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vongroup

Vongroup Limited

黃河實業有限公司*

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 318)

**DISCLOSEABLE TRANSACTION
IN RELATION TO
THE ACQUISITION OF 20.54% OF THE ISSUED SHARE CAPITAL
OF TECROAD HOLDCO AND A CALL OPTION TO INCREASE
SHAREHOLDING IN TECROAD HOLDCO UP TO 60%**

RESUMPTION OF TRADING

The Board announces that after market close on 3 July 2009, VFHC, a wholly-owned subsidiary of Vongroup, entered into the Agreement with the Tecroad Shareholder and Tecroad HoldCo to proceed with the Acquisition, pursuant to which:

- (a) the Tecroad Shareholder conditionally agreed to sell and VFHC conditionally agreed to acquire the Sale Shares, and Tecroad HoldCo conditionally agreed to issue and allot and VFHC conditionally agreed to subscribe for the Subscription Shares, for a total consideration of HK\$120 million, partly in cash and partly in issuance of new Shares, subject to and upon the terms and conditions of the Agreement. Upon Completion, VFHC's shareholding in Tecroad HoldCo as a result of the purchase of the Sale Shares and the subscription for the Subscription Shares will be approximately 20.54% on an enlarged share capital basis.
- (b) Under the Agreement, a Call Option is also granted to VFHC by the Tecroad Shareholder and Tecroad HoldCo to acquire up to an aggregate of 60% of the issued share capital of Tecroad HoldCo as may be enlarged by the full exercise of such call option (the "Option Shares") and any issue of new shares of Tecroad HoldCo from time to time, which is exercisable in any number of times commencing from the date of Completion and ending on a date falling nine months thereafter or three months after the date of publication of the 2009 audited consolidated financial results for Tecroad HoldCo, whichever is later. The exercise price for the Option Shares, if fully exercised, shall be equal to HK\$230,608,696.

As the applicable percentage ratios (as calculated in accordance with Rule 14.07 of the Listing Rules) for the Acquisition are more than 5% but less than 25%, the Acquisition constitutes a discloseable transaction of Vongroup under Rule 14.06 of the Listing Rules and is subject to the notification and announcement requirements under the Listing Rules.

At the request of Vongroup, trading in the Shares on the Stock Exchange was suspended with effect from 9:30 a.m. on 6 July 2009 pending the release of this announcement. Application has been made by Vongroup to the Stock Exchange for the resumption of trading in the Shares with effect from 9:30 a.m. on 7 July 2009.

THE ACQUISITION

The Board announces that after market close on 3 July 2009, VFHC, a wholly-owned subsidiary of Vongroup, entered into the Agreement with the Tecroad Shareholder and Tecroad HoldCo, pursuant to which (a) the Tecroad Shareholder conditionally agreed to sell and VFHC conditionally agreed to purchase the Sale Shares, and Tecroad HoldCo conditionally agreed to issue and allot and VFHC conditionally agreed to subscribe for the Subscription Shares, for a total consideration of HK\$120 million, and (b) each of the Tecroad Shareholder and Tecroad HoldCo granted the Call Option to VFHC to acquire further shareholding in Tecroad HoldCo up to an aggregate of 60% of the issued share capital of Tecroad HoldCo, for an exercise price, if fully exercised, of HK\$230,608,696, in each case subject to and in accordance with the terms and conditions contained therein.

Share Purchase and Subscription Agreement

Summarised below are the principal commercial terms contained in the Agreement.

Parties

- (1) VFHC;
- (2) the Tecroad Shareholder; and
- (3) Tecroad HoldCo

To the best of the Directors' knowledge, information and belief and having made all reasonable enquiries, each of the Tecroad Shareholder and Tecroad HoldCo is an Independent Third Party.

Date

3 July 2009

Assets to be acquired

11 Sale Shares and 12 Subscription Shares, representing an aggregate of approximately 20.54% of the issued share capital of Tecroad HoldCo on an enlarged share capital basis after giving effect to the issuance and allotment of the Subscription Shares to VFHC.

Consideration

The total consideration for the purchase of the Sale Shares and the subscription for the Subscription Shares is HK\$120 million, consisting of, and to be satisfied, as follows:

- (a) HK\$62,608,696 as consideration for the subscription for the Subscription Shares, payable in cash to Tecroad HoldCo upon Completion; and
- (b) HK\$57,391,304 as consideration for the purchase of the Sale Shares, payable to the Tecroad Shareholder upon Completion, of which:
 - (i) HK\$28,695,652 shall be payable in cash, and
 - (ii) HK\$28,695,652 shall be payable by procuring the issue and allotment of 126,635,000 Consideration Shares by Vongroup to the Tecroad Shareholder, subject to the Listing Committee of the Stock Exchange granting approval for the listing of and permission to deal in the Consideration Shares.

