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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

ACQUISITION OF THE ENTIRE EQUITY INTEREST IN TEAMTECH DIGITAL CORPORATION

RELATING TO ENTERPRISE TEAM COLLABORATION SOFTWARE, DIGITAL WORKSPACE AND INFORMATION MANAGEMENT SYSTEMS, TECHNOLOGY SOLUTIONS AND ECOMMERCE BUSINESS

THE ACQUISITION

The Board is pleased to announce that on 17 August 2021 (after trading hours), the Purchaser (a wholly-owned subsidiary of the Company) and the Vendor entered into the Share Purchase Agreement and Strategic Alliance Co-operation pursuant to which the Purchaser has conditionally agreed to acquire, and the Vendor has conditionally agreed to sell, the entire equity interest in the Target Company at a consideration of up to HK\$16,500,000.

Upon Completion of the Acquisition, the Company will hold 100% of the Target Company. The financial results of the Target Company will be consolidated as an indirect wholly-owned subsidiary in 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%, 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 SHARE PURCHASE AGREEMENT AND STRATEGIC ALLIANCE CO-OPERATION

Date: 17 August 2021 (after trading hours)

Parties:

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

Vendor Faith Honest International Co. Ltd.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiry, the Vendor and its ultimate beneficial owner are third parties 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, 100% of the equity interest in the Target Company.

Consideration

Pursuant to the Share Purchase Agreement and Strategic Alliance Co-operation, the Consideration shall be up to HK\$16,500,000, paid as follows:

1. By the Completion Date: HK\$750,000.
2. Within 90 days after the Completion Date: HK\$750,000, subject to the satisfaction of certain conditions, including but not limited to appointing directors and certain senior management of the Target Company, approval of the Target Company's business plans, the Target Company securing technology solutions contracts for not less than HK\$5,000,000 in revenue, arrangements relating to financial reporting and other financial arrangements, arrangements relating to the Target Company's stock option plan, confirmation that TeamSoft's business operations are consistent with approved business plans, and the Vendor not being in breach under the Share Purchase Agreement and Strategic Alliance Co-operation or under any arrangement related to the Purchaser's investment in the Target Company.
3. Within 7 days after the Purchaser receives its dividend for the Target Company's financial year ending 30 April 2022: HK\$600,000, subject to the Target Company having met all the milestones for such financial year (that is, TeamSoft's revenue and net profit shall be not less than HK\$15,000,000 and HK\$6,000,000, respectively, and the Purchaser shall have received dividend of not less than HK\$1,800,000 from the Target Company). However, if the Target Company does not achieve every one of such milestones, but nevertheless achieves at least 75% of every one of such milestones, then:
 - (i) the Consideration payment for such financial year shall be reduced pro-rata using, for purposes of such pro rata calculation, the lowest achieved percentage amongst such milestones;
 - (ii) the unachieved amounts of each such milestone, up to a maximum of 25% of each such milestone, shall be deferred to be achieved during the following financial year ending 30 April 2023; and
 - (iii) if all such deferred milestone amounts are achieved during the following financial year ending 30 April 2023, in excess of also achieving all the milestone amounts otherwise stipulated for such following financial year ending 30 April 2023, then the amount by which the Consideration is reduced for the financial year ending 30 April 2022 shall become

payable to the Vendor at the time of the Consideration payment for the following financial year ending 30 April 2023.

4. Within 7 days after the Purchaser receives its dividend for the Target Company's financial year ending 30 April 2023: HK\$2,800,000, subject to the Target Company having met all the milestones for such financial year (that is, TeamSoft's revenue and net profit shall be not less than HK\$42,000,000 and HK\$16,800,000, respectively, and the Purchaser shall have received dividend of not less than HK\$5,400,000 from the Target Company).
5. Within 7 days after the Purchaser receives its dividend for the Target Company's financial year ending 30 April 2024: HK\$4,800,000, subject to the Target Company having met all the milestones for such financial year (that is, TeamSoft's revenue and net profit shall be not less than HK\$67,000,000 and HK\$26,800,000, respectively, and the Purchaser shall have received dividend of not less than HK\$9,400,000 from the Target Company).
6. Within 7 days after the Purchaser receives its dividend for the Target Company's financial year ending 30 April 2025: HK\$6,800,000, subject to the Target Company having met all the milestones for such financial year (that is, TeamSoft's revenue and net profit shall be not less than HK\$86,000,000 and HK\$34,400,000, respectively, and the Purchaser shall have received dividend of not less than HK\$13,400,000 from the Target Company).

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 local and global market demand for team collaboration software and enterprise productivity tools, (b) the structural shifts in customer needs for remote interactions and the change in remote working, online team collaboration, and enhanced cyber security protection as a result of the COVID-19 pandemic, and the "new normal" that we expect many businesses to adjust to in the post-pandemic period, (c) the positive performance of many businesses that are more invested in advanced digital technology prior to and/or during the COVID-19 pandemic has prompted many others to re-focus their businesses around digital technologies, increase their investments and accelerate their adoption of technology for competitive advantage, (d) the Target Group's management and operating team's experience, network and strength in intelligent technology solutions, ecommerce, mobility and innovative digital solutions, and (e) the Company's assessment of the synergistic benefits that are targeted to be created between the Target Group and the Group through application of the Target Group's team collaboration software to the Group's technology platform and the Group's business-driven technology experience to the Target Group's team collaboration software business operations and ecommerce business operations.

It is expected that the Consideration will be funded by the Group's internal resources.

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

Completion

Completion shall take place on the Completion Date, which is targeted to take place within 60 days of the date of the Share Purchase Agreement and Strategic Alliance Co-operation, on which all the conditions precedent of the Share Purchase Agreement and Strategic Alliance Co-operation have been fulfilled, or such later date as the Purchaser and the Vendor may agree in writing.

