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DISCLOSEABLE TRANSACTION

ACQUISITION OF 40% EQUITY INTEREST IN FASHIONTECH BUSINESS; OPTION TO ACQUIRE UP TO ADDITIONAL 11% EQUITY INTEREST; ISSUANCE OF CONSIDERATION SHARES UNDER GENERAL MANDATE

THE ACQUISITION

The Board is pleased to announce that on 27 May 2021 (after trading hours), the Purchaser (a wholly-owned subsidiary of the Company) and the Vendor entered into the Share Purchase and Strategic Alliance Agreement pursuant to which the Purchaser has conditionally agreed to acquire, and the Vendor has conditionally agreed to sell, 40% equity interest in the Target Company at a consideration of HK\$22,000,000, which shall be satisfied as to HK\$10,950,000 in cash and as to HK\$11,050,000 by the allotment and issue of 17,000,000 Consideration Shares credited as fully paid, pursuant to the General Mandate.

Upon Completion of the Acquisition, the Company will hold 40% of the Target Company. The financial results of the Target Company will be accounted for using equity method as an associated company in the accounts of the Group.

THE OPTION TO MAKE THE ADDITIONAL ACQUISITION

Pursuant to the Share Purchase and Strategic Alliance Agreement, the Vendor has additionally conditionally granted to the Purchaser the right to acquire up to a further 11% equity interest in the Target Company from the Vendor, which right is exercisable at the discretion of the Purchaser within 2 years of the Completion of the Acquisition, at an exercise consideration of HK\$6,050,000, or pro rata amount for partial exercise.

If the Purchaser fully exercises its right in respect of such Additional Acquisition, and assuming no change in the shareholding of the Target Company, the Company will hold 51% of the Target Company, in which case the financial results of the Target Company will be consolidated into the accounts of the Group.

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 will be satisfied by cash and 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. The allotment and issue of Consideration Shares is not subject to approval of Shareholders.

As there is no premium for the Option, the Option does not constitute a notifiable transaction under Chapter 14 of the Listing Rules.

Application will be made to the Stock Exchange for the listing of and permission to deal in the Consideration Shares.

Shareholders and potential investors should note that the Acquisition, which is subject to a number of conditions precedent, may or may not be completed. The exercise of the Option is subject to the decision of the Purchaser as to whether to exercise its right thereunder, therefore the Option may or may not be exercised, and the Additional Acquisition in whole or in part may or may not occur. Shareholders and potential investors are reminded to exercise caution when dealing in the securities of the Company.

THE SHARE PURCHASE AND STRATEGIC ALLIANCE AGREEMENT

Date: 27 May 2021 (after trading hours)

Parties:

Purchaser Vongroup Consumer Finance Corporation, a wholly-owned subsidiary of the Company

Vendor Karen Michelle Scheinecker

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

Assets to be acquired

The Purchaser has conditionally agreed to acquire from the Vendor, and the Vendor has conditionally agreed to sell to the Purchaser, 40% of equity interest in the Target Company.

Consideration

The Consideration shall be HK\$22,000,000, of which HK\$10,950,000 shall be satisfied in cash and HK\$11,050,000 shall be satisfied by the issue of Consideration Shares by the Company, 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) the increasing local and global market demand for innovative, sustainable, high-quality fashion products and services, and the significant structural shifts in the technology applications for fashion businesses as a result of the "new normal" of the COVID-19 pandemic and expected post-pandemic period, that has offered established online brands the opportunity to gain market share, (b) the Target Company's market positioning in fashiontech, its established customer base, and reputation in the industry for innovation, (c) the Target Company's end-to-end business model, including concept creation, product design, innovative textile applications, production, marketing and promotion, and commercialisation through its technological platform built around digital workflows, (d) the Target Company's growth in financial performance, (e) the perceived growing business prospects of the Target Company's product and services in light of the foregoing, and (f) the Company's assessment of the synergistic benefits that are targeted to be created between the Target Company and the Company through application of the Company's technology to the Target Company's business operations. It is expected that the cash portion of the Consideration will be funded by the Group's internal resources and/or bank loans.

The Board considers that the terms of the Acquisition are fair and reasonable and in the interests of the Shareholders as a whole.

