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**VONGROUP LIMITED**

**黃河實業有限公司\***

*(incorporated in the Cayman Islands with limited liability)*

**(Stock code: 318)**

## **DISCLOSEABLE TRANSACTION**

### **INVOLVING THE ISSUE OF CONSIDERATION SHARES UNDER GENERAL MANDATE FOR THE ACQUISITION OF 17.8% EQUITY INTEREST IN CLAMAN GLOBAL LIMITED TO INCREASE EQUITY INTEREST TO 40.3%**

#### **THE ACQUISITION**

The Board is pleased to announce that on 22 October 2020 (after trading hours), the Purchaser and the Vendor entered into the Share Purchase Agreement pursuant to which the Purchaser has conditionally agreed to acquire, and the Vendor has conditionally agreed to sell, approximately 17.8% equity interest in the Target Company at a consideration of HK\$15,689,250 which shall be satisfied by the allotment and issue of 34,885,000 Consideration Shares credited as fully paid, pursuant to the General Mandate.

The Company currently holds approximately 22.5% of the Target Company. Upon Completion, the Company will hold approximately 40.3% of the Target Company.

#### **LISTING RULES IMPLICATIONS**

As one or more of the applicable percentage ratios (as defined under Chapter 14 of the Listing Rules) in relation to the Acquisition is more than 5% but less than 25%, and the Consideration for the Acquisition will be satisfied by the allotment and issue of Consideration Shares pursuant to the General Mandate, the Acquisition constitutes a discloseable transaction under Chapter 14 of the Listing Rules.

**Shareholders and potential investors should note that the Acquisition, which is subject to a number of conditions precedent, may or may not be completed. Shareholders and potential investors are reminded to exercise caution when dealing in the securities of the Company.**

## THE ACQUISITION

**Date:** 22 October 2020 (after trading hours)

**Parties:**

Purchaser VG Investment Assets Holdings Inc, a wholly-owned subsidiary of the Company

Vendor Allyking International Limited

To the best of the Directors' knowledge, information and belief having made all reasonable enquiry, the Vendor and its ultimate beneficial owner is a third party independent of the Company and its connected persons.

**Assets to be acquired:**

Pursuant to the Share Purchase Agreement, the Purchaser has conditionally agreed to acquire from the Vendor, and the Vendor has conditionally agreed to sell to the Purchaser, approximately 17.8% of equity interest in the Target Company.

**Consideration:**

Pursuant to the terms of the Share Purchase Agreement, the Consideration of HK\$15,689,250 shall be satisfied by way of allotment and issue of 34,885,000 Consideration Shares upon Completion, credited as fully paid.

The Consideration was arrived at based on normal commercial terms after arm's length negotiations between the Purchaser and the Vendor, taking into account, among other things, (a) increasing local and global market demands for remote technology solutions for business, virtual technologies & fintech services and products, as a result of the "new normal" in business practices in the COVID-19 pandemic and looking ahead to the post-pandemic era, (b) the Target Company's market positioning in the industry as a leader and innovator, armed with strong technological, and research and development capabilities, (c) the Target Company's growth in financial performance, (d) the perceived growing business prospects of the Target Company in light of the foregoing, and (e) the Company's assessment of the synergistic benefits that are targeted to be created between the Target Company and the Company.

The Board considers that the Consideration is based on normal commercial terms, maximises Shareholders' benefit and is fair and reasonable for the Company and the Shareholders as a whole.

**Consideration Shares**

The Consideration Shares will be allotted and issued at the issue price of HK\$0.45 per Consideration Share, credited as fully paid, pursuant to the General Mandate, which represents:

- (i) a discount of approximately 15.1% to the closing price of HK\$0.53 per Share as quoted on the Stock Exchange on the date of the Share Purchase Agreement;
- (ii) a discount of approximately 15.4% to the average closing price of approximately HK\$0.532 per Share as quoted on the Stock Exchange for the 5 trading days immediately prior to the date of the Share Purchase Agreement; and
- (iii) a discount of approximately 9.8% to the average closing price of approximately HK\$0.499 per Share as quoted on the Stock Exchange for the 20 trading days immediately prior to the date of the Share Purchase Agreement.