The cash portion of the total consideration will be paid by VFHC from Vongroup's internal resources or from external (equity and/or debt) fund raising.

The Consideration Shares are to be issued at HK\$0.2266 per Share, representing:

- (a) a premium of 12.79% to HK\$0.201, the closing price of Shares on the date of the Agreement;
- (b) the average closing price of Shares during the five consecutive trading days up to and including the date of the Agreement; and
- (c) a discount of 3.04% to HK\$0.2337, the average closing price of Shares during the ten consecutive trading days up to and including the date of the Agreement.

The Consideration Shares represent approximately 2.16% of the existing issued share capital of Vongroup and approximately 2.12% of the issued share capital of Vongroup as enlarged by the issue of the Consideration Shares. The Consideration Shares, when issued, will rank *pari passu* in all respects among themselves and with the Shares in issue at the time of the issue and allotment of the Consideration Shares, including the right to any dividends or distributions after the date of allotment.

The total number of new Shares that can be allotted and issued under the General Mandate, pursuant to which the Consideration Shares are to be issued, is 1,176,892,180. The Consideration Shares therefore represent approximately 10.76% of the General Mandate. Prior to the issuance of the Consideration Shares, Vongroup has not issued any Shares under the General Mandate. After the issuance of the Consideration Shares, the number of Shares remaining under the General Mandate that can be allotted and issued is 1,050,257,180.

Application will be made by Vongroup to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Consideration Shares.

The Tecroad Shareholder has undertaken to VFHC that the Consideration Shares will be subject to a three-month lockup (the “Three-Month Lock-Up”), that is, he shall not at any time within the three-month period after the allotment and issue of the Consideration Shares to him (i) offer, lend, pledge, issue, sell, contract to sell, sell any option or contract to purchase, purchase any option or contract to sell, grant any option, right or warrant to purchase, or otherwise transfer or dispose of (either conditionally or unconditionally, or directly or indirectly, or otherwise) any of the Consideration Shares or any interests therein beneficially owned or held by the Tecroad Shareholder; or (ii) enter into any swap or similar agreement that transfers, in whole or in part, the economic risk of ownership of the Consideration Shares; or (iii) announce any intention to enter into or effect any such transaction.

The total consideration for the Sale Shares and the Subscription Shares was determined after arm’s length negotiations between VFHC, the Tecroad Shareholder and Tecroad HoldCo, being a price acceptable to Vongroup, having considered the present and future business prospects of the business of developing and manufacturing environmentally-friendly emission-free lithium-ion batteries, and Beijing Tecroad’s present and future prospects in this industry, including the reasons, benefits and considerations summarised in the section headed “Reasons for and Benefits of the Acquisition” below.

Conditions Precedent

VFHC’s obligation to purchase the Sale Shares and to subscribe for the Subscription Shares, and to effect payment of the consideration therefor, shall be conditional upon:

- (a) completion of due diligence of Tecroad Group by VFHC to VFHC’s satisfaction in its sole and absolute discretion, including but not limited to the business, assets, accounting, legal and financial position of Tecroad Group;
- (b) the delivery to VFHC of a certified true copy of the Accounts, certified by a director of Tecroad HoldCo and by a certified public accountant in Hong Kong;
- (c) completion of the Restructuring to VFHC’s satisfaction in its sole and absolute discretion (including (i) the transfer of the entire equity interest of Beijing Tecroad into Tecroad Group; and (ii) satisfying all relevant requirements in the PRC in relation to the Restructuring);
- (d) all necessary or desirable Authorisations having been obtained by Tecroad HoldCo and/or any member of Tecroad Group in connection with the Restructuring, and the transactions contemplated in the Agreement including, but not limited to, the issue and allotment of the Subscription Shares and the transfer of the Sale Shares;
- (e) all necessary or desirable approvals from any Authorities having been obtained by VFHC in connection with the transactions contemplated by the Agreement being obtained;
- (f) the warranties given by the Tecroad Shareholder and Tecroad HoldCo pursuant to the Agreement being true, accurate and correct in all respects at, and as if made on, Completion, and there having been delivered to VFHC a certificate in the agreed form, dated the date of Completion, signed by each Director of Tecroad HoldCo to such effect;
- (g) the execution of a service contract by the Tecroad Shareholder with any member of Tecroad Group in the form and manner as required by VFHC;
- (h) the execution of such sales and distribution orders and contracts as shall be required by VFHC;

