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If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult your stockbroker or other registered dealer in securities, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in Value Convergence Holdings Limited (the “Company”), you should at once hand this circular accompanying with the form of proxy to the purchaser or transferee, or to the bank, licensed securities dealer or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

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Value Convergence Holdings Limited

(Incorporated in Hong Kong with limited liability)

website: <http://www.vcgroup.com.hk>

(Stock Code: 821)

(1) THE EXTENSION OF PLACING PERIOD OF THE PLACING OF CONVERTIBLE BONDS AND (2) NOTICE OF EXTRAORDINARY GENERAL MEETING

Financial Adviser to the Company



Placing Agent



A notice convening the New EGM of the Company to be held at 29th Floor, The Centrium, 60 Wyndham Street, Central, Hong Kong on Wednesday, 29 March 2017 at 12:00 noon is set out on pages EGM-1 to EGM-2 of this circular.

Whether or not you are able to attend and/or vote at the New EGM of the Company in person, you are requested to complete and return the accompanying form of proxy in accordance with the instructions printed thereon to the registered office of the Company at 28th Floor, The Centrium, 60 Wyndham Street, Central, Hong Kong, as soon as possible and in any event not less than 48 hours before the time appointed for holding the meeting or any adjournment thereof. Completion and return of the form of proxy will not preclude you from subsequently attending and voting in person at the New EGM of the Company or any adjournment thereof (as the case may be) should you so wish.

27 February 2017

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DEFINITIONS

The following terms have the following meanings in this circular unless the context otherwise requires:

“associates”	has the meaning ascribed to it in the Listing Rules
“Beijing Heyuan”	北京合源融金股權投資中心(有限合夥)(transliterated as Beijing Heyuan Finance Equity Investment Centre (limited partnership)*), a limited partnership established in the PRC with limited liability
“Board”	the board of Directors
“Business Day(s)”	any day (excluding Saturday, Sunday or public holiday) on which licensed banks in Hong Kong are generally open for business in Hong Kong
“CSRC”	the China Securities Regulatory Commission
“Company”	Value Convergence Holdings Limited, a company incorporated in Hong Kong with limited liability, the shares of which are listed on the Main Board of the Stock Exchange
“Completion”	completion of the Joint Venture Agreement
“connected person(s)”	has the meaning ascribed to it in the Listing Rules
“Conversion Price”	HK\$0.65 per Conversion Share (subject to adjustments)
“Conversion Right(s)”	the rights to convert the principal amount or a part of the Convertible Bonds into Shares pursuant to the terms of the Convertible Bonds
“Conversion Share(s)”	the Share(s) to be issued by the Company pursuant to the exercise of the Conversion Rights under the Convertible Bonds
“Convertible Bond(s)”	the Convertible Bond(s) in the aggregated principal amount of up to HK\$850 million to be issued by the Company pursuant to the Placing Agreement
“Deeds of Variation”	the First Deed of Variation, the Second Deed of Variation, and the Third Deed of Variation
“Directors”	directors of the Company

DEFINITIONS

“EGM”	the extraordinary general meeting held by the Company dated 26 October 2016 which approved (among other things) (i) the Joint Venture Agreement and the transaction contemplated thereunder; and (ii) the Placing Agreement as supplemented and amended by the First Deed of Variation and the transactions contemplated thereunder, including the grant of the Specific Mandate
“Extended Placing Period”	the period commencing upon the date of the Placing Agreement and terminating at 5:00 p.m. on the date falling three (3) calendar months from the date of the New EGM
“First Announcement”	the announcement of the Company dated 21 July 2016 for the entering into of the Placing Agreement and the Joint Venture Agreement
“First Deed of Variation”	the deed of variation entered into between the Company and the Placing Agent on 20 September 2016 to amend and supplement the Placing Agreement, details of which were disclosed in the announcement of the Company dated 20 September 2016
“Group”	the Company and its subsidiaries
“Guangxi Hande”	廣西瀚德集團有限公司 (transliterated as Guangxi Hande Group Company Limited*), a company incorporated in the PRC with limited liability
“Guangxi Jintou”	廣西金融投資集團有限公司 (transliterated as Guangxi Financial Investment Group Company Limited*), a company incorporated in the PRC with limited liability
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Joint Venture Agreement”	the joint venture agreement dated 21 July 2016 entered into among VC Brokerage, Guangxi Jintou, Guangxi Hande and Beijing Heyuan in relation to the establishment of the JV Company
“JV Company”	金港證券股份有限公司 (transliterated as Jingang Securities Company Limited*), a company limited by shares to be incorporated under the laws of the PRC pursuant to the Joint Venture Agreement
“JV Partners”	collectively VC Brokerage, Guangxi Jintou, Guangxi Hande and Beijing Heyuan and each a “ JV Partner ”