Consideration Shares

The Consideration Shares will be allotted and issued at the issue price of HK\$0.65 per Consideration Share, credited as fully paid, pursuant to the General Mandate, which represents:

- (i) to the same as the closing price of HK\$0.65 per Share as quoted on the Stock Exchange on the date of the Share Purchase and Strategic Alliance Agreement; and
- (ii) a premium of approximately 20.8% to the average closing price of approximately HK\$0.538 per Share as quoted on the Stock Exchange for the 5 trading days immediately prior to the date of the Share Purchase and Strategic Alliance 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 8.8% of the existing issued share capital of the Company as at the date of this announcement and represent approximately 8.1% 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 and Strategic Alliance Agreement have been fulfilled, or such later date as the Purchaser and the Vendor may agree in writing.

Conditions Precedent

The Completion is subject to and conditional upon, amongst others:

- (i) the representations and warranties contained in the Agreement remaining true and accurate in all material respects, including completion of due diligence to the satisfaction of the Purchaser;
- (ii) there being no material adverse change in the business of the Target Company; and
- (iii) all regulatory and legal approvals therefor shall have been obtained.

The Option to exercise the Additional Acquisition

The Vendor has additionally granted to the Purchaser the Option to exercise the Additional Acquisition, pursuant to which the Purchaser has the right to acquire up to a further 11% equity interest in the Target Company from the Vendor, which right is exercisable from time to time at the discretion of the Purchaser, in whole or in part, within 2 years of the Completion, at an exercise consideration of HK\$6,050,000 if fully exercised, or pro rata amount if partially exercised. There is no premium for the Option.

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 principally engaged in the business of operating its proprietary-branded smart-textile apparel line, and has been operating in the Hong Kong and Asian markets for over 15 years, including having developed its wrinkle-resistant apparel lines. The Target Company offers its products and services to wholesale and retail customers, globally on its online fashion technology platform, and offline fashion showrooms.

Over the past 15 years, the Target Company has invested and developed its end-to-end business operating model, from concept creation, product design, styling, innovative textile application, production, marketing and promotion, to full commercialisation through its technological platform built around digital workflows.

With increasing global market demand for innovative, sustainable, high-quality fashion products and services and the Target Company's strong fashiontech capabilities, market positioning, established customer base, and industry reputation as an innovator, the Target Company has capitalised on meeting new needs during the pandemic to provide digital sales opportunities that have generated growth and will likely continue to grow going forward.

Based on the audited consolidated financial statements of the Target Company, the financial information of the Target Company for the two years ended 30 September 2020 are set out as follows:

| | Year ended 30 September | |
|---|-------------------------|-------------|
| | 2020 | 2019 |
| | HK\$ | HK\$ |
| Profit/(Loss) before taxation and extraordinary items | 874,057 | (1,274,264) |
| Profit/(Loss) after taxation and extraordinary items | 867,521 | (1,274,264) |

As at 30 September 2020, based on the audited consolidated financial statements of the Target Company, the Target Company had consolidated net assets of approximately HK\$16,310.

The Vendor is the founder of the Target Company and, based on information provided by her, she is principally engaged in the management, design, production and sales of the Target Company's branded smart-textile apparel line, developed from proprietary research & development as well as adopting digital technologies.

Following Completion, the Target Company will be held as to 40% by the Purchaser. Accordingly, the Target Company will be an associated company of the Company, and the results of the Target Company will be accounted for using the equity method.

If the Option is fully exercised and, assuming that there are no changes in the shareholding of the Target Company, the Purchaser therefore will hold 51% equity interest in the Target Company, the Target Company would then be an indirect non wholly-owned subsidiary of the Company, and the results of the Target Company would then be consolidated into the financial statements of the Group.

Reasons for and benefits of the Acquisition

The principal business activities of the Group include technology and property.

The Group’s technology division provides business-driven technology services and solutions which improve or transform clients’ business performance, especially in relation to doing business in the “new normal” pandemic and post-pandemic environment. These include fintech, ecommerce, payment, enterprise solutions, enterprise architecture, technology transformation, customised business platforms, virtual reality (VR) and augmented reality (AR) technologies, and cloud technologies.

The Group’s technology business will continue to strengthen its position to go beyond simply solutions, by continuously developing and acquiring new and emerging technologies and solutions so as to enrich a digital ecosystem that enhances business performance.

The Purchaser and the Vendor wish to enter into strategic collaboration by applying the Purchaser’s technology services and solutions to conduct end-to-end digital transformation to upgrade and further develop the Target Company’s business platform. The Company believes that there is significant synergy and potential to leverage the Group’s Virtual Reality and Augmented Reality technologies, fintech, ecommerce, payment solutions, mobile technologies and business networks with the Target Company’s fashion technology business. Through this investment and strategic collaboration, the Company anticipates that the Target Company would seek to refine and develop fashiontech solutions including virtual showroom and mobile magic mirror, which the Company anticipates may see growing demand in the context of the need for socially-distanced consumer experiences during and post-pandemic.

