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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)

DISCLOSEABLE TRANSACTION **ACQUISITION OF 60% OF THE ISSUED SHARE CAPITAL IN** **THE TARGET COMPANY**

THE ACQUISITION

On 29 March 2023 (after trading hours of the Stock Exchange), the Vendor and the Purchaser, a wholly owned subsidiary of the Company, entered into the SPA pursuant to which the Purchaser has conditionally agreed to purchase and the Vendor has conditionally agreed to sell the Sale Shares which represent 60% of the issued share capital in the Target Company for a total Consideration of HK\$6,000,000, subject to the terms and conditions as set out in the SPA.

Upon Completion of the Acquisition, the Target Company will be owned as to 60% by the Purchaser or its nominee(s). As such, the Target Company will become a non-wholly owned subsidiary of the Company and its financial information will be consolidated into the financial statements of the Group.

GEM LISTING RULES IMPLICATIONS

As the highest applicable percentage ratio in respect of the Acquisition exceeds 5% but all applicable percentage ratios are less than 25%, the Acquisition constitutes a discloseable transaction of the Company under Chapter 19 of the GEM Listing Rules, and is therefore subject to the reporting and announcement requirements, but exempt from the Shareholders' approval requirement under Chapter 19 of the GEM Listing Rules.

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THE SPA

Date: 29 March 2023 (after trading hours of the Stock Exchange)

Parties: (1) Motion Cast Limited, a wholly owned subsidiary of the Company (as the Purchaser); and

(2) Team Excel Holdings Limited (as the Vendor).

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, the Vendor and its ultimate beneficial owners are Independent Third Parties and not connected with the Company or its connected persons.

Subject Matter

Pursuant to the SPA, the Purchaser has conditionally agreed to purchase and the Vendor has conditionally agreed to sell the Sale Shares (representing 60% of the issued share capital of the Target Company). Upon completion of the Acquisition, the Target Company will become a non-wholly owned subsidiary of the Company and its financial information will be consolidated into the financial statements of the Group.

Consideration and payment terms

The Consideration for the Acquisition is HK\$6,000,000 which is determined after arm's length negotiations between the Vendor and the Purchaser with reference to (i) the reasons as set out under the section headed "Reasons for and Benefits of the Proposed Acquisition" in this announcement below; (ii) the unaudited net assets value of the Target Group and audited net assets value of Beijing HY as at 31 December 2022 respectively; (iii) the guarantee by Vendor in relation to the Accounts Receivables as set out under the paragraph headed "Guarantee by the Vendor in relation to the recovery of Accounts Receivable" under the section headed "Financial Information of the Target Group and Beijing HY" in this announcement below; (iv) the Valuation as set out under the section headed "Valuation" in this announcement below; and (v) the Target Group's scale of operation, financial position and its historical financial performance.

The Consideration will be payable to the Vendor within 90 days after the Completion Date by the Purchaser.

Having considered the above factors, the Directors consider that the Consideration is fair and reasonable and on normal commercial terms and are in the interests of the Company and the Shareholders as a whole.

Conditions

Completion shall be conditional upon and subject to:

- (1) the Purchaser being reasonably satisfied with the results of the due diligence review of the assets, liabilities, operations and affairs of the Target Group;
- (2) no temporary restraining order, preliminary or permanent injunction or other order issued by any court of competent jurisdiction or other competent government authority preventing the consummation of the transaction contemplated by this SPA shall be in effect;
- (3) the representations, warranties and undertakings provided by the Vendor under the SPA remaining true, complete and accurate in all material respects; and
- (4) the Purchaser being reasonably satisfied that there has not been any material adverse change in respect of the Target Group as a whole since the date of the SPA.

The Purchaser may at any time at its absolute and sole discretion waive in writing the above conditions (other than condition (2)). If the conditions have not been fulfilled and/or waived by the Purchaser on or before 29 April 2023, or such other date as the Vendor and the Purchaser may agree in writing, the SPA shall cease and terminate and neither party shall take any action to claim for damages or to enforce specific performance or any other rights and remedies thereafter.