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“JV Steering Committee”	the steering committee to be formed pursuant to the Joint Venture Agreement for the establishment of the JV Company which shall consist of representatives from VC Brokerage and Guangxi Jintou
“Latest Practicable Date”	21 February 2017, being the latest practicable date prior to the printing of this circular for ascertaining certain information in this circular
“Listing Rules”	Rules Governing the Listing of Securities on the Stock Exchange
“Long-stop Date”	17 April 2017
“New EGM”	a new extraordinary general meeting to be held by the Company to consider and, if thought fit, approve (among other things) the Placing Agreement as supplemented and amended by the Deeds of Variation and the transactions contemplated thereunder, including the grant of the Specific Mandate
“Placee(s)”	placee(s) of the Convertible Bonds under the Placing Agreement as supplemented and amended by the Deeds of Variation
“Placing”	the best effort placing of up to a maximum aggregate principal amount of HK\$850 million of Convertible Bonds on the terms and subject to the conditions set out in the Placing Agreement as supplemented and amended by the Deeds of Variation
“Placing Agent”	Fortune (HK) Securities Limited, a licensed corporation permitted to carry on Type 1 (dealing in securities) regulated activity for the purposes of the SFO
“Placing Agreement”	the agreement entered into between the Company and the Placing Agent dated 21 July 2016 in respect of the Placing as supplemented and amended by the Deeds of Variation
“Placing Period”	the period commencing upon the date of the Placing Agreement and terminating at 5:00 p.m. on the date falling three (3) calendar months from the date of EGM (or such later date as may be agreed between the Placing Agent and the Company), unless terminated earlier in writing pursuant to the terms of the Placing Agreement as supplemented and amended by the First Deed of Variation and Second Deed of Variation
“PRC”	the People’s Republic of China, and for the purpose of this circular only, excludes Hong Kong, Macau Special Administrative Region of the People’s Republic of China and Taiwan

DEFINITIONS

“Previous Circular”	the circular of the Company dated 26 September 2016 for the EGM
“Second Deed of Variation”	the second deed of variation entered into between the Company and the Placing Agent on 18 November 2016 to amend and supplement the Placing Agreement, details of which were disclosed in the announcement of the Company dated 18 November 2016
“SFC”	the Securities and Futures Commission
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended from time to time
“Share(s)”	the issued ordinary share(s) in the share capital of the Company
“Shareholders”	holders of the Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Third Deed of Variation”	the third deed of variation entered into between the Company and the Placing Agent on 17 January 2017 to amend and supplement the Placing Agreement, details of which were disclosed in the announcement of the Company dated 17 January 2017
“VC Brokerage”	VC Brokerage Limited, an indirect wholly owned subsidiary of the Company, a licensed corporation permitted to carry on Type 1 (dealing in securities) and Type 4 (advising on securities) regulated activities under the SFO
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“RMB”	Renminbi, the lawful currency in the PRC
“%”	per cent.

For illustration purposes in this circular, the amounts in RMB are translated to HK\$ at the rate of RMB1.00 = HK\$1.20. No representation is made that any amount in RMB has been or could be converted at the above rate or at any other rates or at all.

** for identification purposes only*

LETTER FROM THE BOARD



Value Convergence Holdings Limited

(Incorporated in Hong Kong with limited liability)

website: <http://www.vcgroup.com.hk>

(Stock Code: 821)

Executive Directors:

Mr. Tin Ka Pak, Timmy (*Chief Executive Officer*)

Mr. Chau King Fai, Philip

Mr. Lin Hoi Kwong, Aristo

Mr. Xie Jintai

Registered Office:

28th Floor, The Centrium

60 Wyndham Street

Central

Hong Kong

Non-executive Director:

Mr. Chung Chi Shing, Eric

Independent Non-Executive Directors:

Mr. Wong Chung Kin, Quentin

Mr. Wong Kam Choi, Kerry, MH

Mr. Siu Miu Man, Simon

27 February 2017

To the Shareholders

Dear Sir or Madam,

THE EXTENSION OF PLACING PERIOD OF THE PLACING OF CONVERTIBLE BONDS

INTRODUCTION

Reference is made to (i) the announcements of the Company dated 24 July 2016 and 20 September 2016 in relation to, among other matters, the formation of the JV Company and the Placing of Convertible Bonds of up to a maximum principal amount of HK\$850 million and the First Deed of Variation to the Placing Agreement, respectively; (ii) the Previous Circular of the Company dated 26 September 2016; (iii) the announcement of the Company dated 26 October 2016 in relation to the poll results of the EGM held on 26 October 2016; (iv) the announcement of the Company dated 18 November 2016 in relation to the Second Deed of Variation to extend the Placing Period; and (v) the announcement of the Company dated 17 January 2017 in relation to the Third Deed of Variation to further extend the Placing Period.

LETTER FROM THE BOARD

Pursuant to the Placing Agreement (as supplemented, varied and amended by the First Deed of Variation and Second Deed of Variation), the Placing Period shall be the period commencing from the date of the Placing Agreement and terminating at 5:00 p.m. on the date falling three (3) calendar months after the date of the EGM on 26 October 2016 (or such later date as may be agreed between the Placing Agent and the Company), unless terminated earlier in writing pursuant to the terms of the Placing Agreement.

On 17 January 2017, the Company and the Placing Agent entered into the Third Deed of Variation to the Placing Agreement after arm's length negotiations, pursuant to which the Company and the Placing Agent had conditionally agreed to further extend the Placing Period to the date falling on three (3) calendar months after the date of the New EGM of the Company approving the Third Deed of Variation, subject to the approval by the Shareholders at the New EGM.

The purpose of this circular is to provide you with, among other things, (i) further information on the Placing Agreement; (ii) further information on the Third Deed of Variation; (iii) the latest status of the Placing and the formation of JV Company; and (iv) the notice of New EGM.

THE TERMS OF THE PLACING AGREEMENT (AS AMENDED BY THE DEEDS OF VARIATION)

Set out below are the principal terms of the Placing Agreement as supplemented and amended by the First Deed of Variation and the Second Deed of Variation:

Date	21 July 2016	(Placing Agreement)
	20 September 2016	(First Deed of Variation)
	18 November 2016	(Second Deed of Variation)
Parties	(i) Issuer:	The Company
	(ii) Placing Agent:	Fortune (HK) Securities Limited

The Placing Agent is 100% owned by China Fortune Financial Group Limited (“**China Fortune**”) (Stock Code: 290). Mr. Wong Kam Choi, Kerry (“**Mr. Wong**”), an independent non-executive Director, was an executive director and the chairman of China Fortune has resigned on 6 January 2017. To the best of the Directors’ knowledge, information and belief having made all reasonable enquires, the Placing Agent and their ultimate beneficial owners are third parties independent of and not connected with the Company and its connected persons. Mr. Wong had declared his interest in China Fortune in the Board meeting during which the Placing and the Deeds of Variation were discussed and had abstained from voting on the resolutions in this regard.

