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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)

SECOND CHANGE IN USE OF PROCEEDS

References are made to the prospectus of the Company dated 15 April 2019, the annual results announcement of the Company dated 17 June 2019, and the announcement of the Company dated 22 July 2020 (“**First Change in Use of Proceeds Announcement**”). Unless otherwise specified herein, capitalised terms used in this announcement have the same meanings as those defined in the First Change in Use of Proceeds Announcement.

FIRST CHANGE IN USE OF PROCEEDS

In the First Change in Use of Proceeds Announcement, the Company announced certain changes in the use of the Net Proceeds which remained unutilised as at 22 July 2020 amounting to approximately HK\$13.4 million. As a result of the changes in allocation of unutilised Net Proceeds, as of 22 July 2020:

- (i) approximately 75.8%, or approximately HK\$13.3 million, will be used for the R&D of our financial trading solutions, of which:
 - (a) approximately 31.4% or approximately HK\$5.5 million will be used for the recruitment of R&D staff and engagement of consultant to provide technical support for R&D;
 - (b) approximately 23.6% or approximately HK\$4.1 million will be used for the subscription of market information package from the Stock Exchange and corporate action information package from third party vendor;
 - (c) approximately 17.0% or approximately HK\$3.0 million will be used for the acquisition of computer hardware and software (such as servers and network devices) and subscription of server hosting services; and
 - (d) approximately 3.8% or approximately HK\$0.7 million will be used for marketing expenses;
- (ii) approximately 8.0%, or approximately HK\$1.4 million, will be used for pursuing selective acquisition(s);

- (iii) approximately 10.1%, or approximately HK\$1.8 million, will be used for establishing our R&D centre, including the leasing of premises, renovation costs and the acquisition cost of office equipment; and
- (iv) approximately 6.1%, or approximately HK\$1.0 million, will be used for working capital and other general corporate purpose.

SECOND CHANGE IN USE OF PROCEEDS

As at the date of this announcement, approximately HK\$12.4 million of the Net Proceeds had been utilised and applied for those intended uses as mentioned hereinabove. After due and careful consideration on the current business environment and development needs of the Group, the Board resolved to a second change to the uses of part of unutilised Net Proceeds on 11 May 2022. The expected timeline of full utilization of the remaining balance of the Net Proceeds is also changed. Details of the original allocation of use of Net Proceeds as detailed in the Prospectus, the first revised allocation of use of Net Proceeds as detailed in the First Change in Use of Proceeds Announcement, and the second revised allocation of use of Net Proceeds as at the date of this announcement and the expected timeline of full utilisation of the remaining balance are set out as follows:

Uses of the Net Proceeds	Original allocation		First revised allocation		Second revised allocation		Utilised Net Proceeds as at the date of this announcement	Remaining balance as at the date of this announcement	Expected timeline of full utilization of the remaining balance
	HK\$' million	%	HK\$' million	%	HK\$' million	%	HK\$' million	HK\$' million	
(i) Continue to commit in R&D of our financial trading solutions									
(a) Recruitment of R&D staff and engagement of consultant to provide technical support for R&D	5.5	31.4	5.5	31.4	4.5 ¹	25.2	4.5	-	Not applicable
(b) Subscription of market information package from the Stock Exchange and corporate action information package from third party vendor	4.1	23.6	4.1	23.6	4.1	23.6	3.9	0.2	July 2023

Uses of the Net Proceeds	Original Allocation		First Revised Allocation		Second Revised Allocation		Utilised Net Proceeds as at the date of this announcement	Remaining balance as at the date of this announcement	Expected timeline of full utilization of the remaining balance
	HK\$' million	%	HK\$' million	%	HK\$' million	%	HK\$' million	HK\$' million	
(c) 1. Acquisition of computer hardware and software, such as servers and network devices	3.0	17.0	1.5	8.5	1.5	8.5	1.5	-	Not applicable
(c) 2. Subscription of server hosting services	-	-	1.5	8.5	1.5	8.5	1.5	-	Not applicable
Subtotal of (c)	3.0	17.0	3.0	17.0	3.0	17.0	3.0	-	
(d) Marketing expenses	0.7	3.8	0.7	3.8	0.005 ²	0.03	0.005	-	Not applicable
Subtotal of (i)	13.3	75.8	13.3	75.8	11.6	65.8	11.4	0.2	
(ii) Pursue selective acquisition(s)	1.4	8.0	1.4	8.0	- ³	-	-	-	Not applicable
(iii) Establish a R&D centre	1.8	10.1	1.8	10.1	1.4 ⁴	8.0	-	1.4	July 2023
(iv) Performance of Standing Offer Agreement									
(a) Recruitment of staff and/or engagement of consultant(s)	-	-	-	-	3.1	17.9	-	3.1	February 2023
(b) Subscription of server hosting services	-	-	-	-	0.4	2.2	-	0.4	February 2023
Subtotal of (iv)	-	-	-	-	3.5	20.1	-	3.5	
(v) Working capital and other general corporate purpose	1.0	6.1	1.0	6.1	1.0	6.1	1.0	-	Not applicable
Total	17.5	100.0	17.5	100.0	17.5	100.0	12.4	5.1	

Notes:

1. *After the second revised allocation, an amount of HK\$1.0 million unutilised in this category is re-allocated to Performance of Standing Offer Agreement (“SOA”, as described below) as detailed in category (iv).*
2. *After the second revised allocation, an amount of HK\$0.7 million unutilised in this category is re-allocated to Performance of SOA as detailed in category (iv).*
3. *After the second revised allocation, an amount of HK\$1.4 million unutilised in this category is re-allocated to Performance of SOA as detailed in category (iv).*
4. *After the second revised allocation, an amount of HK\$0.4 million unutilised in this category is re-allocated to Performance of SOA as detailed in category (iv).*
5. *Certain amount and percentage figures included in the above table have been subject to rounding adjustments. Accordingly, amount and percentage figures shown as totals may not be an arithmetic aggregation of the amount and percentage preceding them.*

REASONS FOR AND BENEFITS OF THE SECOND CHANGE IN USE OF PROCEEDS

As disclosed in the paragraph headed “Outlook” under the section headed “Management Discussion and Analysis” of our 2021 third quarterly report dated 27 January 2022, an indirectly wholly-owned subsidiary of our Company, GLOBAL ESOLUTIONS (HK) LIMITED, has been awarded an SOA to provide information technology professional services to various Government departments of Hong Kong. The SOA took effect from 31 January 2022 for a duration of 48 months. In May 2022, we have been awarded a tender under the SOA. In order to carry out the obligations of the Group under the SOA, we need to recruit more staff and/or engage more consultant(s) and subscribe more server hosting services in order to provide quality information technology professional services to the Government departments of Hong Kong. Therefore, the Board has decided to re-allocate a total of HK\$3.5 million (comprising HK\$1.0 million originally intended for recruitment of R&D staff and engagement of consultant to provide technical support for R&D, HK\$0.7 million originally intended for marketing expenses, HK\$1.4 million originally intended for pursuing selective acquisition(s) and HK\$0.4 million originally intended for establishing a R&D centre) to recruitment of staff and/or engagement of consultant(s) and subscription of server hosting services.

Save for the aforesaid changes, there is no other change in the uses of the Net Proceeds. The Directors confirm that there is no material change in the nature of business of the Group as set out in the Prospectus. The Directors consider that the above changes in the uses of the Net Proceeds are fair and reasonable, as they would allow the Company to deploy its financial resources more effectively to support the business of the Group and are therefore in the interests of the Group and the Shareholders as a whole.

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

Hong Kong, 11 May 2022

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 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.