Put Option

In consideration of the Purchaser agreeing to enter into the SPA, upon Completion, the Vendor has agreed to grant the Purchaser the Put Option to put to and require the Vendor to re-purchase from it the Option Shares, upon the occurrence of any of the following events, which shall include:

- (i) breach of any of the representations, warranties, undertakings and agreement provided by the Vendor under the SPA;
- (ii) breach of any of the terms and conditions in the Deed of Non-Competition and the Deed of Indemnity; and
- (iii) if the Vendor and the Purchaser fail to reach consensus or agreement on the post-Completion business and budget plan of the Target Group for the current and immediate following financial year within 60 days after the Completion Date.

The Put Option may be exercised by the Purchaser once in respect of all (but not part only) of the Option Shares during the Option Period by serving written notice to the Vendor. On exercise of the Put Option, the Vendor shall be bound to re-purchase the Option Shares at the sum equal to the Consideration within five (5) Business Days.

In the event the Purchaser exercises the Put Option, if the Purchaser has paid the Consideration pursuant to the terms and conditions under the SPA, the Purchaser is entitled to receive a refund of the Consideration paid to the Vendor. If the Purchaser has not paid the Consideration pursuant to the terms and conditions under the SPA, the Purchaser's payment obligation shall cease.

Completion

Completion shall take place on the Completion Date.

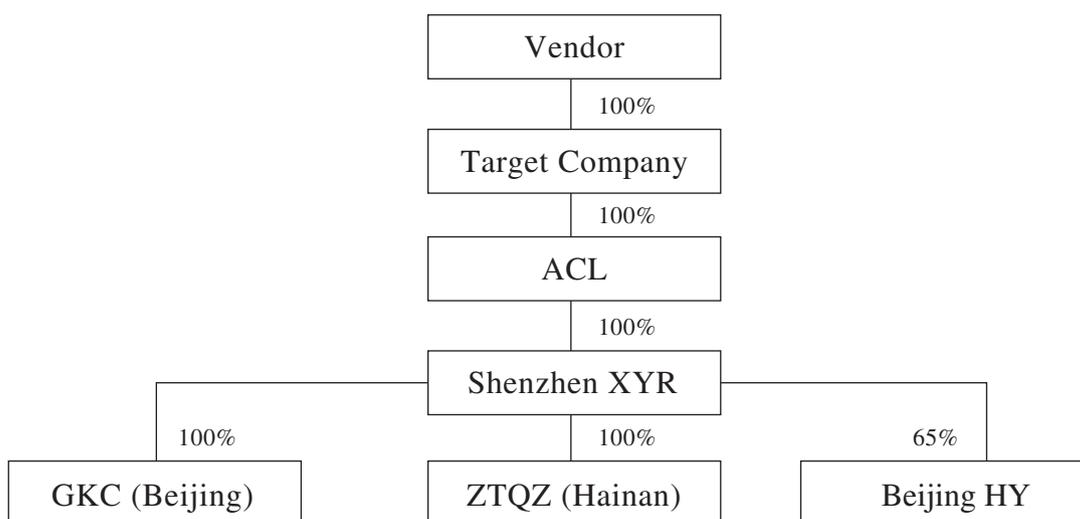
Upon Completion, the Target Company will be owned as to 40% by the Vendor and as to 60% by the Purchaser. As such, the Target Company will become a non-wholly owned subsidiary of the Company, and the financial results of the Target Group will be consolidated into the financial statements of the Group.

Upon Completion, the Vendor will deliver and procure the relevant parties to deliver the Deed of Non-Competition and the Deed of Indemnity in favour of the Purchaser and the Target Company. Pursuant to the Deed of Non-Competition, certain key employees of the Target Group and each of their respective associates have undertaken: (i) not to directly or indirectly take part in, or hold any rights or interests or otherwise be involved in, any business which may be in competition with the Target Group's business; and (ii) not to solicit any existing or then existing employee of the Target Group for employment by it or its respective associates. Pursuant to the Deed of Indemnity, the Vendor has undertaken to indemnify the Purchaser and the Target Company in the event of claims relating to the tax, irregularities and non-compliance on or before the Completion Date.

