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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)

ACQUISITION OF 4.9% SHAREHOLDING BY DEUTSCHE BANK AG BY PLACING OF EXISTING SHARES AND SUBSCRIPTION FOR NEW SHARES RESUMPTION OF TRADING

On 10th July, 2007, after trading hours, Vongroup Holdings, the Company and the Placing Agent entered into a placing agreement, pursuant to which the Placing Agent agreed to place on behalf of Vongroup Holdings 276,575,000 existing Shares to Deutsche Bank AG, acting through its London Branch, at HK\$1.141 per Share, representing an aggregate consideration of approximately HK\$316 million.

On the same day, after trading hours, Vongroup Holdings entered into a subscription agreement with the Company for the subscription of 276,575,000 Shares at the same price per Share. The Placing Shares represent approximately 4.9% of the existing issued share capital of the Company and approximately 4.7% of the total issued share capital of the Company as enlarged by the Subscription.

Completion of the Subscription is conditional upon completion of the Placing, and the Listing Committee of the Stock Exchange granting the listing of, and permission to deal in, the Subscription Shares.

The Company intends to use the estimated net proceeds of the Subscription of approximately HK\$305 million for the Company's general working capital.

At the request of the Company, trading in the Shares was suspended from 9:30 a.m. on 11th July, 2007, pending the release of this Announcement. Application has been made by the Company for the resumption of trading in the Shares on the Stock Exchange with effect from 9:30 a.m. on 12 July, 2007.

PLACING AGREEMENT DATED 10TH JULY, 2007

Vendor:

Vongroup Holdings. As at the date of the Placing Agreement, Vongroup Holdings, the controlling shareholder of the Company, held 3,511,323,944 Shares, representing approximately 62.8% of the issued share capital of the Company.

Placing Agent:

To the best of the Company's knowledge, information and belief, having made all reasonable enquiry, the Placing Agent and its ultimate beneficial owners are third parties independent of the Company and connected persons of the Company. The Company confirms that the Placing Agent did not have any business relationship with the Company and had not conducted any business transaction with the Company within the past 12 months.

Number of Placing Shares:

276,575,000 Shares, representing approximately 4.9% of the existing issued share capital of the Company.

Placee:

Deutsche Bank AG, acting through its London Branch. To the best of the Company's knowledge, information and belief, having made all reasonable enquiry, Deutsche Bank AG and its ultimate beneficial owners are third parties independent of the Company and connected persons of the Company, and neither Deutsche Bank AG nor its ultimate beneficial owners, whether alone or in the aggregate, is or will be a substantial shareholder of the Company (that is, holding 10% or more of the shareholding of the Company) immediately following the completion of the Placing.

Placing Price:

HK\$1.141 per Share, representing a discount of approximately 14.85% to the closing price quoted on the Stock Exchange on 10th July, 2007 (the last trading day prior to the release of this announcement), and a discount of approximately 15.1% and 15.29% to the average closing prices quoted on the Stock Exchange for the consecutive 5 and 10 trading days prior to the release of this announcement, respectively. The Placing Price was determined after arm's length negotiation between the Company and the Placing Agent with reference to the prevailing market price of the Shares. Having considered the highly volatile capital market conditions, the Directors (including the independent non-executive Directors) believe that the Placing Price and the discounts are fair and reasonable.

Rights:

The Placing Shares are sold free from any encumbrances or third-party rights, and Deutsche Bank AG will receive all rights, dividends and distributions declared, paid or made in respect thereof on or after the date of completion of the Placing. The Placing Shares can be traded in the market without any restriction upon completion of the Placing.

Completion of the Placing:

13th July, 2007 (or such other date as the parties may mutually agree).

SUBSCRIPTION AGREEMENT DATED 10TH JULY, 2007

Subscriber:

Vongroup Holdings

Issuer:

The Company

Number of Subscription Shares:

Equal to the number of Placing Shares, being 276,575,000 Shares, representing approximately 4.9% of the existing issued share capital of the Company and approximately 4.7% of the issued share capital of the Company as enlarged by the Subscription.

Subscription Price:

Same as the Placing Price, being HK\$1.141 per Share.

Mandate to issue the Subscription Shares:

The Subscription Shares are to be issued under the current general mandate granted to the directors of the Company pursuant to the resolution of its Shareholders passed at its annual general meeting held on 27th October, 2006. The total number of new Shares that can be allotted and issued under the general mandate is therefore 1,117,477,180 Shares. The Subscription Shares represent approximately 24.7% of the general mandate. Prior to the Subscription, the Company has not issued any Shares under the current general mandate. After the Subscription, the number of Shares that can be allotted and issued remaining under the General Mandate is 840,902,180 Shares.

Ranking of the Subscription Shares:

The Subscription Shares, when fully paid, 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 Subscription Shares, including the right to any dividends or distributions after the date of allotment.

Conditions to the Subscription:

The Subscription is conditional upon completion of the Placing, and the Listing Committee of the Stock Exchange granting the listing of, and permission to deal in, the Subscription Shares. The Company will apply to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Subscription Shares.