The Company therefore expects that the Acquisition would help create value for its shareholders and enrich the Company’s technology portfolio as well as extend the Company’s technology product offerings to address the apparel and fashion technology markets.

Effects on shareholding structure of the Target Company

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

| Name of shareholder | Shareholding in Target Company | |
|---------------------|-------------------------------------|------------------------------|
| | As at the date of this announcement | Immediately after Completion |
| Vendor | 100% | 60% |
| The Company | 0% | 40% |
| | <u>100%</u> | <u>100%</u> |

Effects on shareholding structure of the Company

Set out below is a summary of the approximate 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 <i>Shares</i> | | Immediately after completion of the Claman Acquisition* <i>Shares</i> | | Immediately after the Completion, including the allotment and issue of the Consideration Shares <i>Shares</i> | |
|-----------------------------------|--|---------------|--|---------------|--|---------------|
| Vongroup Holdings Limited** | 99,050,000 | 51.5% | 99,050,000 | 43.6% | 99,050,000 | 40.6% |
| Allyking International Limited*** | - | - | 34,885,000 | 15.4% | 34,885,000 | 14.3% |
| Vendor | - | - | - | - | 17,000,000 | 7.0% |
| Other public Shareholders | 93,139,833 | 48.5% | 93,139,833 | 41.0% | 93,139,833 | 38.2% |
| Total | 192,189,833 | 100.0% | 227,074,833 | 100.0% | 244,074,833 | 100.0% |

Notes:

- * The completion of the Claman Acquisition is anticipated to take place on or about 11 June 2021, as referred to in the Company's announcement of 27 May 2021.
- ** Vongroup Holdings Limited is beneficially owned by Vong Tat Ieong David.
- *** Allyking International Limited is beneficially owned by Huang Rong.

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 will be satisfied by cash and 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. The allotment and issue of Consideration Shares is not subject to approval of Shareholders.

As there is no Option premium, the Option does not constitute a notifiable transaction under Chapter 14 of the Listing Rules.

Application will be made to the Stock Exchange for the listing of and permission to deal in the Consideration Shares.

Shareholders and potential investors should note that the Acquisition, which is subject to a number of conditions precedent, may or may not be completed. The exercise of the Option is subject to the decision of the Purchaser as to whether to exercise its right thereunder, therefore the Option may or may not be exercised, and the Additional Acquisition in whole or in part may or may not occur. 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 acquisition by the Purchaser from the Vendor of equity interest of 40% in the Target Company, pursuant to the Share Purchase and Strategic Alliance Agreement |
| “Additional Acquisition” | the additional acquisition by the Purchaser from the Vendor of equity interest of up to 11% in the Target Company, pursuant to the Purchaser’s exercise of the Option under the Share Purchase and Strategic Alliance Agreement |
| “Claman Acquisition” | the acquisition by the Company of certain shareholding in Claman Limited as referred to in the announcements of the Company of 22 October 2020 and 27 November 2020 |
| “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 Share Purchase and Strategic Alliance Agreement |
| “Completion Date” | the day of Completion, which shall be the date on which the last of the conditions precedent under the Share Purchase and Strategic Alliance 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” | the consideration payable for the Acquisition |
| “Consideration Share” | each Share that is to be allotted and issued to the Vendor as part of the Consideration for the Acquisition |
| “Director” | a director of the Board of the Company |
| “General Mandate” | the general mandate granted at the annual general meeting of the Company held on 30 October 2020 |
| “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 |
| “Option” | the right granted by the Vendor to the Purchaser to make the Additional Acquisition to acquire up to an additional 11% equity interest in the Target Company, pursuant to the Share Purchase and Strategic Alliance Agreement |
| “Share” | ordinary share of HK\$0.04 each in the share capital of the Company |
| “Share Purchase and Strategic Alliance Agreement” | the Share Purchase and Strategic Alliance Agreement dated as of 27 May 2021, between the Purchaser and the Vendor |
| “Shareholder” | holder of a Share |
| “Stock Exchange” | The Stock Exchange of Hong Kong Limited |
| “Purchaser” | Vongroup Consumer Finance Corporation, a company incorporated in the BVI with limited liability and a wholly-owned subsidiary of the Company |
| “Target Company” | Rosarini International Limited, a company incorporated in the BVI with limited liability |
| “Vendor” | Karen Michelle Scheinecker |

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

Hong Kong, 27 May 2021

As at the date of this announcement, the Board comprises two executive Directors, namely Vong Tat Leong 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*