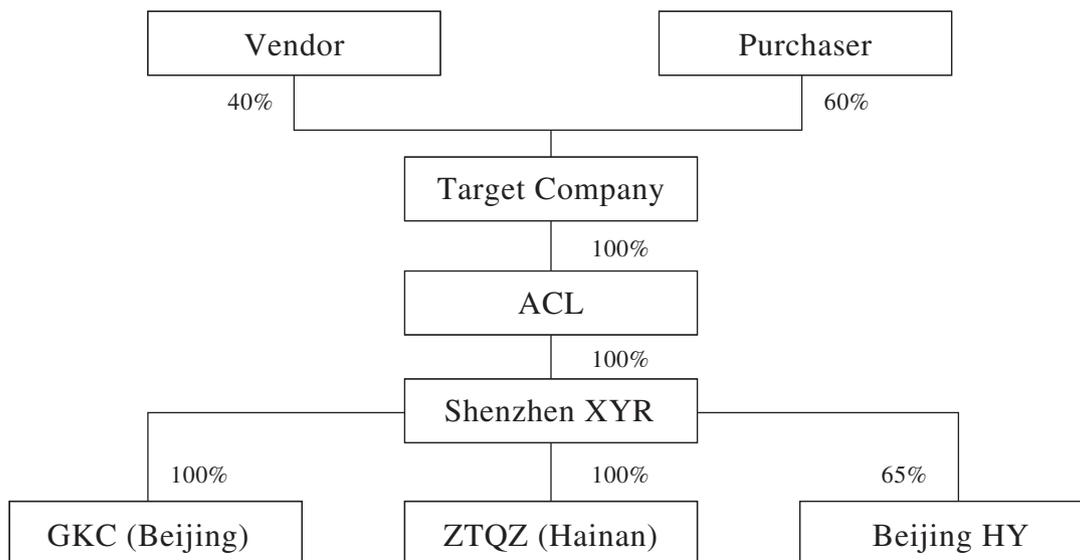
SHAREHOLDING STRUCTURE OF THE TARGET GROUP

Set out below is the shareholding structure of the Target Group (i) as at the date of this announcement and (ii) immediately after Completion:

Shareholding structure of the Target Group as at the date of this announcement



Shareholding structure of the Target Group after Completion



INFORMATION ON THE TARGET GROUP

The Target Company

The Target Company is a company incorporated in the British Virgin Islands with limited liability and is principally engaged in investment holding. The Target Company holds the entire equity interest in ACL, a company established in Hong Kong.

As at the date of this announcement, the Target Company is owned as to 100% by the Vendor.

ACL

ACL is an investment holding company incorporated in Hong Kong on 26 October 2018 with limited liability. The sole asset of ACL is the entire issued share capital of Shenzhen XYR.

Shenzhen XYR

Shenzhen XYR is a company established in the PRC with limited liability on 7 December 2018. Shenzhen XYR is principally engaged in investment holding and its principal asset is the entire equity interest of GKC (Beijing) and ZTQZ (Hainan), and 65% of the equity interest of Beijing HY.

GKC (Beijing)

GKC (Beijing) is a company established in the PRC with limited liability on 10 May 2022 and an operating subsidiary of Shenzhen XYR. GKC (Beijing) is principally engaged in the businesses for the sales of licensed anti-counterfeiting devices for consumer products, including the provision of services of design, production and customisation in the PRC. GKC (Beijing) was incorporated by the Vendor and is still in its initial business development stage and has no revenue.

ZTQZ (Hainan)

ZTQZ (Hainan) is a company established in the PRC with limited liability on 23 September 2020 and an operating subsidiary of Shenzhen XYR. ZTQZ (Hainan) is principally engaged in the businesses for the sales of licensed anti-counterfeiting devices for consumer products, including the provision of services of design, production and customisation in the PRC. ZTQZ (Hainan) was incorporated by the Vendor and is still in its initial business development stage and has no revenue.

