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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

SUBSCRIPTION FOR 20.2% EQUITY INTEREST IN CLOUD PLATFORM BUSINESS CLAMAN GLOBAL LIMITED, TO INCREASE EQUITY INTEREST TO 50.3%

THE SUBSCRIPTION

The Board is pleased to announce that on 27 November 2020 (after trading hours), the Subscriber and the Target Company entered into the Subscription Agreement pursuant to which the Target Company has conditionally agreed to issue, and the Subscriber has conditionally agreed to subscribe for, approximately 20.2% equity interest in the Target Company at a consideration of approximately HK\$14.1 million which shall be satisfied by payment in cash.

The Company currently holds approximately 22.5% of the Target Company. The Company will hold approximately 40.3% after the Acquisition Completion, and will hold approximately 50.3% after the Subscription Completion. The Target Company will become a subsidiary of the Company, and the accounts of the Target Company will be consolidated into the financial statements of the Company.

LISTING RULES IMPLICATIONS

The Subscription and the Acquisition both involve equity interest in the Target Company within a 12-month period, therefore the Acquisition and the Subscription shall be aggregated for the purpose of Chapter 14 of the Listing Rules.

As one or more of the applicable percentage ratios (as defined under Chapter 14 of the Listing Rules) in relation to the aggregated Acquisition and Subscription is more than 5% but less than 25%, the Subscription constitutes a discloseable transaction under Chapter 14 of the Listing Rules.

Shareholders and potential investors should note that the Subscription, 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 SUBSCRIPTION

Date: 27 November 2020 (after trading hours)

Parties:

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

Target Claman Global Limited
Company

To the best of the Directors' knowledge, information and belief having made all reasonable enquiry, the Target Company and its other ultimate beneficial owners are third parties independent of the Company and its connected persons.

Shares to be subscribed for

Pursuant to the Subscription Agreement, the Target Company has conditionally agreed to issue, and the Subscriber has conditionally agreed to subscribe for, approximately 20.2% equity interest in the Target Company.

Consideration

Pursuant to the terms of the Subscription Agreement, the Consideration of approximately HK\$14.1 million shall be satisfied by way of cash in four equal monthly amounts, with the first amount being upon the Subscription Completion, or on such other dates as shall be mutually agreed between the parties to the Subscription Agreement.

The Consideration was arrived at based on normal commercial terms after arm's length negotiations between the Subscriber and the Target Company, taking into account, among other things, (a) increasing local and global market demands for certain technology solutions in e-commerce, remote business operations, 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 and reputation in the industry as a leader and innovator, and its broad customer base, (c) the Target Company's strong technological, and research and development capabilities, (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.

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.

The Subscription Completion

The Subscription Completion shall take place on the same date as the Acquisition Completion, or such other date as agreed by the Subscriber and the Target Company in writing that is not more than one month after the date of the Subscription Agreement, on condition that all the conditions precedent therefor shall have been fulfilled. The Target Company will become a subsidiary of the Company.

Conditions Precedent

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

- (i) the representations and warranties contained in the Subscription Agreement remaining true and accurate in all material respects;
- (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

The Target Company is a company incorporated in the BVI with limited liability, and it owns a technology businesses that is a market leader in developing and operating its proprietary multi-function cloud platform services with built-in multi-language systems, and advanced payment tools, serving a wide range of business needs, e.g., e-commerce, large-scale events, virtual events, and fundraising campaigns. Since 2012, these advanced technology innovation and one-stop full-services have been provided to a broad customer base of SMEs, local and international corporates, NGOs, media organisations, universities, sports events, race events and other large-scale events.

Leveraging upon its technological, research and development capabilities, the Target Company's platform services support diverse forms of complex business processes, requirements and customisable workflows. The Target Company's one-stop full-service approach has been successful in enhancing business value for clients, solving their business problems and providing them with high levels of flexibility, scalability and network security. Through this, the Target Company helps clients to become more innovative, efficient and competitive by leveraging on the Target Company's deep knowledge of cloud technologies and business processes.

The COVID-19 pandemic and the resulting "new normal" in business and market behaviour has accelerated rapid changes in that way that companies use technology to interact with their customers and also in respect of their own staff resources. This in turn has supported a high surge and continued growth in demands for the Target Company's expanding products and services, especially in its ready-to-use e-commerce platform, online marketing solutions, online payments processing, and virtual and cloud technologies that enable both remote working and facilitates virtual business interactions.

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	
	2020	2019
	HK\$	HK\$
	(unaudited)	(unaudited)
Profit/(Loss) before taxation and extraordinary items	2,186,000	(1,049,000)
Profit/(Loss) after taxation and extraordinary items	2,186,000	(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 Target Company, its principal business activity is investment holding, and it owns and operates a full-service technology service business. Following the Subscription Completion, assuming that the Acquisition Completion shall have taken place and assuming no other changes in shareholding, the Target Company will be held as to approximately 50.3% by the Company. The Target Company will become a subsidiary of the Company and the results of the Target Company will be consolidated into the financial statements of the Company.