- (i) the obtaining by VFHC of a legal opinion to VFHC's satisfaction from legal counsel in the PRC acceptable to VFHC in its sole and absolute discretion opining on, among other things, the due incorporation and existence, and capacity of Beijing Tecroad and its direct shareholder, and on the ownership interests therein; and
- (j) the completion of any external (debt and/or equity) fund raising activities by Vongroup to finance the transactions contemplated in the Agreement.

As at the date of this announcement, VFHC has confirmed to the Tecroad Shareholder and Tecroad HoldCo that conditions (a) (save and except for the issue of the PRC legal opinion referred to in (i) above), (b), (c) and (h) have been satisfied, and that the other conditions are scheduled to be satisfied as of Completion, or shortly prior thereto.

Call Option

Pursuant to the Agreement, a call option (the "Call Option") is granted to VFHC by the Tecroad Shareholder and Tecroad HoldCo to purchase from the Tecroad Shareholder and to subscribe from Tecroad HoldCo, as the case may be, up to the number of shares of Tecroad HoldCo which represent, together with the Sale Shares and the Subscription Shares, an aggregate of 60% of the issued share capital of Tecroad HoldCo as may be enlarged by the full exercise of the Call Option (the "Option Shares") and any issue of new shares of Tecroad HoldCo from time to time, which is exercisable in any number of times commencing from the date of Completion and ending on the date falling nine months thereafter or three months after the date of publication of the 2009 audited consolidated financial results for Tecroad HoldCo, whichever is later.

The aggregate exercise price for the Option Shares shall be equal to HK\$230,608,696, which is arrived at by reference to a proportional multiple of the aggregate consideration (HK\$120 million) for the acquisition and subscription by VFHC of approximately 20.54% of the issued share capital of Tecroad HoldCo under the Agreement.

With respect to exercise of the Call Option, 11/23 (approximately 47.83%) of the Option Shares will be purchased from the Tecroad Shareholder, and 12/23 (approximately 52.17%) of the Option Shares will be subscribed from Tecroad HoldCo. Option Shares that are subscribed from Tecroad HoldCo will be paid for in cash upon issue and allotment thereof. Option Shares that are purchased from the Tecroad Shareholder will be paid for, upon receipt of delivery of the relevant Option Shares, as to 50% of the relevant consideration in cash and as to the remaining 50% of the relevant consideration by procuring the issue and allotment of Shares (the "Option Consideration Shares"), which will be issued at a price per Share equal to the average closing price during the five consecutive trading days up to the date of delivery of the notice of exercise of the Call Option.

The Option Consideration Shares, when issued, will rank pari passu in all respects among themselves and with the Shares in issue at the time of the issue and allotment of the Option Consideration Shares, including the right to any dividends or distributions after the date of allotment.

The Tecroad Shareholder has undertaken that the Option Consideration Shares will be subject to Three-Month Lock-Up in a similar manner as for the Consideration Shares.

Completion

Completion shall take place on the day within seven Business Days after satisfaction (or waiver as the case may be) of all the conditions as set out in the section headed "Conditions Precedent" in this announcement or at such other time as the parties to the Agreement may agree in writing provided that such date shall not be later than the Long Stop Date.

Long Stop Date for Completion

3 August 2009 (which is one month from the date of the Agreement) or such other date as the parties thereto may agree in writing. In the event that Completion has not occurred by the Long Stop Date, the Agreement shall lapse.

INFORMATION ON TECROAD HOLDCO AND BEIJING TECROAD

Tecroad HoldCo is an investment holding company, and has no business as at the date of the Agreement, other than holding, through wholly-owned subsidiaries, its 100% beneficial ownership in Beijing Tecroad. According to information available to Vongroup, Beijing Tecroad is a company established in the PRC, and is principally engaged in the research and development, production and sales and distribution of technologically advanced environmentally-friendly emission-free lithium-ion batteries and new energy materials. Its existing and planned products cover a wide range, from low-capacity batteries of a few Ah to high-capacity batteries of over 100Ah, and its high-capacity batteries can be used to power environmentally-friendly electric buses, cars and other heavy vehicles. Beijing Tecroad's products that have passed product tests by the CNAS in the PRC include a single-cell 95Ah lithium-ion battery. Leveraging on this advanced technology, Beijing Tecroad is pursuing research and development of a 150-200Ah cylindrical lithium-ion battery, which may be one of the most powerful single-cell cylindrical batteries commercially available in the PRC.

