
THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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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This circular appears for information purposes only and does not constitute an invitation or offer to acquire, purchase or subscribe for the securities mentioned herein.



Value Convergence Holdings Limited

(Incorporated in Hong Kong with limited liability)

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

(Stock Code: 821)

**(1) MAJOR TRANSACTION: FORMATION OF
THE JV COMPANY**

AND

(2) PLACING OF CONVERTIBLE BONDS

Financial Adviser to the Company



Placing Agent



A notice convening the extraordinary general meeting of the Company to be held at 29/F., The Centrium, 60 Wyndham Street, Central, Hong Kong on Wednesday, 26 October 2016 at 11:30 a.m. is set out on pages EGM-1 to EGM-3 of this circular.

Whether or not you are able to attend and/or vote at the extraordinary general meeting 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 extraordinary general meeting of the Company or any adjournment thereof (as the case may be) should you so wish.

26 September 2016

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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
“Bondholder(s)”	holder(s) of the Convertible Bonds
“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
“Closing Date”	a date falling within five Business Days, after the date on which all the conditions of the Placing Agreement have been satisfied or otherwise waived or such other date as the Company and the Placing Agent may mutually agree in writing
“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 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

DEFINITIONS

“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
“Directors”	directors of the Company
“EGM”	an extraordinary general meeting to be held by the Company to consider and, if thought fit, approve (among other things) (i) the Joint Venture Agreement and the transactions contemplated thereunder; and (ii) the Placing Agreement supplemented and amended by the Deed of Variation and the transactions contemplated thereunder, including the grant of the Specific Mandate
“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 ”
“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”	23 September 2016, being the latest practicable date prior to the printing of this circular for ascertaining certain information in this circular

DEFINITIONS

“Listing Rules”	Rules Governing the Listing of Securities on the Stock Exchange
“Placee(s)”	placee(s) of the Convertible Bonds under the Placing Agreement supplemented and amended by the Deed 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 supplemented and amended by the Deed 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 Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“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 Deed of Variation dated 20 September 2016
“Placing Period”	the period commencing upon the date of the Placing Agreement and terminating at 5:00 p.m. on the date falling one (1) month 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
“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
“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 in the share capital of the Company
“Shareholders”	holders of the Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Takeovers Code”	the Codes on Takeovers and Mergers and Share Buy-backs

DEFINITIONS

“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

Ms. So Wai Yee, Betty (*Chief Financial Officer*)

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. Ip Chun Chung, Robert

Mr. Wong Chung Kin, Quentin

Mr. Wong Kam Choi, Kerry, MH

26 September 2016

To the Shareholders

Dear Sir or Madam,

(1) MAJOR TRANSACTION: FORMATION OF THE JV COMPANY

AND

(2) PLACING OF CONVERTIBLE BONDS

INTRODUCTION

Reference is made to the announcements of the Company dated 24 July 2016 and 20 September 2016 in relation to the formation of the JV Company and the Placing, and the Deed of Variation, respectively. On 21 July 2016, VC Brokerage, an indirectly wholly-owned subsidiary of the Company, entered into the Joint Venture Agreement with Guangxi Jintou, Guangxi Hande and Beijing Heyuan in relation to the establishment of the JV Company in Guangxi, the PRC. The Joint Venture Agreement will become effective upon (i) the Company having obtained the approval and authorisation from the Shareholders and the relevant regulatory authorities in relation to the Joint Venture Agreement and the transactions contemplated thereunder; and (ii) VC Brokerage having obtained the approval and authorisation from the relevant regulatory authorities in relation to the Joint Venture Agreement and the transactions contemplated thereunder.

LETTER FROM THE BOARD

On 21 July 2016, the Company and the Placing Agent entered into the Placing Agreement pursuant to which the Company agreed to place, and the Placing Agent has agreed to act as the agent to the Company to procure on a best effort basis, not less than six Placees, 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, to subscribe for the Convertible Bonds in the aggregate principal amount of up to HK\$850 million during the Placing Period.

On 20 September 2016, the Company and the Placing Agent entered into the Deed of Variation to amend the terms of the Placing Agreement, pursuant to which the Company agrees and the Placing Agent irrevocably and unconditionally agrees, undertakes and covenants, that the Placing Agent shall not unilaterally waive certain condition precedent to the Placing.

The purpose of this circular is to provide you with, among other things, (i) further information on the Joint Venture Agreement; (ii) further information on the Placing Agreement supplemented and amended by the Deed of Variation; and (iii) the notice of EGM.