LETTER FROM THE BOARD

Conditions Precedent

Completion of the Placing is conditional upon fulfillment of the following conditions:

- (a) VC Brokerage having obtained all necessary consent, licences, permits and approvals required for the establishment of the JV Company from any court, or government authority or regulatory body in Hong Kong and other relevant jurisdictions;
- (b) the Company having obtained the approval of its Shareholders at the extraordinary general meeting for the entering into of the Joint Venture Agreement in relation to the establishment of the JV Company and the transactions contemplated thereunder including but not limited to the capital contribution by VC Brokerage into the JV Company;
- (c) the Company having obtained the approval of its shareholders at the extraordinary general meeting for the entering into of the Placing Agreement and the transactions contemplated thereunder including not limited to the issue of the Convertible Bonds and the allotment and issue by the Company of the Conversion Shares from time to time upon exercise of the Conversion Rights under the Convertible Bonds;
- (d) the Stock Exchange granting the listing of, and permission to deal in, the Conversion Shares; and
- (e) the obligations of the Placing Agent under the Placing Agreement not being terminated in accordance with the terms thereof.

If the conditions above are not fulfilled or waived (condition (e) is waivable by the Placing Agent and conditions (a), (b), (c) and (d) shall not be waived) prior to expiry of the Placing Period of the Placing Agreement supplemented and amended by the Deeds of Variation or such later date as may be agreed between the Company and the Placing Agent, the Placing Agreement supplemented and amended by the Deeds of Variation will lapse and become null and void and the parties shall be released from all obligations under the Placing Agreement, save for the liabilities for any antecedent breaches.

LETTER FROM THE BOARD

For conditions (b) and (c), the Company has obtained independent Shareholders' approval in the EGM for (i) the Joint Venture Agreement and the transaction contemplated thereunder; and (ii) the Placing Agreement supplemented and amended by the First Deed of Variation and the transactions contemplated thereunder, including the grant of the Specific Mandate. On 17 January 2017, the Company and the Placing Agent entered into the Third Deed of Variation to the Placing Agreement after arm's length negotiations, pursuant to which the Company and the Placing Agent had agreed to further extend the Placing Period to the date falling on three (3) calendar months after the date of the New EGM of the Company approving the Third Deed of Variation. The further details of the Third Deed of Variation are set out in the subsection headed "Terms of the Third Deed of Variation below.

For any further extension of the date of completion of the Placing after three months from the date of the New EGM (i.e. the Extended Placing Period) which will be treated as a new transaction of the Company, the Company would have to comply with the relevant Listing Rules requirements (including Shareholders' approval).

Termination

The Placing Agreement may be terminated by the Placing Agent if at any time prior to 9:00 a.m. of the date immediately preceding the completion date of the Placing Agreement:

- (a) there develops, occurs or comes into force:
 - (i) any new law or regulation or any change in existing laws or regulations or the interpretation thereof which may in the sole opinion of the Placing Agent and in its absolute discretion may materially and adversely affect the business or financial condition or prospects of the Group as a whole;
 - (ii) any local, regional, national or international event or change (whether or not permanent or forming part of a series of events or changes occurring or continuing, on and/or after the date hereof) of a political, military, economic, currency (including a change in the system under which the value of the Hong Kong currency is linked to the currency of the United States of America) or other nature (whether or not ejusdem generis with the foregoing), which may or may be expected to, in the sole opinion of the Placing Agent, adversely affect the business or financial or trading position or prospects of the Group as a whole or prejudices the success of the Placing or otherwise makes it inexpedient or inadvisable for the Company or the Placing Agent to proceed with the Placing; or

LETTER FROM THE BOARD

- (iii) any significant change (whether or not permanent) in local, regional, national or international market conditions (including without limitation suspension or material restriction on trading in securities or any conditions affecting a sector of the market) which may or may be expected to adversely affect the success of the Placing or otherwise in the sole opinion of the Placing Agent makes it inexpedient or inadvisable or inappropriate for the Company or the Placing Agent to proceed with the Placing;
- (b) the Company commits any material breach of or any material omission to observe any of the obligation or undertakings expressed or assumed under the Placing Agreement;
- (c) the trading of the Shares on the Stock Exchange has been suspended for more than ten consecutive trading days save for the purposes of clearing of any announcements or circulars relating to the Placing and the entering into of the Joint Venture Agreement by VC Brokerage in relation to the establishment of the JV Company and the transactions contemplated thereunder; or
- (d) any breach of any of the warranties which in the sole opinion of the Placing Agent and in its absolute discretion is material in the context of the Placing, comes to the knowledge of the Placing Agent or there has been a breach by the Company of any other provision of the Placing Agreement which in the sole opinion of the Placing Agent and in its absolute discretion is material in the context of the Placing,

then and in any such case, the Placing Agent may, in its absolute discretion, terminate the Placing Agreement without liability to the Company (save the liabilities for any antecedent breach of the Placing Agreement by the Placing Agent) by giving notice in writing to the Company, which notice may be given at any time prior to the completion date of the Placing Agreement.

