of the 10 shares and 90 shares issued on 7 February 2018 (the date of incorporation) and 21 March 2019 respectively, and 299,999,900 shares issued under the capitalisation issue which took place on 2 May 2019.

(b) Diluted

For the year ended 31 March 2019, diluted earnings per share equalled to basic earnings per share as there was no dilutive potential share (2018: same).

8. PROPERTY AND EQUIPMENT

	Land and building HK$'000	Furniture and fixtures HK$'000	Office equipment HK$'000	Computers HK$'000	Leasehold improvement HK$'000	Total HK$'000
At 1 April 2017						
Cost	-	374	2,916	1,786	1,166	6,242
Accumulated depreciation	-	(209)	(2,653)	(795)	(293)	(3,950)
Net book amount	-	165	263	991	873	2,292
Year ended 31 March 2018						
Opening net book amount	-	165	263	991	873	2,292
Additions	-	-	5	1,395	-	1,400
Depreciation	-	(59)	(251)	(469)	(389)	(1,168)
Disposals	-					
- Cost	-	-	(2)	-	-	(2)
- Accumulated depreciation	-	-	2	-	-	2
Closing net book amount	-	106	17	1,917	484	2,524
At 31 March 2018						
Cost	-	374	2,919	3,181	1,166	7,640
Accumulated depreciation	-	(268)	(2,902)	(1,264)	(682)	(5,116)
Net book amount	-	106	17	1,917	484	2,524
Year ended 31 March 2019						
Opening net book amount	-	106	17	1,917	484	2,524
Additions	-	54	15	162	1,220	1,451
Transfer from investment property *(note 9)*	35,010	-	-	-	-	35,010
Depreciation	(531)	(38)	(7)	(561)	(392)	(1,529)
Written-off						
- Cost	-	(94)	(128)	(112)	(1,166)	(1,500)
- Accumulated depreciation	-	93	128	112	1,005	1,338
Closing net book amount	34,479	121	25	1,518	1,151	37,294
At 31 March 2019						
Cost	35,010	334	2,806	3,231	1,220	42,601
Accumulated depreciation	(531)	(213)	(2,781)	(1,713)	(69)	(5,307)
Net book amount	34,479	121	25	1,518	1,151	37,294

The land and building was pledged as security against the bank borrowing as at 31 March 2019.

9. INVESTMENT PROPERTY

	Investment property *HK$'000*
At fair value	
For the year ended 31 March 2018	
At 1 April 2017	-
Addition *(Note (a))*	34,069
Fair value changes recognised in the consolidated statement of comprehensive income	(2,459)
At 31 March 2018	31,610
For the year ended 31 March 2019	
At 1 April 2018	31,610
Fair value changes recognised in the consolidated statement of comprehensive income	3,400
Transferred to property and equipment *(Note 8)*	(35,010)
At 31 March 2019	-

Notes:

(a) The amount included the initial consideration for an investment property amounted to HK$31,372,000 and stamp duty and legal fee paid amounted to HK$2,697,000. As at 31 March 2018, the fair value of the investment property amounted to HK$31,610,000.

(b) Amounts recognised in profit or loss for an investment property.

	Year ended 31 March	
	2019 *HK$'000*	**2018** *HK$'000*
Direct operating expenses from property that generated rental income	(96)	(22)
Fair value change recognised in the consolidated statement of comprehensive income	3,400	(2,459)
	3,304	(2,481)

(c) 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 and started to negotiate with the landlord to early terminate the rental agreement of the leased office. According to the surrender agreement dated 9 November 2018, entered into between the Group and the landlord, the rental and building management deposits of HK$767,000 were forfeited by the Group as a compensation for the early termination. The deposits were recognised as expenses during the year. At the date of reclassification, the fair value of the property was HK$35,010,000, which was determined by an independent valuer.