According to the Accounts, Tecroad HoldCo recorded turnover of nil and nil during the financial years ended 31 December 2008 and 2007, and net loss (both before and after taxation and extraordinary items) of RMB311,122 (approximately HK\$342,234) and nil respectively during the same periods, and net asset value of RMB44,986,744 (approximately HK\$49,485,419) as at 31 May 2009, the date of its Accounts. Since Tecroad HoldCo was incorporated recently on 26 May 2009 as a holding vehicle and does not conduct any business other than holding its 100% beneficial interest in Beijing Tecroad, the unaudited consolidated Accounts for the financial years ended 31 December 2008 and 2007 have been prepared on a pro forma basis and certified by a director of Tecroad HoldCo and a certified public accountant in Hong Kong to reflect the business of Beijing Tecroad after the Restructuring, which resulted in Beijing Tecroad becoming a wholly-owned subsidiary of Tecroad HoldCo.

REASONS FOR AND BENEFITS OF THE ACQUISITION

Vongroup is an investment holding company, whose investments principally comprise consumer finance business, smart-card financial services business, securities investment and properties investment, and restaurant business. As stated in the 2008 interim report of Vongroup, Vongroup routinely seeks potential value-driven investment opportunities, and the Board constantly reviews its business and investment strategy with a view to maximising the value of the Group. In view of the large global demand for the development and supply of high-capacity lithium-ion batteries to charge the next generation of environmentally-friendly applications, especially catering to the needs of automotive manufacturers' needs to meet an increasing demand for electrified cars in the face of high fuel costs and diminishing petroleum supplies (for example, for electric-powered buses, passenger cars, bicycles and scooters), the present and future business prospects of the business of manufacturing environmentally-friendly emission-free high-capacity lithium-ion batteries to meet this unfulfilled demand, and Beijing Tecroad's present and future prospects in this industry, including its leading-edge imported production line that is one of the most advanced in the PRC, capable of producing single-cell large-capacity cylindrical lithium-ion batteries of over 100Ah each, the Directors consider that the Acquisition will strengthen the investment portfolio of the Group and is in the interests of Vongroup and the Shareholders as a whole. The Directors, including the independent non-executive Directors, are of the view that the terms of the Agreement are fair and reasonable, are on normal commercial terms, and are in the interests of Vongroup and Shareholders as a whole.

DISCLOSEABLE TRANSACTION

As the applicable percentage ratios (as calculated in accordance with Rule 14.07 of the Listing Rules) for the Acquisition are more than 5% but less than 25%, the Acquisition constitutes a discloseable transaction of Vongroup under Rule 14.06 of the Listing Rules and is subject to notification and announcement requirements under the Listing Rules.

GENERAL

As Completion is conditional upon the satisfaction of a number of conditions precedent, the Acquisition may or may not proceed to Completion. After Completion, the exercise of the Call Option is subject to the decision of Vongroup whether to exercise its rights thereunder, therefore the Call Option may or may not be exercised. The Accounts have been prepared on an unaudited pro forma consolidated basis by Tecroad HoldCo. Shareholders and potential investors should therefore exercise caution when dealing in the Shares.

RESUMPTION OF TRADING

At the request of Vongroup, trading in the Shares on the Stock Exchange was suspended with effect from 9:30 a.m. on 6 July 2009 pending the release of this announcement. Application has been made by Vongroup to the Stock Exchange for the resumption of trading in the Shares with effect from 9:30 a.m. on 7 July 2009.

Made by the order of the Board, and the Directors individually and jointly accept responsibility for the accuracy of this announcement as at the date hereof.

DEFINITIONS

Unless the context requires otherwise, the following expression shall have the following meanings in this announcement:

“Accounts”	the unaudited pro forma combined management accounts of Tecroad HoldCo and its subsidiaries for the financial years ended 31 December 2007 and 31 December 2008 and the five-month period ended 31 May 2009 which have been prepared in accordance with generally accepted accounting principles in the PRC, and prepared on a pro forma basis to reflect the business of Beijing Tecroad after completion of the Restructuring, certified as true by a director of Tecroad HoldCo and by a Hong Kong certified public accountant, and delivered to VFHC
“Acquisition”	the proposed acquisition of the issued share capital in Tecroad HoldCo by VFHC from the Tecroad Shareholder and Tecroad HoldCo pursuant to the Agreement, being initially approximately 20.54% shareholding on an enlarged share capital basis, and subsequently up to 60% as may be enlarged by the full exercise of the Call Option
“Agreement”	the Share Purchase and Subscription Agreement dated as of 3 July 2009 among VFHC, the Tecroad Shareholder and Tecroad HoldCo