Completion

Completion of the Placing shall take place no later than the fifth (5th) Business Day after (i) the satisfaction of all the conditions precedent to the Placing Agreement; and (ii) the conclusion of the list of Placee(s) on the subscription date (whichever is later), or such later date as may be agreed by and between the Company and the Placing Agent.

LETTER FROM THE BOARD

Placing Commission The Placing Agent shall receive a placing commission of 2.5% of the amount equal to the principal amount of the Convertible Bonds which the Placing Agent has successfully procured subscribers to subscribe for the Convertible Bonds at the end of the Placing Period.

Placees The Convertible Bonds will be placed to not less than six (6) Placees on best effort basis, who are professional or institutional investors who and whose ultimate beneficial owners are independent of and not connected with the directors, chief executives or substantial shareholders of the Company and its connected persons.

The principal terms of the Convertible Bonds are as follows:

Issuer: The Company

Principal amount: Up to HK\$850 million

Conversion price: The price at which each Share shall be issued upon conversion shall be HK\$0.65 subject to adjustment. The initial conversion price of HK\$0.65 represents:

- (i) a discount of approximately 49.61% to the closing price of HK\$1.290 per Share as quoted on the Stock Exchange on the date of the Placing Agreement (i.e. 21 July 2016);
- (ii) a discount of approximately 49.77% to the average closing price for the five consecutive trading days immediately prior to the date of the Placing Agreement as quoted on the Stock Exchange of HK\$1.294 per Share;
- (iii) a discount of approximately 56.08% to the closing price of HK\$1.480 per Share as quoted on the Stock Exchange on the latest practicable date (i.e. 23 September 2016) of the Previous Circular;
- (iv) a discount of approximately 77.97% to the closing price of HK\$2.950 per Share as quoted on the Stock Exchange on the date of the EGM (i.e. 26 October 2016);
- (v) a discount of approximately 61.76% to the closing price of HK\$1.700 per Share as quoted on the Stock Exchange on the date of the Third Deed of Variation (i.e. 17 January 2017); and
- (vi) a discount of approximately 67.01% to the closing price of HK\$1.97 per Share as quoted on the Stock Exchange on the Latest Practicable Date of this circular.

LETTER FROM THE BOARD

Assuming that the Convertible Bonds are fully converted into Conversion Shares at the initial conversion price of HK\$0.65, up to a total of 1,307,692,307 Conversion Shares will be issued which represent approximately 197.35% of the issued share capital of the Company as at the Latest Practicable Date and approximately 66.37% of the issued share capital of the Company as enlarged by the allotment and issue of the Conversion Shares.

Pursuant to the Third Deed of Variation, the Placing Period is proposed to be extended to three months from the date of the New EGM (i.e. the Extended Placing Period) due to additional time required for the Company to fulfil the conditions precedent as set out in the Placing Agreement. The key terms of the Placing structure, particularly the initial Conversion Price, remain unchanged which were agreed between the Company and the Placing Agent after arm's length negotiation by reference to, among other things, the financial performance of the Group for the year ended 31 December 2015, liquidity and historical trading prices of the Shares as stated in the Previous Circular prior to the entering into of the Placing Agreement on 21 July 2016; and have been presented to potential Placees by the Placing Agent. In addition, the Share price experienced an increase trend from HK\$1.29 per Share since the date of the First Announcement on 21 July 2016 and surged to HK\$2.95 per Share on the date of EGM on 26 October 2016. The Share price reached its peak at HK\$3.31 per Share on 16 November 2016 which subsequently entered into a downward trend and dropped to HK\$1.70 per Share on the date of the entering into of the Third Deed of Variation (i.e. 17 January 2017).

Having considered (i) the above fluctuation in Share price was resulted from the drastic market reaction since the entering into of the Joint Venture Agreement and the Placing Agreement which did not persist after reaching the peak of Share price at HK\$3.31 per Share on 16 November 2016; (ii) the surge on the Share price since the date of First Announcement has not been sustainable; and (iii) the initial Conversion Price was negotiated and concluded between the Company and the Placing Agent on an arm's length basis before the entering into of the Placing Agreement, which has been approved in the EGM by independent Shareholders, the Directors consider that it is fair and reasonable to maintain the initial Conversion Price at HK\$0.65 per Share under the Placing Agreement.

The initial conversion price is subject to anti-dilution adjustment provisions upon the occurrence of: (a) consolidation and subdivision; (b) capitalisation of profits or reserves; and (c) capital distribution.

LETTER FROM THE BOARD

- Conversion period:** The period from the date of issue of the Convertible Bonds to and including the day immediately prior to the maturity date, provided that if the Company fails to redeem the Convertible Bonds on the due date in accordance with the terms of the Placing Agreement the period shall continue until redemption in full occurs.
- Maturity:** The Company shall repay such principal moneys outstanding under the Convertible Bonds to the Bondholder together with all interest accrued thereon up to and including the date of repayment on the 2nd anniversary of the date of issue of the Convertible Bonds.
- Interest:** The Convertible Bonds shall bear interest from the date upon which each such Convertible Bonds is issued until the date of redemption or the conversion date of the Convertible Bonds at the rate of two percent (2%) per annum.
- Transferability:** The Convertible Bonds are transferable.
- Conversion restrictions:** The Bondholder shall not be entitled to exercise the Conversion Rights unless in compliance with all the following conditions:
- A Bondholder shall not exercise any Conversion Rights, and the Company shall not be required to issue any Conversion Shares, if, as a result of such exercise, (a) less than 25% of the Company's issued shares would be held by the public (as such expression is defined in the Listing Rules) immediately after the relevant exercise of Conversion Rights; (b) the Bondholder and/or parties acting in concert with it would be required to make a mandatory general offer for the Shares held by the Company's other shareholders under the Takeovers Code (whether or not a waiver from such general offer obligations would be granted by the SFC) will be directly or indirectly triggered; or (c) the Bondholder would thereby become a substantial shareholder (as defined in the SFO) of one or more subsidiaries of the Company which are regulated under Part V of the SFO, unless the Bondholder has first been approved by the SFC under Part V of the SFO to become such a substantial shareholder.
- Status:** The obligations of the Company arising under the Convertible Bonds constitute general, unsecured and unsubordinated obligations of the Company and rank equally among themselves and pari passu with all other present and future unsecured and unsubordinated obligations of the Company except for obligations accorded preference by mandatory provisions of applicable law.