Under the General Mandate, the Company may allot and issue up to 38,437,966 Shares. Accordingly, the issue of the Consideration Shares is not subject to any further approval by the Shareholders.

The Consideration Shares represent approximately 18.2% of the existing issued share capital of the Company as at the date of this announcement and represent approximately 15.4% of the Company's issued share capital as enlarged by the issue of the Consideration Shares.

An application will be made to the listing committee of the Stock Exchange for the listing of, and permission to deal in, the Consideration Shares. The Consideration Shares, when issued upon Completion, will rank pari passu in all respects with the existing Shares then in issue.

### **Completion**

Completion shall take place on the Completion Date, on which all the conditions precedent of the Share Purchase Agreement have been fulfilled, or such later date as the Purchaser and the Vendor may agree in writing.

### **Conditions Precedent**

Completion is subject to and conditional upon, amongst others:

- (i) the listing committee of the Stock Exchange having granted or agreed to grant the listing of, and permission to deal in, the Consideration Shares; and
- (ii) the representations and warranties contained in the Share Purchase Agreement remaining true and accurate in all material respects.

### **Information on the Target Company and the Vendor**

The Target Company is a company incorporated in the BVI with limited liability. The Target Company is a market leader in advanced technology innovation.

With its strong technological, research and development capabilities, the Target Company's expanding products and services include operating multi-function cloud platforms for digital management and payment processing for businesses, events, virtual events and ecommerce. The Target Company enhances business value for clients and solves their business problems, by leveraging virtual IT and the Target Company's deep knowledge of business processes. Through this, the Target Company helps clients to become more innovative, efficient and competitive through this integration of IT and business insight.

Based on the unaudited consolidated financial statements of the Target Company, the financial information of the Target Company for the two years ended 31 March 2020 are set out as follows:

	Year ended 31 March	
	<b>2020</b>	2019
	<b>HK\$</b>	HK\$
	<b>(unaudited)</b>	(unaudited)
Profit/(Loss) before taxation and extraordinary items	<b>2,186,000</b>	(1,049,000)
Profit/(Loss) after taxation and extraordinary items	<b>2,186,000</b>	(1,049,000)

As at 31 March 2020, based on the unaudited consolidated financial statements of the Target Company, the Target Company had unaudited consolidated net assets of approximately HK\$8,173,000.

Based on information provided by the Vendor, its principal business activity is investment holding.

## Reasons for and benefits of the Acquisition

As previously disclosed to Shareholders, the Company pursues both organic growth and investment opportunities with a view to increase returns, especially in the technology business. The Acquisition is in line with this strategy.

The Group's core technology business focus involves the combination of technologies with business processes. In particular, our ongoing strategy is to develop and strengthen technology and product innovation in fintech, virtual technologies and distance-businesses. By doing so, the Group has solidified our market competitiveness and, as a result, the Group's technology business has seen marked progress, generating substantially higher revenue, especially in capturing the market demands of the "new normal", that is, opportunities that have been accelerated by dramatic changes in market paradigms resulting from the COVID-19 pandemic.

As part of this strategy, the Acquisition will increase our equity interest in the Target Company, which has brand strength and is one of the fast-movers in Hong Kong to provide solutions for enterprise customers' "new normal" business problems in this high-growth sector for contactless business interaction in the COVID-19 pandemic and looking ahead to the post-pandemic era. Although broad global political/economic uncertainties and market instability have presented challenging macroeconomic malaise and social fragility (aggravated by severe local social unrest and the COVID-19 pandemic), the Target Company has demonstrated growth in its financial performance.

The Company therefore believes that increasing enterprise demand for contactless business interaction can be expected to drive the Target Company's further growth, and generate greater value for the Company and Shareholders. In addition, the Target Company is a market innovator, that is armed with strong technological, research and development capabilities; we anticipate that the Group's business prospects in the local and international markets would hence be further accentuated.