Reasons for and benefits of the Subscription

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 Subscription is in line with this stated strategy.

(a) The Group's technology business strategies

The Group's technology business strategies include generating revenue and profit by providing IT products and services that deliver innovation, technology disruption and value creation to the corporate market. To do this, our team leverages its extensive experience from industry, commerce and technology to give our clients a deep understanding of the business, market, competitive pressures, regulation, standards and dynamics that relate to the overlap of technology and business. We also leverage our execution experience, the result of years of technological work, designing, building, marketing, and maintaining technology solutions, applications and services.

(b) COVID-19 pandemic spurs new technology demands for the "new normal" business

During this extended period of the COVID-19 pandemic, many businesses have had to face recurring themes that include frantic assessment and adoption of new digital technologies to address the "new normals" of distance-business needs. As a result, the Group's foundation in strategic and corporate technology planning, IT architecture design, implementation, integration, network and infrastructure services has helped to generate substantially higher revenue, especially in capturing the market demands of these "new normals" of technology service demands that have been accelerated by dramatic changes in market paradigms resulting from the COVID-19 pandemic.

Therefore, in light of these "new normals", our ongoing strategy is to further develop and strengthen our technology products and services in enterprise solutions, fintech, virtual technologies, distance-businesses and other technologies that are in high demand during the COVID-19 pandemic, and which will be expected to continue thereafter as a result of new market behaviour.

(c) The Target Company's technology business for the "new normals"

As part of this strategy, the Subscription will result in the Target Company becoming a subsidiary of the Company and being added to the Company's technology products and services. The Company considers that the Target Company is one of the fast-movers amongst Hong Kong technology companies, with brand strength and proven success in offering its proprietary multi-function cloud platforms with built-in multi-language systems, and advanced payment technologies, serving a wide range of business clients. The Target Company has demonstrated growth in its financial performance amid broad global political/economic uncertainties and market instability that have presented challenging macroeconomic malaise and social fragility aggravated by severe local social unrest and the COVID-19 pandemic.

The Company therefore believes that increasing enterprise demand for the Target Company's expanding product and services in this high-growth sector during the COVID-19 pandemic, and also looking ahead to the post-pandemic era, 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 technological, research and development capabilities, and a large base of clients across a range of sectors. We therefore anticipate that the Group's business prospects in the local and international markets would hence be further accentuated by closely integrating the Target Company's technology business with the Company's.

The Directors therefore believe that the Subscription provides a good opportunity for the Group to further elevate and broaden 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 technology businesses. The Subscription also presents a unique opportunity for the Company to create additional profits in this high-demand technology sector.

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 the Acquisition Completion and the Subscription 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 held in Target Company		
	As at the date of this Announcement	Immediately after the Subscription Completion (assuming that it occurs before the Acquisition Completion)	Immediately after the Subscription Completion (assuming that the Acquisition Completion has taken place or will take place at the same time)
Kingston	32.56%	27.10%	27.10%
YQ	22.48%	18.71%	18.71%
Allyking	22.48%	18.71%	3.87%
The Subscriber	22.48%	35.48%	50.32%
Total	100%	100%	100%

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Shareholders and potential investors should note that the Subscription, 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, as referred to in the announcement of the Company of 22 October 2020
“Acquisition Completion”	completion of the Acquisition pursuant to the terms and conditions thereof
“Allyking”	Allyking International Limited, a company incorporated in the BVI with limited liability, whose ultimate controlling beneficial owner is Ms Huang Rong
“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
“connected person”	the meaning ascribed thereto in the Listing Rules
“Consideration”	subscription price for the equity interest in the Target Company, that is the subject of the Subscription
“Director”	a director of the Board of the Company
“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
“Kingston”	Kingston Investment Assets Limited, a company incorporated in the BVI with limited liability, whose ultimate controlling beneficial owner is Mr Brian D. Nip
“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
“Subscriber”	VG Investment Assets Holdings Limited, a company incorporated in the BVI with limited liability and a wholly-owned subsidiary of the Company
“Subscription”	the issuance of, and subscription for, approximately 20.2% equity interest in the Target Company in accordance with the terms and conditions of the Subscription Agreement
“Subscription Agreement”	the subscription agreement dated 27 November 2020, entered into between the Subscriber and the Target Company

“Subscription Completion” completion of the Subscription pursuant to the terms and conditions thereof

“Target Company” Claman Global Limited, a company incorporated in the BVI with limited liability

“YQ” YQ Holdings Limited, a company incorporated in the BVI with limited liability, whose ultimate controlling beneficial owner is Mr Chew Sing Pin

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

Hong Kong, 27 November 2020

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*