LETTER FROM THE BOARD

The Conversion Shares issued upon exercise of Conversion Rights shall rank pari passu in all respects with all other existing Shares outstanding at the conversion date and all Conversion Shares shall include rights to participate in all dividends and other distributions the record date of which falls on or after the conversion date.

Application for listing: No application will be made for a listing of the Convertible Bonds.

Voting rights: The Bondholder will not be entitled to attend or vote at any meetings of the Company by reason only of it being the Bondholder.

Terms of the Third Deed of Variation

On 17 January 2017, the Company and the Placing Agent entered into the Third Deed of Variation after arm's length negotiations, pursuant to which the Company and the Placing Agent had conditionally agreed to further extend the Placing Period to the date falling on three (3) calendar months after the date of the New EGM of the Company approving the Third Deed of Variation, subject to the approval by the Shareholders at the New EGM. Set out below are the principal terms of the Third Deed of Variation:

Date	17 January 2017	(Third Deed of Variation)
Parties	(i) Issuer:	The Company
	(ii) Placing Agent:	Fortune (HK) Securities Limited

Amendment and variation in respect of the Placing Period under the Third Deed of Variation

Subject to the terms and the condition precedent of the Third Deed of Variation, the Company and the Placing Agent have agreed to extend the placing period under the Placing Agreement as supplemented and amended by the First Deed of Variation and the Second Deed of Variation to the Extended Placing Period.

Condition Precedent for the Extended Placing Period

The Extended Placing Period shall be conditional upon the passing by the Shareholders (or independent Shareholders, as the case may be) of the Company of such resolution as may be necessary for approving the Third Deed of Variation and the Extended Placing Period contemplated thereunder in accordance with the Listing Rules, its articles of association and as required by application laws and regulations (as the case may be).

LETTER FROM THE BOARD

Each of the Company and the Placing Agent shall use its best endeavours to procure the fulfillment of the condition precedent of the Third Deed of Variation on or before the Long-stop Date.

If the condition precedent of the Third Deed of Variation is not fulfilled on or before the Long-stop Date, the provisions of the Third Deed of Variation except clause on the governing law which shall remain in full force and effect, shall from such date cease to have any further force and effect and none of the Company or the Placing Agent shall have any claim against each other, except in respect of claims arising out of any antecedent breach of any of the provisions of the Third Deed of Variation.

Subject to the condition precedent of the Third Deed of Variation having been fulfilled on or before the Long-stop Date, the Extended Placing Period shall thereupon immediately take effect and the Placing Agreement shall be amended and varied by and in accordance with the terms of the Third Deed of Variation.

All other terms and conditions of the Placing Agreement shall remain unchanged and be in full force and effect and are enforceable in accordance with its terms, as so varied.

STATUS OF THE FORMATION OF THE JV COMPANY

Information about the JV Company

Pursuant to the Joint Venture Agreement, the JV Company, when established, will be a limited liability company in the PRC with a registered capital of RMB1,000 million, which will be owned as to 44.5% by VC Brokerage, 45.52% by Guangxi Jintou, 4.99% by Guangxi Hande and 4.99% by Beijing Heyuan. The proposed principal activities of the JV Company shall include provision of regulated securities related services including, securities brokerage, securities trading and securities investment consultation, underwriting and sponsorship in securities, securities dealing, securities and assets management, securities margin trading, proxy sale of securities products and funds; agency service for futures trading firms; custody service of securities investment fund; market maker of securities futures and any other business approved by the CSRC. The parties may from time to time, by way of board resolutions of the JV Company and subject to the applicable laws and regulations, take all necessary actions to obtain the necessary approvals or licenses to expand the authorised business scope of the JV Company. Further details of the Joint Venture Agreement and the JV Company are set out in the Previous Circular.

Following execution of the Joint Venture Agreement, the JV Partners, on 25 July 2016, has submitted applications, together with the Joint Venture Agreement and the articles of association of the JV Company, to the CSRC for the establishment of and the grant of regulatory licenses to the JV Company. To the best of the Director's knowledge, there is no definite timetable for the CSRC to process the application. It is expected that the CSRC would take another three to six months from the Latest Practicable Date to process the application as to grant the necessary approvals for VC Brokerage and other JV Partners for the establishment the JV Company as a Full Licensed Securities Company and making their respective capital contributions. VC Brokerage and other JV Partners do not foresee any major obstacle to the establishment of the JV Company thereafter. The JV Partners are working on information requested by the CSRC. The Company will publish an announcement to inform the Shareholders upon obtaining the approvals from the CSRC.

LETTER FROM THE BOARD

STATUS OF THE PLACING

Based on the progress of the Placing as at the Latest Practicable Date advised by the Placing Agent, it is expected that four potential placees are the existing Shareholders of the Company, and one of them will become a substantial Shareholder of the Company assuming HK\$850 million Convertible Bonds are fully placed and converted.