Beijing HY

Beijing HY is a company established in the PRC with limited liability on 29 January 2019 and the principal operating subsidiary of Shenzhen XYR. Beijing HY is principally engaged in the development and provision of IT solution to railway industry in the PRC, and currently held 18 certificates of computer software copyrights in relation to railway systems.

FINANCIAL INFORMATION OF THE TARGET GROUP AND BEIJING HY

The Target Group

Each of the Target Company, ACL and Shenzhen XYR holds 100% equity interest in the ACL, Shenzhen XYR, GKC (Beijing) and ZTQZ (Hainan) respectively. Shenzhen XYR holds 65% equity interest in Beijing HY.

Set out below is the financial information of the Target Group as extracted from its unaudited financial statements prepared under generally accepted accounting principles of Hong Kong for the years ended 31 December 2021 and 2022 respectively:

| | For the year ended 31 December 2021 (<i>unaudited</i>) HKD'000 | For the year ended 31 December 2022 (<i>unaudited</i>) HKD'000 |
|----------------------------|---|---|
| Revenue | 9,860 | 7,482 |
| Net profit before taxation | 727 | 1,347 |
| Net profit after taxation | 685 | 1,305 |

The unaudited net assets of the Target Group as at 31 December 2022 is approximately HKD387,000.

Beijing HY

Beijing HY is principally engaged in the development and provision of IT solution to railway industry in the PRC, and currently held 18 certificates of computer software copyrights in relation to railway systems.

Set out below is the financial information of the Beijing HY as extracted from its audited financial statements prepared under generally accepted accounting principles of the PRC for the years ended 31 December 2021 and 2022 respectively:

| | For the year ended 31 December 2021 (<i>audited</i>) RMB'000 | For the year ended 31 December 2022 (<i>audited</i>) RMB'000 |
|----------------------------|---|---|
| Revenue | 8,186 | 6,703 |
| Net profit before taxation | 656 | 1,343 |
| Net profit after taxation | 621 | 1,305 |

The audited net assets of Beijing HY as at 31 December 2022 is approximately RMB644,000.

Guarantee by the Vendor in relation to the recovery of Accounts Receivable

Pursuant to the SPA, the Vendor irrevocably warrants and guarantees that the Accounts Receivable shall be fully recovered not later than 24 months of their respective due dates. In the event that the Accounts Receivable (of any part thereof) is not recovered after 24 months of their respective due dates, the Vendor shall compensate the Purchaser such non-recovered Accounts Receivable by payment in cash, in accordance with the following formula (the “**Compensation Amount**”):

Compensation Amount = non-recovered Accounts Receivable x 39% (being the effective interest attributable to the Sale Shares)

If the respective Accounts Receivable is subsequently recovered, the Vendor shall receive a refund of the relevant Compensation Amount by the Purchaser.

As at 31 December 2022, the Accounts Receivable was approximately RMB8,313,000 (equivalent to approximately HK\$9,476,000), which are solely due to Beijing HY from its customers.

VALUATION

According to the Valuation, the business valuation of 60% equity interest of the Target Group is approximately HK\$7,200,000 which is prepared using market approach by applying the median price-to-earnings multiple of comparable companies to the equity value of Beijing HY for the year ending 31 December 2022.

REASONS FOR AND BENEFITS OF THE PROPOSED ACQUISITION

The Group is a Hong Kong-based financial trading solution provider principally engaged in the development and provision of financial trading solutions and development and supply of resource allocation, planning, scheduling and management of software and services.

The Target Group is principally engaged in (a) the development and provision of IT solutions to railway industry in the PRC and (b) the development and provision of total solution of anti-counterfeit and marketing for consumer products in the PRC. Having considered (i) the integration of business, resources and complementary advantages of both the Group and the Target Group; (ii) profitability enhancement and (iii) the Group’s continuous expansion and exploration of business opportunities in the PRC, the Directors believes that the business of the Target Group has provides an excellent opportunity for the Group to expand business scale with diversification of revenue stream and the investment in the Target Group is in the interest of the Company and the interests of the Company and the Shareholders as a whole.