10. TRADE RECEIVABLES, DEPOSITS AND PREPAYMENTS

	2019	2018
	HK\$'000	*HK\$'000*
Trade receivables	**2,121**	1,378
Deposits	**319**	1,092
Prepayments	**6,136**	2,336
	8,576	4,806
Less: non-current portion of deposits	**(66)**	(865)
Trade receivables, deposits and prepayments – current	**8,510**	3,941

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:

	2019	2018
	HK\$'000	*HK\$'000*
Less than 30 days	**1,549**	991
31 days to 90 days	**552**	307
Over 90 days	**20**	80
	2,121	1,378

11. SHARE CAPITAL

	Number of shares	**Nominal Value**
		HK\$'000
Authorised:		
Ordinary shares of HK\$0.01 each		
At 7 February 2018 (date of incorporation)	38,000,000	380
At 31 March 2018 and 1 April 2018	38,000,000	380
Increase in authorised share capital *(Note (a))*	9,962,000,000	99,620
At 31 March 2019	10,000,000,000	100,000
Issued and fully paid:		
Ordinary shares of HK\$0.01 each		
At 7 February 2018 (date of incorporation) *(Note 1.2(a))*	1	*
Issuance of shares pursuant to the Reorganisation *(Note 1.2(a))*	9	*
At 31 March 2018 and 1 April 2018	10	*
Issuance of shares pursuant to the Reorganisation *(Note 1.2(c))*	90	*
At 31 March 2019	100	*

* *Less than HK\$1,000*

Notes:

(a) On 29 March 2019, the authorised share capital of the Company was increased from HK$380,000 divided into 38,000,000 shares of HK$0.01 each to HK$100,000,000 divided into 10,000,000,000 shares of HK$0.01 each by creation of an additional 9,962,000,000 shares, ranking pari passu in all respects with the then existing shares.

(b) Subsequent to the year end, on 2 May 2019, pursuant to the capitalisation issue approved on 29 March 2019, the Company issued a total number of additional 299,999,900 shares to Essential Strategy and Expert Wisdom, credited as fully paid, by way of capitalisation of HK$2,999,999 standing to the credit of the Company's share premium account. On the same date, the Company issued a total of 100,000,000 shares by way of public offer and placing at a price of HK$0.53 each and successfully listed its share on GEM of the Stock Exchange.

12. ACCRUALS AND OTHER PAYABLES

	2019	2018
	HK$'000	*HK$'000*
Accrued payroll and employee benefits	**564**	2,029
Accrued listing expenses	**4,079**	3,148
Accrued expenses and other payables	**797**	316
Accruals and other payables	**5,440**	5,493

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

BUSINESS REVIEW

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

Our financial trading solutions are mostly developed by our in-house development team and are typically off-the-shelf packaged solutions. Certain of our financial trading solutions are highly configurable to enhance flexibility to suit the needs of different customers and facilitate our customers to execute their business functions. Our Group's core financial trading solutions are (i) AUTON, a trading terminal; (ii) GES TX, a trading system for trading OTC-traded financial instruments; (iii) GES EX, a trading system for trading stock exchange-traded financial instruments; and (iv) GES IX, a fund management system.

Our objective is to expand our business, further strengthen our position as a financial trading solution provider, maintain our competitiveness and expand our market share by pursuing the following strategies: (i) continue to commit in research and development of our financial trading solutions; (ii) establish a research and development centre; (iii) pursue selective acquisition(s); and (iv) retain, attract and motivate high calibre and experienced staff.

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. During the year ended 31 March 2019, the Group has successfully captured the market opportunities by developing and launching various features such as integration with third party upgraded financial trading solution and a new OTC-traded financial instrument for index option to our internally-developed trading system, GES-TX. The developing of various features allows the Group to keep up with rapid changes in the financial markets and meet the customers' demand to ensure our business is sustainable in the long run.

Our management is devoted to experienced staff retention, sustainable recruitment, finding suitable location for the research and development centre and identification of suitable target for acquisition. For details, please refer to the paragraph headed "Use of Proceeds from the Listing" under this section.

- **Our services, operation flow and revenue stream**

We provide installation services to our customers to ensure our financial trading solutions run smoothly on their systems and to facilitate our customers' understanding of the operations of our financial trading solutions. Depending on our customers' needs, our Group also provides customised financial trading solutions with modified or add-on functions to meet our customers' specific demands. Upon the completion of the initial set up and customisation service and the passing of the user acceptance test, our Group typically grants to our customers a non-exclusive, non-transferable and non-sub-licensable licence to use our financial trading solutions for the business of our customers. The Group then provides maintenance and support services for the financial trading solution as well as system protection and hosting. In addition, according to our customers' needs, we source computer hardware, which are mainly servers and network devices as well as third party software and re-sell them to our customers to run our financial trading solutions during the initial set up and going forward.