The Purchaser and the Vendor have agreed to change of financial year end date of the Target Group from 31 March to 30 April after the Completion.

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.

Information on the Target Company and the Vendor

The Target Company is a company incorporated in the BVI. The Target Company is principally engaged in the business of operating its two 51%-owned operating subsidiaries, TeamSoft and Four Directions Ecommerce. The Vendor owns 49% equity interest in TeamSoft, and Lee Suet Yung owns 49% equity interest in Four Directions Ecommerce. Lee Suet Yung and the beneficial owner of the Vendor are siblings.

TeamSoft owns and operates its enterprise team collaboration system and software business that offers businesses, organisations, and public sector clients exclusive shared workplaces, that are customisable, expandable, and available on private, public or hybrid cloud infrastructure, as well as dedicated on-premise server installations. This facilitates core integrations of a growing range of collaboration tools that help clients to accelerate workflow and improve productivity, as well as enhanced security protection features to provide reliable control, visibility, flexibility and scalability for clients to manage data security challenges, including advanced access control and mobile security, database ownership, data loss protection, and secure and flexible instant messaging app that addresses challenging private messaging security needs, as well as other third party app integration and artificial intelligence (AI) products.

Four Directions Ecommerce owns and operates its ecommerce business that operates on multiple platforms, and offers an expanding range of products, including electronics, household goods, food, and groceries.

The Target Company was established less than one year ago as an investment holding company, and its subsidiary TeamSoft was established less than one year ago to own and operate the enterprise team collaboration software that was developed by the Vendor. The following summary of unaudited financial information of the Target Group for the two most recent financial years has been prepared on a pro forma basis (which, in the case of the Target Company and TeamSoft, reflects the partial year since their respective dates of incorporation):

	Year ended 31 March	
	2021	2020
	HK\$	HK\$
Profit/(Loss) before taxation and extraordinary items	1,175,293	(565,554)
Profit/(Loss) after taxation and extraordinary items	1,172,389	(565,554)

Based on the unaudited financial information of the Target Group as at 31 March 2021, the Target Group had unaudited net assets of approximately HK\$1,340,788.

The Vendor is principally engaged in technology business and investment holding. It is the founder of the Target Company, and it developed TeamSoft's enterprise team collaboration software.

Following Completion, the Target Company will be 100% held by the Purchaser. Accordingly, the Target Company will be an indirect wholly-owned subsidiary of the Company, and the results of the Target Company will be consolidated in the accounts 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 seek to 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 seeks to continue to strengthen its position by continuously developing and acquiring new and emerging technologies and solutions so as to enrich a digital ecosystem that enhances business performance.

The Company believes that the Acquisition may help to enhance the Company's business operations and prospects, due to, amongst others, (a) the local and global market demand for team collaboration software and enterprise productivity tools, (b) the structural shifts in customer needs for remote interactions and the change in remote working, online team collaboration, and enhanced cyber security protection as a result of the COVID-19 pandemic, and the "new normal" that we expect many businesses to adjust to in the post-pandemic period, (c) the positive performance of many businesses that are more invested in advanced digital technology prior to and/or during the COVID-19 pandemic has prompted many others to re-focus their businesses around digital technologies, increase their investments and accelerate their adoption of technology for competitive advantage, (d) the Target Group's management and operating team's experience, network and strength in intelligent technology solutions, ecommerce, mobility and innovative digital solutions, and (e) the Company's assessment of the synergistic benefits that are targeted to be created between the Target Group and the Group through application of the Target Group's team collaboration software to the Group's technology platform and the Group's business-driven technology experience to the Target Group's team collaboration software business operations and ecommerce business operations.

The Purchaser and the Vendor also wish to enter into strategic alliance collaboration by applying the Vendor's technology services, products and solutions to the Group's business-driven technology platform of products and services.

The Company therefore believes that the Acquisition would help benefit the Group by creating value for its shareholders and enriching the Company's technology portfolio, as well as extending the Company's technology product offerings to address the enterprise team collaboration software market and productivity tools market, to enhance the Group's performance and capabilities.

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
The Vendor	100%	0%
The Purchaser	0%	100%
Total	100%	100%

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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 acquisition by the Purchaser from the Vendor of equity interest of 100% in the Target Company, pursuant to the Share Purchase Agreement and Strategic Alliance Co-operation
“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 Agreement and Strategic Alliance Co-operation
“Completion Date”	the day of Completion
“connected person”	the meaning ascribed thereto in the Listing Rules
“Consideration”	the consideration payable for the Acquisition
“Director”	a director of the Board of the Company
“Four Directions Ecommerce”	Four Directions Ecommerce Limited, a company incorporated in Hong Kong and a subsidiary of the Target Company, which is owned 51% by the Target Company and 49% by Lee Suet Yung
“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
“Share Purchase Agreement and Strategic Alliance Co-operation”	the Share Purchase Agreement and Strategic Alliance Co-operation dated as of 17 August 2021, between the Purchaser and the Vendor
“Shareholder”	holder of a Share
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Purchaser”	VG Investment Assets Holdings Inc., a company incorporated in the BVI with limited liability and a wholly-owned subsidiary of the Company
“Target Company”	TeamTech Digital Corporation, a company incorporated in the BVI with limited liability, which is wholly-owned by the Vendor
“Target Group”	the Target Company and its subsidiaries, TeamSoft and Four Directions Ecommerce
“TeamSoft”	TeamSoft Technologies Limited, a company incorporated in Hong Kong and a subsidiary of the Target Company, which is owned 51% by the Target Company and 49% by the Vendor
“Vendor”	Faith Honest International Co. Ltd., which is beneficially owned by Lee Kin Wo

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

Hong Kong, 17 August 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*