The Placing Agent has been working on the Placing since the entering into of the Placing Agreement on 21 July 2016 and has kept the Company updated on the progress of the Placing from time to time. Prior to the execution of the Third Deed of Variation, the Placing Agent advised that, other than those Placees who had committed before issue of the Previous Circular, it had identified other potential investors who had expressed interest in subscribing the Convertible Bonds. However, these interested parties had reservations to execute any legally binding agreement at this stage and would prefer to do so when there is more information about the timing of the approval of the JV Company is available. The Placing Agent has further advised that they are optimistic that a substantial portion, if not all, of the HK\$850 million Convertible Bonds can be successfully placed provided that the approval of the JV Company is granted by the CSRC. Taking into account (i) the extra time for exploring other alternative fund raising methods or approaching other placing agents; (ii) the above-mentioned potential Placees confirmed or introduced by the Placing Agent since the entering into of the Placing Agreement, the Company considered the entering into of the Third Deed of Variation with the Placing Agent is in the interest of the Company and its shareholders as a whole.

Pursuant to the acknowledgement letter to be executed by the Placees on or before the New EGM date, the Placees will undertake that they and their respective associates will abstain from voting in the New EGM in case that they become the Shareholders on or before the New EGM date. The Placees will further undertake that in the event that at any time prior to the completion of the Placing, they do not comply with the above undertakings, then the Company shall terminate the contract concluded between the relevant Placee and the Placing Agent in relation to the Placing with immediate effect.

REASONS FOR THE PLACING AND USE OF PROCEEDS

The Group is an established financial services group committed to delivering premier financial services and products that fulfill various investment and wealth management needs of clients in the Greater China region. The Group's expertise includes securities, futures and options brokering and dealing, financing services, corporate finance advisory services in relation to sponsoring and underwriting initial public offerings, and mergers and acquisitions, asset management and proprietary trading.

Assuming all the Convertible Bonds are successfully placed by the Placing Agent, the aggregate gross proceeds from the Placing are expected to be HK\$850 million and the Company intends to use the net proceeds of approximately HK\$829 million from the Placing (i) as to approximately HK\$534 million for the payment of the capital contribution to the JV Company under the Joint Venture Agreement; and (ii) as to approximately HK\$295 million for the general working capital of the Group, expanding the securities margin and IPO financing and money lending businesses of the Group and other possible investment in the future when opportunities arise.

LETTER FROM THE BOARD

The Board has made the following key assumptions in determining the Group's expected funding requirements for the next twelve months from the date of this circular:

1. It is assumed that there will be no material deterioration in the operating environment of the securities industry in Hong Kong and other relevant jurisdictions in the Group operates and the Group's operations will not be materially adversely affected;
2. It is assumed that there will be no material change in existing government policies, and the Hong Kong government will continue to adopt macro-economic and monetary policies similar to those currently prevailing in order to maintain consistent economic growth;
3. It is assumed that there will be no material change in political, legal (including changes in legislation or regulations or rules), fiscal, market or economic conditions in Hong Kong and other relevant jurisdictions in which the Group operates;
4. It is assumed that no abnormal or extraordinary events that are beyond the control of the Board will occur, including pandemic diseases, natural disasters, acts of war, military incidents, terrorist acts, and political unrest;
5. It is assumed that the Company and VC Brokerage can obtain all necessary approvals, authorisation, consent, licences, permits required for the establishment of the JV Company in Hong Kong and other relevant jurisdictions in which the Group operates;
6. The local stock market experienced a setback from the second half of 2015 and continued in 2016. Given the Shenzhen-Hong Kong Stock Connect had been launched in December 2016, it may have positive impact to the Group's business performance from 2017 onwards. The additional funding will provide flexibility for the Group to capture on the growth opportunities and expand the Group's existing businesses.

Based on the above assumptions, it is expected that the allocation and the timeline for the use of the net proceeds of approximately HK\$295 million are estimated to be as follow:

- a. approximately HK\$50 million for the Group's securities margin financing so as to provide additional funding for clients to acquire listed securities, which is estimated to be used in the second half of 2017;
- b. approximately HK\$100 million for the Group's IPO financing to provide funding for clients to invest in newly listed securities, which is estimated to be used from September 2017 onwards;
- c. approximately HK\$50 million for the Group's money lending services to clients so as to further develop and expand the money lending business by providing comprehensive financing solutions to clients for their corporate actions and shareholders' activities such as M&A loans, bridging loans and other short-term loans, which is estimated to be used as to HK\$25 million in the second half of 2017 and HK\$25 million in the first half of 2018;

LETTER FROM THE BOARD

- d. approximately HK\$50 million for the Group's proprietary investment trading so as to provide financial returns to the shareholders, which is estimated to be used in the second half of 2017; and
- e. the balance of approximately HK\$45 million for the Group's other general working capital.

However, because of the financial services business nature of the Group, the allocation and timeline for the use of the net proceeds will be significantly impacted by the local stock market condition and investors' sentiment. The Directors will re-comply with the Listing Rules requirements, including shareholders' approval in the event that the Company applies significant amounts of the net proceeds to usage(s) not disclosed in this circular. The Company is of the view that the threshold of significant amounts shall be either (i) 30% of the net proceeds of approximately HK\$295 million other than approximately HK\$534 million to be used for the capital contribution to the formation of the JV Company assuming the principal amount of HK\$850 million Convertible Bonds are fully placed or HK\$100 million, whichever is higher. The Company has no imminent or future plan to reallocate/change the use of proceeds.

As at the Latest Practicable Date, other than the formation of the JV Company as mentioned in this circular, the Group has not identified any potential investment opportunity. The Directors consider that, after taking into account the cash flows generated from the operating activities, the financial resources available to the Group including internally generated funds, the available banking facilities and the estimated net proceeds from the placing of the Convertible Bonds, the Group has sufficient working capital for at least the next twelve months from the date of this circular in the absence of unforeseen circumstances. Subject to successful completion of the Placing, the Directors currently have no other fund raising plans in the next twelve months.