Generally speaking, our Group generates revenue by providing initial setup and customisation services, licensing and maintenance services and sales of computer hardware and software to our customers. Breakdown of revenue generated from these services is set out in note 3 of the consolidated financial statements.

For the year ended 31 March 2019, the Group recorded a revenue of approximately HK$44.2 million, representing an increase of approximately 2% from approximately HK$43.5 million recorded for the year ended 31 March 2018. Profit attributable to owners of the Company for the year ended 31 March 2019 amounted to approximately HK$6.5 million, representing an increase of approximately HK$59,000 or 1% as compared with the profit of approximately HK$6.4 million for the year ended 31 March 2018. The increase in profit attributable to owners of the Company was mainly due to increase in expenses by approximately HK$7.0 million in total, including but not limited to increase in listing expenses of approximately HK$3.4 million, other expenses of approximately HK$1.0 million, amortisation of intangible assets of approximately HK$0.7 million, employee benefits expenses of approximately HK$0.5 million, depreciation of property and equipment of approximately HK$0.4 million, license and subscription cost of approximately HK$0.3 million and rental expenses of approximately HK$0.3 million. The increase in the Group's expenses was outweighed by the increase in revenue by approximately HK$0.8 million, decrease in income tax expense by approximately HK$0.5 million and the change from fair value loss on our investment property of approximately HK$2.5 million for the year ended 31 March 2018 to fair value gain of approximately HK$3.4 million for the year ended 31 March 2019. For details, please refer to the paragraph headed "Financial Review" under this section.

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. 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.

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.

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 year ended 31 March 2019, the Group recorded revenue of approximately HK$44.2 million, representing an increase of approximately 2% as compared with the previous year of approximately HK$43.5 million. The following table sets forth the breakdown of our revenue by source of revenue:

	Year ended 31 March			
	2019		2018	
	HK$'000	*%*	*HK$'000*	*%*
Licensing and maintenance services	**38,350**	**87**	38,349	88
Initial set up and customisation services	**4,632**	**10**	3,964	9
Sales of computer hardware and software	**1,260**	**3**	1,161	3
Total	**44,242**	**100**	43,474	100

The slight increase was mainly attributable to the increase in revenue from initial set up and customisation services and sales of computer hardware and software. Revenue from initial set up and customisation services increased by approximately 17% from approximately HK$4.0 million for the year ended 31 March 2018 to approximately HK$4.6 million for the year ended 31 March 2019. Sales of computer hardware and software increased by approximately 9% from approximately HK$1.2 million for the year ended 31 March 2018 to approximately HK$1.3 million for the year ended 31 March 2019. 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.

Intangible asset

For the years ended 31 March 2018 and 2019, our research and development expenses (which were mostly included in employee benefit expenses) amounted to approximately HK$8.1 million and HK$6.8 million, respectively. Out of the total research and development costs, approximately HK$4.8 million and HK$4.8 million for the years ended 31 March 2018 and 2019, respectively, was capitalised as intangible assets.

Employee Benefits Expenses

For the year ended 31 March 2019, the Group's employee benefits expenses were approximately HK$13.2 million, representing an increase of approximately 4% over the employee benefits expenses of approximately HK$12.7 million for the year ended 31 March 2018. The increase was primarily due to the increase of special bonus of approximately HK$1.2 million for staff retention.

Fair Value Adjustment to an Investment Property

Fair value adjustment to an investment property represents fair value change in relation to our acquired investment property during the year ended 31 March 2018. The property was acquired in January 2018 at approximately HK$31.4 million, with transaction cost of approximately HK$2.7 million. The fair value of the investment property as at 31 March 2018 amounted to approximately HK$31.6 million and hence, a fair value loss of approximately HK$2.5 million was charged to our consolidated statements of comprehensive income during the year ended 31 March 2018.

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. We recorded a fair value gain to our investment property of approximately HK$3.4 million up to the date of reclassification from investment property to property and equipment during the year ended 31 March 2019.

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 increased by approximately HK$3.4 million for the year ended 31 March 2019 representing an increase of approximately 51% from approximately HK$6.8 million for the year ended 31 March 2018.

