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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)

CHANGE IN USE OF PROCEEDS

Reference is made to (i) the prospectus of Novacon Technology Group Limited (the “**Company**”, together with its subsidiaries, the “**Group**”) dated 15 April 2019 (the “**Prospectus**”) relating to the share offer (the “**Share Offer**”) and the listing of the Company’s shares on the GEM of the Stock Exchange; and (ii) the Company’s annual results announcement for the financial year ended 31 March 2019 dated 17 June 2019 (“**Annual Results Announcement**”), in which the amount of the net proceeds from the Share Offer, after deducting the underwriting commission and other expenses (the “**Net Proceeds**”), and the amount apportioned to each business objective based on the Net Proceeds, was disclosed. Unless otherwise specified herein, capitalised terms used in this announcement have the same meanings as those defined in the Prospectus.

USE OF PROCEEDS

As set out in the section headed “Statement of Business Objectives and Use of Proceeds” in the Prospectus and the Annual Results Announcement, in which the amount of the Net Proceeds and the amount apportioned to each business objective based on the Net Proceeds was disclosed, the Company intended to use the Net Proceeds for the following purposes:

- (i) approximately 75.8%, or approximately HK\$13.3 million, will be used for the research and development (“**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
 - (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.

CHANGE IN USE OF PROCEEDS

As at the date of this announcement, approximately HK\$4.1 million of the Net Proceeds had been utilised and applied for those intended uses as mentioned hereinabove. On 22 July 2020, the Board resolved to change the uses of part of unutilised Net Proceeds. Details of the original allocation of the Net Proceeds, the revised allocation of the Net Proceeds, the utilisation of the Net Proceeds as at the date of this announcement and the remaining balance after the revised allocation of the Net Proceeds are set out as follows:

Uses of the Net Proceeds	Original allocation		Revised allocation		Change		Utilised Net Proceeds as at the date of this announcement	Remaining balance after revised allocation
	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	-	-	1.2	4.3
(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	-	-	1.3	2.8
(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	-
(c) 2. Subscription of server hosting services	-	-	1.5	8.5	1.5	8.5	-	1.5
Subtotal of (c)	3.0	17.0	3.0	17.0	-	-	1.5	1.5
(d) Marketing expenses	0.7	3.8	0.7	3.8	-	-	-	0.7
	13.3	75.8	13.3	75.8	-	-	4.0	9.3

Uses of the Net Proceeds	Original allocation		Revised allocation		Change		Utilised Net Proceeds as at the date of this announcement	Remaining balance after revised allocation
	<i>HK\$' million</i>	%	<i>HK\$' million</i>	%	<i>HK\$' million</i>	%	<i>HK\$' million</i>	<i>HK\$' million</i>
(ii) Pursue selective acquisition(s)	1.4	8.0	1.4	8.0	-	-	-	1.4
(iii) Establish a R&D centre	1.8	10.1	1.8	10.1	-	-	-	1.8
(iv) Working capital and other general corporate purpose	1.0	6.1	1.0	6.1	-	-	0.1	0.9
Total	17.5	100.0	17.5	100.0	-	-	4.1	13.4

REASONS FOR AND BENEFITS OF THE CHANGE IN USE OF PROCEEDS

The outbreak of Coronavirus Disease 2019 (the “COVID-19 Outbreak”) has been rapidly evolving globally and has significantly impacted the global economic and financial markets. The Board considered that such significant impact on the global economic and financial markets may adversely affect the financial performance of the Group for the coming financial year. In light of this, the Board intends to subscribe for server hosting services (i.e. cloud-based servers) from data centre service providers and acquire less computer hardware than originally intended for setting up our own servers, in order for the Company to continue to commit in the R&D of its financial trading solutions. The Board believes that such change will allow the Company to (i) simplify its information technology management and centralize its administration of resources, which will result in enhanced work efficiency and effectiveness; and (ii) achieve a better cashflow management given the uncertain economic and financial markets as a result of the COVID-19 Outbreak.

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. The Directors further consider that such changes will allow the Group to better accommodate with the changing market conditions 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, 22 July 2020

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.