“Authorisation”	any licence, consent, permit, approval, waiver, grant, franchise, concession, certificate, exemption, order, registration, declaration, filing or other authorisation from the Authority or any relevant third party including any lenders of Tecroad Group
“Authority”	any competent governmental, administrative, supervisory, regulatory, judicial, determinative, disciplinary, enforcement or tax raising body, authority, agency, board, department, court or tribunal of any jurisdiction
“Beijing Tecroad”	北京天路能源有限公司 (Beijing Tecroad Energy Limited*), a company established in the PRC and a wholly-owned subsidiary of Tecroad HoldCo
“Board”	the board of Directors of Vongroup
“Business Day”	a day (other than a Saturday or Sunday) on which banks are required to be open for business in Hong Kong
“CNAS”	China National Accreditation Services for Conformity Assessment (中國合格評定國家認可委員會)
“Completion”	completion of the allotment of the Subscription Shares by Tecroad HoldCo to VFHC and the transfer of the Sale Shares by the Tecroad Shareholder to VFHC, pursuant to the terms of the Agreement
“connected person(s)”	has the meaning ascribed thereto in the Listing Rules
“Consideration Shares”	126,635,000 new Shares to be allotted and issued to the Tecroad Shareholder as part of the consideration for the purchase of the Sale Shares
“Directors”	directors of Vongroup
“General Mandate”	the current general mandate to issue Shares granted to the Directors pursuant to the resolution of the Shareholders passed at its annual general meeting held on 26 September 2008
“Group”	Vongroup and its subsidiaries
“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)”	a person(s) or company(ies) who/which is or are independent of and not connected with Vongroup and its connected persons
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange

“PRC”	the People’s Republic of China, excluding, for purposes of this definition, Hong Kong, the Macau Special Administration Region of the PRC and Taiwan
“Restructuring”	the reorganisation of Tecroad Group, pursuant to which the Tecroad Shareholder shall transfer his entire equity interest in Beijing Tecroad into the Tecroad Group
“Sale Shares”	11 shares legally and beneficially owned by the Tecroad Shareholder, representing 11% of the share capital of Tecroad HoldCo immediately prior to giving effect to the sale of the Sale Shares and the issuance of the Subscription Shares, and representing approximately 9.82% of the share capital of Tecroad HoldCo as enlarged by the Subscription Shares
“Share(s)”	the ordinary share(s) of HK\$0.001 each in the share capital of Vongroup
“Shareholders”	holder(s) of the Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscription Shares”	12 shares of Tecroad HoldCo to be issued to VFHC pursuant to the Agreement, representing 12% of the share capital of Tecroad HoldCo immediately prior to giving effect to the issuance of the Subscription Shares, and representing approximately 10.71% of the share capital of Tecroad HoldCo as enlarged by the Subscription Shares
“subsidiary”	has the meaning given to it in Section 2 of the Companies Ordinance (Chapter 32 of the Laws of Hong Kong)
“Tecroad Group”	Tecroad HoldCo and its subsidiaries
“Tecroad HoldCo”	Tian Da Energy Holdings Limited (天大能源控股有限公司), a company incorporated in the British Virgin Islands and the ultimate holding company of Beijing Tecroad
“Tecroad Shareholder”	Mr. Ji Kewei (吉可為), the sole legal and beneficial owner of Tecroad HoldCo
“VFHC”	Vongroup Financial Holdings Corporation, a company incorporated in the British Virgin Islands and a wholly-owned subsidiary of Vongroup

“Vongroup”

Vongroup Limited, a company incorporated in Cayman Islands with limited liability, the issued Shares of which are listed on the Main Board of the Stock Exchange

By order of the Board
Vongroup Limited
Vong Tat Jeong, David
Executive Director

Hong Kong, 6 July 2009

As at the date of this announcement, the Board comprises three executive Directors, namely Mr. Vong Tat Jeong, David, Mr. Wong Chi Man and Mr. Xu Siping; and three independent non-executive Directors, namely Mr. Fung Ka Keung, David, Dr. Lam Lee G. and Ms. Wong Man Ngar, Edna.

* *For identification purpose only*