The Directors are of the view that the Placing, assuming conversion of part or all the Convertible Bonds into Conversion Shares, will broaden the Shareholders' portfolio and also strengthen the financial position of the Group. As set out in the annual report of the Group for the year ended 31 December 2015, the Group's business strategies continue to include enlarging the Group's revenue base through fostering its core businesses, and tapping into new emerging markets with expanded business initiatives. The Group will also continue to explore the business opportunities in the PRC market. The Placing will therefore enhance the Group's flexibility in capturing the future business developments or investments as and when opportunities arise.

Pursuant to the Placing Agreement (as supplemented and amended by the First Deed of Variation and Second Deed of Variation), the placing period shall be the period commencing from the date of the Placing Agreement and terminating at 5:00 p.m. on the date falling three (3) calendar months after the date of the EGM (or such later date as may be agreed between the Placing Agent and the Company), unless terminated earlier in writing pursuant to the terms of the Placing Agreement. As mentioned above, although VC Brokerage and other JV Partners do not foresee any major obstacle to the establishment of the JV Company, the CSRC is still in the process of such application for the formation of JV Company. Therefore, the Extended Placing Period is required as additional time is required for the Company to fulfil the conditions precedent as set out in the Placing Agreement.

LETTER FROM THE BOARD

Accordingly, the Directors consider that the Placing under the Extended Placing Period is in the interests of the Company and the Shareholders as a whole.

FUND RAISING ACTIVITIES IN THE PAST TWELVE MONTHS

On 6 July 2016, the Company and the Placing Agent entered into the placing agreement (the “**GM Placing Agreement**”), pursuant to which the Company agreed to place, through the Placing Agent on a best effort basis, a maximum number of 110,000,000 Shares at an issue price of HK\$0.87 per Share (the “**GM Placing**”). The completion of the GM Placing Agreement took place on 15 July 2016. The net proceeds from the GM Placing of approximately HK\$94.5 million were intended by the Company to be used as (i) general working capital of the Group; (ii) expanding the margin financing and money lending business of the Group; and (iii) possible investment in the future when opportunities arise. As at the Latest Practicable Date, all net proceeds had been used, including approximately HK\$23 million were used for expanding the money lending business by providing a short-term loan to a client for corporate action, approximately HK\$64.5 million were used for acquisition of additional investments held for trading and approximately HK\$7 million for the settlement of corporate administrative expenses of the Group.

Save as disclosed above, the Company has not conducted any fund raising exercises in connection with any issue of equity securities in the past twelve months immediately preceding the Latest Practicable Date.

LETTER FROM THE BOARD

EFFECT ON THE SHAREHOLDING STRUCTURE OF THE COMPANY

The following table shows, for illustration purposes, and on the assumption that the shareholding structure of the Company remains unchanged save as otherwise disclosed herein and that the initial conversion price shall be HK\$0.65, the change in shareholding structure of the Company (i) as at the Latest Practicable Date; and (ii) after the issue of the Convertible Bonds and assuming the Conversion Rights under the Convertible Bonds are fully exercised:

Shareholder	Shareholding as at the Latest Practicable Date		Shareholding after the issue of the Convertible Bonds and assuming the Conversion Rights under the Convertible Bonds are fully exercised	
	<i>Number of Shares</i>	<i>Approximately %</i>	<i>Number of Shares</i>	<i>Approximately %</i>
Power Global Group Limited <i>(Note 1)</i>	75,000,000	11.32%	75,000,000	3.81%
Mr. Chung Chi Shing, Eric <i>(Note 1)</i>	17,352,000	2.62%	17,352,000	0.88%
Mr. Chau King Fai, Philip <i>(Note 2)</i>	3,419,869	0.52%	3,419,869	0.17%
Mr. Wong Chung Kin, Quentin <i>(Note 3)</i>	500,000	0.08%	500,000	0.03%
Placees	–	–	1,307,692,307	66.37%
Public Shareholders	566,344,960	85.46%	566,344,960	28.74%
Total	662,616,829	100.00%	1,970,309,136	100.00%

Notes:

1. Power Global Group Limited is a company 100% owned by Mr. Chung Chi Shing, Eric, a non-executive Director of the Company;
2. Mr. Chau King Fai, Philip is an executive Director of the Company;
3. Mr. Wong Chung Kin, Quentin is an independent non-executive Director of the Company.

LETTER FROM THE BOARD

LISTING RULES IMPLICATIONS

The entering into of the Third Deed of Variation and the Extended Placing Period are subject to the approval of Shareholders at the New EGM. Shareholders who will be the Placees are regarded as having material interest in the Placing and have undertaken that they and their respective associates, and where appropriate their ultimate beneficial owners will abstain from voting at the New EGM. Mr. Wong Kam Fat, Tony who is the brother of Mr. Wong Kam Choi, Kerry, an independent non-executive Director, is interested in 748,000 Shares as at the Latest Practicable Date and will also abstain from voting at the New EGM. Saved as disclosed above, as at the Latest Practicable Date, to the best of the information, knowledge and belief of the Directors having made all reasonable enquiries, no Shareholders has any material interest in the Joint Venture Agreement, the Placing Agreement (as amended and supplemented by the Deeds of Variation) and the respective transactions contemplated thereunder.