The Directors therefore believe that the Acquisition provides a good opportunity for the Group to elevate our technological capabilities and enhance our business results by developing a stronger alliance with a leading-edge technology partner to systematically capitalise on high-growth opportunities that lie ahead to accelerate the Group's performance in fast-growing fintech, virtual technology and distance businesses. The Acquisition also presents a unique opportunity for the Company to create additional profits in this high-demand technology sector.

## Changes in shareholding of the Target Company

Assuming there being no other changes in the issued share capital and the shareholding of the Target Company after the date of this announcement, the Company's shareholding in the Target Company will be increased from approximately 22.5% to approximately 40.3%.

## Effects on shareholding structure of the Company

Set out below is a summary of the shareholding in the Company as at the date of this announcement and, for illustrative purposes only, upon Completion, assuming there being no other changes in the Company's issued share capital and shareholdings after the date of this announcement.

Shareholders	As at the date of this announcement		Immediately after Completion	
	No. of Shares	%	No. of Shares	%
Vongroup Holdings Limited	99,050,000	51.5	99,050,000	43.6
Vendor	-	-	34,885,000	15.4
Public Shareholders	93,139,833	48.5	93,139,833	41.0
<b>Total</b>	<b>192,189,833</b>	<b>100.0</b>	<b>227,074,833</b>	<b>100.0</b>

## LISTING RULES IMPLICATIONS

As one or more of the applicable percentage ratios (as defined under Chapter 14 of the Listing Rules) in relation to the Acquisition is more than 5% but less than 25%, and the Consideration for the Acquisition will be satisfied by the allotment and issue of Consideration Shares pursuant to the General Mandate, the Acquisition constitutes a discloseable transaction under Chapter 14 of the Listing Rules.

**Shareholders and potential investors should note that the Acquisition, which is subject to a number of conditions precedent, may or may not be completed. Shareholders and potential investors 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:

“Acquisition”	the sale and purchase of approximately 17.8% equity interest in the Target Company in accordance with the terms and conditions of the Share Purchase Agreement
“Board”	the Board of Directors of the Company
“BVI”	British Virgin Islands
“Company”	Vongroup Limited, a company incorporated in the Cayman Islands with limited liability, whose issued Shares are listed on the Stock Exchange
“Completion”	completion of the Acquisition pursuant to the terms and conditions of the Share Purchase Agreement
“Completion Date”	the day of the Completion, which shall be the date on which the last of the conditions precedent under the Share Purchase Agreement has been fulfilled or such other date as the Purchaser and the Vendor may agree in writing
“connected person”	the meaning ascribed thereto in the Listing Rules
“Consideration”	purchase price for the equity interest in the Target Company, that is the subject of the Acquisition
“Consideration Shares”	34,885,000 Shares to be issued by the Company, as the consideration for the Acquisition, to the Vendor in accordance with the terms and conditions of the Share Purchase Agreement
“Director”	a director of the Board of the Company

“General Mandate”	the general mandate granted at the extraordinary general meeting of the Company held on 30 September 2019
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollar, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“Share”	ordinary share of HK\$0.04 each in the share capital of the Company
“Shareholder”	holder of a Share
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Purchaser”	VG Investment Assets Holdings Limited, a company incorporated in the BVI with limited liability and a wholly-owned subsidiary of the Company
“Share Purchase Agreement”	the Share Purchase Agreement dated 22 October 2020, entered into between the Company and the Vendor in relation to the Acquisition
“Target Company”	Claman Global Limited, a company incorporated in the BVI with limited liability
“Vendor”	Allyking International Limited, a company incorporated in the BVI with limited liability, whose ultimate controlling beneficial owner is Ms Huang Rong

By Order of the Board  
**Vongroup Limited**  
**Tsui Siu Hung Raymond**  
*Company Secretary*

Hong Kong, 22 October 2020

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

\* *For identification purpose only*