Profit before income tax

Profit before income tax for the year ended 31 March 2019 amounted to approximately HK$9.1 million, representing a decrease of approximately 4% as compared with the profit before income tax of approximately HK$9.5 million for the year ended 31 March 2018. Such decrease was primarily due to the increase in expenses of approximately HK$7.0 million in total (as explained item by item above) and partially offset by increase in revenue by approximately HK$0.8 million and the change from fair value loss on our investment property of approximately HK$2.5 million for the year ended 31 March 2018 to fair value gain of approximately HK$3.4 million for the year ended 31 March 2019. If the fair value adjustment to an investment property and listing expenses were excluded, the Group's profit before income tax decreased by approximately 15% from approximately HK$18.7 million for the year ended 31 March 2018 to approximately HK$15.9 million for the year ended 31 March 2019.

Profit for the year attributable to owners of the Company

Profit attributable to owners of the Company for the year ended 31 March 2019 amounted to approximately HK$6.5 million, representing an increase of approximately 1% as compared with the profit of approximately HK$6.4 million for the year ended 31 March 2018. Such increase was due to the combination of above-mentioned reasons, and the decrease in income tax expense by approximately HK$0.5 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 15% from approximately HK$15.7 million for the year ended 31 March 2018 to approximately HK$13.3 million for the year ended 31 March 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$2.0 million as at 31 March 2019 (2018: approximately HK$0.1 million).

As at 31 March 2019, the Group's current assets amounted to approximately HK$19.7 million (2018: approximately HK$19.1 million) of which approximately HK$8.5 million (2018: approximately HK$3.9 million) was trade receivables, deposits and prepayments, approximately HK$0.5 million (2018: approximately HK$0.5 million) was contract assets, approximately HK$0.3 million (2018: nil) was income tax recoverable and approximately HK$10.4 million (2018: approximately HK$14.6 million) was cash and cash equivalents.

As at 31 March 2019, the Group has interest-bearing bank borrowing of approximately HK$12.0 million (2018: approximately HK$12.4 million) at 2.95% effective interest rate (2018: 2.33%). 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, personal guarantee from the directors of GES and the land and building with carrying amount of approximately HK$34.5 million. As disclosed in the Prospectus, the personal guarantee provided by the directors of GES is expected to be replaced by a corporate guarantee to be provided by the Company shortly after the Listing. As at 31 March 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 22.2% as at 31 March 2019 (2018: 26.3%). The decrease in gearing ratio was mainly due to repayment of bank borrowing raised for the acquisition of an investment property in year ended 31 March 2019. The net debt to equity of the Group, which was defined as total debt net of cash and cash equivalents divided by total equity, were 2.9% as at 31 March 2019 (2018: net cash position).

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.

EXPOSURE TO FLUCTUATIONS IN EXCHANGE RATES

The Group's revenue and cost are primarily denominated in United States dollar and Hong Kong dollar. Since Hong Kong dollar is pegged to United States dollar, 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. 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.

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. 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 year ended 31 March 2019 (2018: less than 1%). The loss allowance provision for these balances was not material during the year ended 31 March 2019 (2018: nil).

CAPITAL STRUCTURE

The Shares were listed on GEM of the Stock Exchange on 2 May 2019 (the "Listing Date"). There has been no change in the capital structure of the Company since then. As at 31 March 2019, the capital structure of the Company comprised mainly of issued share capital and reserves.

PLEDGE OF ASSETS

As at 31 March 2019, the Group has pledged its land and building with carrying amount of approximately HK$34.5 million to secure banking facilities granted to the Group to the extent of approximately HK$20.0 million (2018: approximately HK$20.4 million).

MATERIAL ACQUISITIONS AND DISPOSALS

The Group has not made any significant investments or material acquisitions and disposals of subsidiaries during the year ended 31 March 2019.

CAPITAL COMMITMENTS AND CONTINGENT LIABILITIES

As at 31 March 2019, the Group did not have any material capital commitments and contingent liabilities.

HUMAN RESOURCES AND REMUNERATION POLICIES

As at 31 March 2019, the Group had a workforce of 30 (2018: 35) 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 year ended 31 March 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$17.9 million (2018: approximately HK$17.5 million). The Company has adopted a share option scheme on 29 March 2019 to enable the Company to grant options to, amongst others, the employees and directors of the Group.