In view of the growing potential of the Target Group, the Directors (including the independent non-executive Directors) expect that the Proposed Acquisition will generate return to the Group and the Board is of the view that the terms of the SPA are on normal commercial terms and are fair and reasonable and the entering into of the SPA are in the interests of the Company and its Shareholders as a whole.

GEM LISTING RULES IMPLICATIONS

As the highest applicable percentage ratio in respect of the Acquisition exceeds 5% but all applicable percentage ratios are less than 25%, the Acquisition constitutes a discloseable transaction of the Company under Chapter 19 of the GEM Listing Rules, and is therefore subject to the reporting and announcement requirements, but exempt from the Shareholders' approval requirement under Chapter 19 of the GEM Listing Rules.

Completion of the Proposed Acquisition is subject to fulfilment and/or waiver of the conditions under the SPA. As the Proposed Acquisition may or may not proceed, Shareholders and potential investors of the Company are reminded to exercise caution when dealing in the securities of the Company.

DEFINITIONS

In this announcement, unless the context otherwise requires, the following expressions shall have the following meanings when used herein:

| | |
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| “Accounts Receivable” | the accounts receivable outstanding as at December 2022 of approximately RMB8,313,000 (equivalent to approximately HK\$9,476,000) due to the Target Group from its customers |
| “ACL” | ACL Investment Holdings Limited, a company incorporated in Hong Kong with limited liability and is wholly and beneficially owned by the Target Company |
| “Acquisition” | the acquisition by the Purchaser through the enter into the SPA of the Vendor and the Purchaser pursuant to which the Purchaser has conditionally agreed to purchase and the Vendor has conditionally agreed to sell the Sale Shares which represent 60% of the issued share capital in the Target Company for a total Consideration of HK\$6,000,000, subject to the terms and conditions as set out in the SPA |
| “associate(s)” | has the meaning as ascribed to this term under the GEM Listing Rules |
| “Beijing HY” | Beijing Hongyi Railway Information Technology Co., Ltd. (北京弘毅铁信信息技术有限公司), a company incorporated in the PRC with limited liability and of which 65% of its equity interest are held by Shenzhen XYR |
| “Board” | the board of Directors |
| “Business Day” | a day (other than a Saturday, Sunday or public holiday) on which licensed banks are generally open for business in Hong Kong throughout their normal business hours |

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| “Company” | Novacon Technology Group Limited (連成科技集團有限公司), a company incorporated as an exempted company with limited liability in the Cayman Islands on 7 February 2018, and the issued shares of which are listed on the GEM Board of the Stock Exchange (Stock Code: 8635) |
| “Completion” | completion of the sale and purchase of the Sale Shares in accordance with the terms and conditions of the SPA |
| “Completion Date” | a date which falls on the following Business Day after the fulfilment and/or waiver (where applicable) of the conditions set out in the SPA or such later date as may be agreed by the Vendor and the Purchaser in writing |
| “connected persons” | has the meaning as ascribed to it under the GEM Listing Rules |
| “Consideration” | the consideration to be satisfied by the Purchaser to the Vendor for the sale and purchase of the Sale Shares |
| “Deed of Indemnity” | the deed of indemnity to be entered into among the Purchaser, the Target Company and the indemnifiers as set out thereto at Completion |
| “Deed of Non-Competition” | the deed of non-competition to be entered into among the Purchaser, the Target Company and the covenantors as set out thereto at Completion |
| “Director(s)” | the director(s) of the Company |
| “discloseable transaction” | as defined in Rule 19.06 of the GEM Listing Rules |
| “GEM” | the GEM operated by the Stock Exchange |
| “GEM Listing Rules” | Rules Governing the Listing of Securities on GEM of the Stock Exchange, as amended, supplemented or otherwise modified from time to time |
| “GKC (Beijing)” | Guokecai (Beijing) Technology Co., Ltd. (國科彩(北京) 科技有限公司), a company incorporated in the PRC with limited liability and is wholly-owned by Shenzhen XYR |
| “Group” | the Company and its subsidiaries, or any of them or, where the context so requires, in respect of the period before the Company became the holding company of its present subsidiaries, such subsidiaries as if they were subsidiaries of the Company at that time |