Completion of the Subscription:

Completion of the Subscription will take place on the first business day immediately after the date of the fulfillment of all conditions listed above provided that the completion date shall not be later than 14 days after the date of the Subscription Agreement, i.e., 24th July, 2007.

EFFECT OF THE PLACING AND SUBSCRIPTION

The shareholding structure of the Company before the Placing, after the Placing but before the Subscription, and after the Subscription, is summarised as follows:

	Immediately before the Placing and the Subscription		Immediately after the Placing but before the Subscription		Immediately after the Placing and the Subscription	
	Shares	%	Shares	%	Shares	%
Vongroup Holdings (<i>Note 1</i>)	3,511,323,944	62.8	3,234,748,944	57.9	3,511,323,944	59.9
Mr. Wong Chi Man and his associates (<i>Note 2</i>)	59,524,000	1.1	59,524,000	1.1	59,524,000	1.0
Public Shareholders						
– ABN AMRO Bank N.V.	550,676,056	9.9	550,676,056	9.9	550,676,056	9.4
– Deutsche Bank AG (<i>Note 3</i>)	–	–	276,575,000	4.9	276,575,000	4.7
– Others	1,465,861,900	26.2	1,465,861,900	26.2	1,465,861,900	25.0
	<u>2,016,537,956</u>	<u>36.1</u>	<u>2,293,112,956</u>	<u>41.0</u>	<u>2,293,112,956</u>	<u>39.1</u>
Total	<u>5,587,385,900</u>	<u>100.0</u>	<u>5,587,385,900</u>	<u>100.0</u>	<u>5,863,960,900</u>	<u>100.0</u>

Note 1: Vongroup Holdings Limited is beneficially owned by Mr. Vong Tat Ieong David, a Director.

Note 2: Mr. Wong Chi Man is a Director.

Note 3: It is not intended that Deutsche Bank AG will nominate any of its representatives to be a Director as a result of the Placing and Subscription.

REASONS FOR THE PLACING AND SUBSCRIPTION AND USE OF PROCEEDS

The Company considers that the Placing and Subscription represents an opportunity to raise capital for the Company while broadening the shareholder base and strengthening the capital base and financial position of the Company. The aggregate nominal value of the Subscription Shares is HK\$276,575. The gross proceeds from the Subscription is approximately HK\$316 million. The net proceeds from the Subscription, after deducting related placing commission, professional fees and related expenses incurred in the Placing and Subscription, which will be borne by the Company, is expected to be approximately HK\$305 million. The net price per Subscription Share is approximately HK\$1.103. The Company currently intends that such net proceeds will be applied towards the Company's general working capital. The Directors (including the

independent non-executive Directors) believe that the terms of the Placing and Subscription are fair and reasonable and the Placing and Subscription are in the interests of the Company and the Shareholders as a whole.

The Company has not engaged in any fund-raising exercises during the past 12 months.

SUSPENSION AND RESUMPTION OF TRADING IN SHARES

At the request of the Company, trading in the Shares on the Stock Exchange was suspended from 9:30 a.m. on 11th July, 2007, pending the release of this Announcement. Application has been made by the Company to the Stock Exchange for the resumption of trading in the Shares on the Stock Exchange with effect from 9:30 a.m. on 12 July, 2007.

DEFINITIONS

In this announcement, the following words and phrases have the following meanings:

“Company”	Vongroup Limited, a company incorporated in the Cayman Islands with limited liability, the shares of which are listed on the Stock Exchange
“Director”	member of the board of directors of the Company
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Placee”	Deutsche Bank AG, acting through its London Branch
“Placing”	the placing of the Placing Shares at the Placing Price pursuant to the Placing Agreement
“Placing Agent”	Deutsche Bank AG, acting through its Hong Kong Branch
“Placing Agreement”	the placing agreement dated 10th July, 2007 among the Vendor, the Company and the Placing Agent in respect of the Placing
“Placing Price”	the placing price of HK\$1.141 per Share
“Placing Shares”	276,575,000 existing Shares
“PRC”	People’s Republic of China
“Share(s)”	ordinary share(s) of HK\$0.001 each in the share capital of the Company

“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscription”	the subscription for the Subscription Shares by Vongroup Holdings pursuant to the Subscription Agreement
“Subscription Agreement”	the subscription agreement dated 10th July, 2007 between the Company and Vongroup Holdings in respect of the Subscription
“Subscription Price”	the subscription price of HK\$1.141 per Share, which is the same as the Placing Price
“Subscription Shares”	276,575,000 new Shares conditionally subscribed for by Vongroup Holdings pursuant to the Subscription Agreement
“Vongroup Holdings”	Vongroup Holdings Limited, a company incorporated in the British Virgin Islands
“HK\$”	Hong Kong dollar, the lawful currency of Hong Kong

By order of the Board of Directors of
VONGROUP LIMITED
Vong Tat Ieong David
Executive Director

Hong Kong, 11 July, 2007

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

* *For identification purpose only*