New EGM

The Company will convene the New EGM for the Shareholders to consider and, if thought fit, approve by way of poll, the Placing Agreement as supplemented and amended by the Deeds of Variation and the transactions contemplated thereunder. A notice convening the New EGM to be held at 29th Floor, The Centrium, 60 Wyndham Street, Central, Hong Kong on Wednesday, 29 March 2017 at 12:00 noon is set out on pages EGM-1 to EGM-2 of this circular.

Whether or not you are able to attend and/or vote at the New EGM in person, you are requested to complete and return the accompanying form of proxy in accordance with the instructions printed thereon to the registered office of the Company at 28th Floor, The Centrium, 60 Wyndham Street, Central, Hong Kong, as soon as possible and in any event not less than 48 hours before the time appointed for holding the meeting or any adjournment thereof. Completion and return of the form of proxy will not preclude you from subsequently attending and voting in person at the New EGM or any adjournment thereof (as the case may be) should you so wish.

RECOMMENDATION

The Directors are of the view that the terms of the Placing Agreement (as amended and supplemented by the Deeds of Variation) are on normal commercial terms which are fair and reasonable and the transactions contemplated thereunder are in the interests of the Company and the Shareholders as a whole and, recommend the Shareholders to vote in favour of the relevant resolution to be proposed at the New EGM to approve the Placing Agreement (as amended and supplemented by the Deeds of Variation) and the transactions contemplated thereunder.

RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief, the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

LETTER FROM THE BOARD

ADDITIONAL INFORMATION

In the event of inconsistency, the English text of this circular and the accompanying form of proxy shall prevail over their respective Chinese texts.

Yours faithfully
For and on behalf of the Board
Value Convergence Holdings Limited
Tin Ka Pak, Timmy
Chief Executive Officer & Executive Director

NOTICE OF NEW EGM



Value Convergence Holdings Limited

(Incorporated in Hong Kong with limited liability)

website: <http://www.vcgroup.com.hk>

(Stock Code: 821)

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE is hereby given that an extraordinary general meeting of Value Convergence Holdings Limited (the “**Company**”) will be held at 29th Floor., The Centrium, 60 Wyndham Street, Central, Hong Kong at 12:00 noon on Wednesday, 29 March 2017 (the “**NEW EGM**”) for the purpose of considering, and if thought fit, passing, with or without amendments or modifications, the following as an ordinary resolution of the Company:

ORDINARY RESOLUTION

“THAT:

- (a) the entering into of the third deed of variation dated 17 January 2017 (the “**Third Deed of Variation**”, a copy of which has been produced to the NEW EGM and marked “A” and initialled by the Chairman of the NEW EGM for the purposes of identification) to the placing agreement dated 21 July 2016 (as supplemented and amended by the deeds of variation dated 20 September 2016 and 18 November 2016 respectively) (the “**Placing Agreement**”) between the Company as the issuer and Fortune (HK) Securities Limited as the placing agent, details of which are set out in the circular of the Company dated 27 February 2017 (the “**Circular**”, a copy of which has been produced to the NEW EGM and marked “B” and initialled by the Chairman of the NEW EGM for the purposes of identification) and the terms thereof be and are hereby confirmed, approved and ratified;
- (b) all the provisions of the Placing Agreement shall continue to remain in full force and effect and be operative and binding on the parties and that the Placing Agreement and the Third Deed of Variation shall hereafter be read and construed as one agreement and any provision in the Placing Agreement which is inconsistent with the changes contemplated by or provided in the Third Deed of Variation shall cease to apply or, as the case may be, be modified accordingly; and

NOTICE OF NEW EGM

- (c) any one or more Directors be and is/are hereby authorised to do such acts and things, to sign and execute all such further documents and to take such steps as he/she/they may consider necessary, appropriate, desirable or expedient (including but not limited to the issue of the convertible bonds and the conversion shares upon exercise of the conversion rights under the convertible bonds) to give effect to or in connection with the Placing Agreement and the Third Deed of Variation and any transactions contemplated thereunder, including but not limited to the approval of any non-material amendments to the form of any document contemplated thereunder and to take all such actions, and execute or authorise the execution of all such documents, on behalf of the Company (including by affixing the Company's common seal to any such documents in accordance with the Company's articles of association) as such Director(s) shall consider to be necessary, convenient or desirable in connection with any of the foregoing."

By Order of the Board of
Value Convergence Holdings Limited
Tin Ka Pak, Timmy
Chief Executive Officer and Executive Director

Hong Kong, 27 February 2017

Principal Office:

28th Floor, The Centrium
60 Wyndham Street
Central
Hong Kong

Notes:

1. A member entitled to attend and vote at the NEW EGM is entitled to appoint one or more proxies to attend and on a poll vote instead of him. A proxy need not be a member of the Company.
2. In order to be valid, a form of proxy and the power of attorney or other authority (if any) under which it is signed, or a notarially certified copy of such power of authority, must be deposited at the Company's registered office at 28th Floor, The Centrium, 60 Wyndham Street, Central, Hong Kong, not less than 48 hours before the time fixed for holding the meeting or any adjourned meeting thereof. Completion and return of the form of proxy will not preclude any member from attending and voting in person at the NEW EGM or any adjourned meeting thereof should he so wishes.
3. In case of joint shareholdings, the vote of the senior joint shareholder who tenders a vote, whether in person or by proxy, will be accepted to the exclusion of the votes of the other joint shareholder(s) and for this purposes seniority will be determined by the order in which the names stand in the Register of Members of the Company in respect of the joint shareholding.
4. Completion and return of the form of proxy will not preclude shareholders from attending and voting in person at the NEW EGM if shareholders so wish.
5. Pursuant to the Listing Rules, the resolution set out in this notice of NEW EGM will be put to Shareholders to vote taken by way of a poll.