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| “HK\$” | Hong Kong dollars, the lawful currency of Hong Kong |
| “Hong Kong” | the Hong Kong Special Administrative Region of the PRC |
| “Independent Third Party(ies)” | any person(s) or company(ies) and their respective ultimate beneficial owner(s) whom, to the best of the Directors’ knowledge, information and belief having made all reasonable enquiries, are third parties independent of the Company and its connected persons |
| “Option Period” | the period commencing on the Business Day immediately after the Completion Date and ending on the last Business Day immediately after the expiration of 90 days from the date of the Completion Date |
| “Option Shares” | the 60 shares of USD1.00 each of the Target Company, which are legally and beneficially owned by the Purchaser, representing 60% of the entire issued share capital of the Target Company as at the Completion Date |
| “percentage ratios” | as defined in Rule 19.04 of the GEM Listing Rules |
| “PRC” | The People’s Republic of China |
| “Proposed Acquisition” | the proposed acquisition of the Sale Shares by the Purchaser subject to and upon the terms and conditions of the SPA |
| “Put Option” | the put option granted to the Purchaser to sell back the Option Shares to the Vendor in accordance with the terms of the SPA |
| “RMB” | renminbi, the lawful currency of the PRC |
| “Sale Shares” | the 60 shares of USD1.00 each of the Target Company, which are legally and beneficially owned by the Vendor, representing 60% of the entire issued share capital of the Target Company as at the date of the SPA and immediately before Completion |
| “Shareholders” | holder(s) of the ordinary share(s) of nominal value of HK\$0.01 each in the share capital of the Company |
| “Shares” | ordinary shares of nominal value of HK\$0.01 each in the share capital of the Company |
| “Shenzhen XYR” | Shenzhen Xiyerong Technology Holding Co., Ltd. (深圳細葉榕科技控股有限公司), a company incorporated in the PRC with limited liability and is wholly-owned by ACL |

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| “SPA” | the Sale and Purchase Agreement dated 29 March 2023, entered into between the Vendor and the Purchaser in relation to the sale and purchase of the Sale Shares |
| “Stock Exchange” | The Stock Exchange of Hong Kong Limited |
| “Target Company” | Sino Heritage Global Limited, a company incorporated in the British Virgin Islands with limited liability |
| “Target Group” | collectively, the Target Company and its subsidiary(ies), including ACL, Shenzhen XYR, GKC (Beijing), ZTQZ (Hainan) and Beijing HY |
| “USD” | United States dollars, the lawful currency of the United States of America |
| “Valuation” | the valuation report prepared by the Valuer, in relation to the value of 60% equity interest of the Target Group, on a market-based approach and on such bases and assumptions as may be agreed by the Purchaser |
| “Valuer” | Colliers International (Hong Kong) Limited, an independent professional valuer |
| “Vendor” | Team Excel Holdings Limited, a company incorporated in the British Virgin Islands with limited liability |
| “ZTQZ (Hainan)” | Zhingteng Qianzhan Technology (Hainan) Co., Ltd. (中騰前瞻科技(海南)有限公司), a company incorporated in the PRC with limited liability and is wholly-owned by Shenzhen XYR |
| “%” | per cent |

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

Hong Kong, 29 March 2023

For the purpose of this announcement, all amounts denominated in RMB has been translated (for information only) into HK\$ using the exchange rate of RMB1:HK\$1.14. Such translations shall not be construed as a representation that amounts of RMB were or may have been converted.

As at the date of this announcement, the Board comprises Mr. Chung Chau Kan as an executive Director and the chief executive officer and Mr. Wong Wing Hoi as an executive Director; Mr. Wei Ming as the chairman of the Board and a 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 Group. 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 Stock Exchange’s website at www.hkexnews.hk 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.