FINAL DIVIDEND

The Board does not recommend the payment of a final dividend for the year ended 31 March 2019 (2018: nil).

SIGNIFICANT INVESTMENTS AND PLAN FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

The Company did not have any significant investments as at 31 March 2019. Save as disclosed in the Prospectus, the Company did not have other plans for material investments or capital assets.

EVENT AFTER THE REPORTING DATE

The issued shares were initially listed on GEM of the Stock Exchange on 2 May 2019 and 100,000,000 ordinary shares were issued at HK$0.53 per offer share on 2 May 2019 in connection with the listing as detailed in the Prospectus and the announcement of the Company dated 30 April 2019 in relation to, among others, the allotment results of the Share Offer. After deducting related listing expenses, the net proceeds of the Share Offer were approximately HK$17.5 million.

Save as disclosed elsewhere in this announcement, the Group has no significant events subsequent to 31 March 2019 and up to the date of this announcement.

USE OF PROCEEDS FROM THE LISTING

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 will be 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**	**Approximate percentage of total net proceeds**
	HK$ million	
Continue to commit in research and development of our financial trading solutions		
– recruitment of research and development staff and engagement of consultant to provide technical support for research and development	5.5	31.4%
– subscription of market information package from the Stock Exchange and corporate action information package from third party vendor	4.1	23.6%
– acquisition of computer hardware and software, such as servers and network devices	3.0	17.0%
– marketing expenses	0.7	3.8%
	13.3	75.8%
Pursue selective acquisition(s)	1.4	8.0%
Establish a research and development center	1.8	10.1%
Working capital and other general corporate purpose	1.0	6.1%
Total	**17.5**	**100.0%**

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 year ended 31 March 2019 and up to the date of this announcement, save for those relating to the reorganisation, details of which are set out in paragraph headed "A. Further Information about our Company — 2. Changes in the share capital of our Company" in Appendix VI to the Prospectus.

ANNUAL GENERAL MEETING ("AGM")

The forthcoming AGM of the Company will be held on Friday, 27 September 2019. A notice convening the AGM will be published and despatched to the Shareholders in due course.

CLOSURE OF REGISTER OF MEMBERS

For the purpose of determining who is entitled to attend and vote at the AGM of the Company, the register of members of the Company will be closed from Tuesday, 24 September 2019 to Friday, 27 September 2019, both days inclusive, during which period no transfer of shares of the Company will be registered. In order to be eligible to attend and vote at the AGM, unregistered holders of shares of the Company shall ensure that all transfer documents accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:30 p.m. on Monday, 23 September 2019.

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 Rules Governing the Listing of Securities on GEM of the Stock Exchange (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 up to the date of this announcement.

CORPORATE GOVERNANCE PRACTICES

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

The Company has adopted the principles and code provisions as set out in the Corporate Governance Code contained in Appendix 15 of the GEM Listing Rules as the basis of the Company's corporate governance practices.

The Corporate Governance Code has been applicable to the Company with effect from the Listing Date and was not applicable to the Company during the year ended 31 March 2019. 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 Corporate Governance Code.

AUDIT COMMITTEE

The Company established an audit committee (the "Audit Committee") on 29 March 2019 in compliance with Rule 5.28 of the GEM Listing Rules. Written terms of reference in compliance with Rule 5.29 of the GEM Listing Rules and code provision C.3.3 of the Corporate Governance Code have been adopted. The primary duties of the Audit Committee are mainly 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 audited consolidated annual results for the year ended 31 March 2019, the accounting policies and practices adopted by the Group, and the Group's financial reporting and internal control matters have been reviewed by the Audit Committee.

SCOPE OF WORK OF PRICEWATERHOUSECOOPERS

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of comprehensive income, and the related notes thereto for the year ended 31 March 2019 as set out in the preliminary announcement have been agreed by the Group's auditors, PricewaterhouseCoopers, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by PricewaterhouseCoopers in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by PricewaterhouseCoopers on the preliminary announcement.

PUBLICATION

The annual results announcement for the year ended 31 March 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 annual report of the Company for the year ended 31 March 2019 shall be despatched to the 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, 17 June 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 on the Company's website at www.novacontechgroup.com.