THE JOINT VENTURE AGREEMENT

Major terms of the Joint Venture Agreement are set out below.

Date: 21 July 2016

Parties:

- (1) VC Brokerage
- (2) Guangxi Jintou
- (3) Guangxi Hande
- (4) Beijing Heyuan

Shareholding Structure and Capital Contribution

Pursuant to the Joint Venture Agreement, the parties agreed, among other things, that:

- (i) the total investment amount for the establishment of the JV Company shall be RMB1,000 million (equivalent to approximately HK\$1,200 million) which, subject to the approval by the CSRC, shall be contributed by VC Brokerage, Guangxi Jintou, Guangxi Hande and Beijing Heyuan in the amount of RMB445 million (equivalent to approximately HK\$534 million), RMB455.2 million (equivalent to approximately HK\$546 million), RMB49.9 million (equivalent to approximately HK\$60 million) and RMB49.9 million (equivalent to approximately HK\$60 million) respectively, representing 44.5%, 45.52%, 4.99% and 4.99% shareholding in the JV Company, respectively;
- (ii) each of the JV Partners shall timely pay their respective capital contribution amounts according to the schedule to be notified by the JV Steering Committee; and
- (iii) subject to the JV Company obtaining the requisite approvals from the CSRC, the JV Company is expected to become a full-licensed securities company permitted to provide, among other things, securities brokerage, trading and investment advisory, underwriting, sponsorship and asset management services in the PRC.

LETTER FROM THE BOARD

The respective amounts of capital contributions of the JV Partners were determined after arm's length negotiation among the JV Partners with reference to the initial capital requirement of the JV Company and the capital contribution intentions of the JV Partners. It is intended that VC Brokerage's capital contribution of RMB445 million will be funded by the net proceeds from the Placing. In the event that the Placing does not proceed or the net proceeds from the Placing fall short of VC Brokerage's capital contribution amount, the full amount of the capital contribution or the shortfall will be funded by the Group's internal resources and/or external borrowings. Based on the progress of the Placing as at the Latest Practicable Date as advised by the Placing Agent, the Directors are of the view that the Group will have sufficient funding for the capital contribution to the JV Company.

Establishment of the JV Company

Pursuant to the Joint Venture Agreement, the JV Partners agreed that VC Brokerage and Guangxi Jintou will lead the JV Steering Committee to manage the establishment of the JV Company. The initial set-up costs of the JV Company shall be contributed within five business days from the date of the Joint Venture Agreement by the JV Partners in an amount equivalent to 1% of their respective capital contribution. If the initial set-up costs contributed by the JV Partners are not sufficient for the set-up of the JV Company, further amount may be contributed by the JV Partners subject to the JV Partners' agreement. In the event that the JV Company could not be established successfully, the amount contributed by the JV Partner as initial set-up costs shall, after deducting all liabilities and costs incurred, be returned to the JV Partners proportionately according to their respective capital commitment. Further, pursuant to the Joint Venture Agreement, each JV Partner is required to contribute the balance of the respective capital contribution in accordance with the notice and instruction given from the JV Steering Committee.

Restrictions on the JV Partners

Pursuant to the Joint Venture Agreement, each of the JV Partners shall not transfer all or any part of its equity interests in the JV Company within 48 months from the date of entitlement of its share of equity interests in the JV Company (other than the transfer or change of the equity interests arising from the corporate actions of the JV Company as approved by the CSRC).

Boards of Directors and Supervisors of the JV Company

The board of directors of the JV Company shall consist of 9 directors (including 7 equity directors and 2 independent directors). Pursuant to the Joint Venture Agreement, VC Brokerage and Guangxi Jintou are entitled to nominate 2 equity directors and 3 equity directors respectively, while each of Guangxi Hande and Beijing Heyuan is entitled to nominate 1 equity director. The chairman of the board of directors of the JV Company shall be a director nominated by Guangxi Jintou.

JV Company shall have a board of supervisors which shall consist of 9 supervisors (including 4 employee supervisors and 5 non-employee supervisors). Pursuant to the Joint Venture Agreement, Guangxi Jintou is entitled to nominate 2 non-employee supervisors, while each of VC Brokerage, Guangxi Hande and Beijing Heyuan is entitled to nominate 1 non-employee supervisor. The chairman of the board of supervisors of the JV Company shall be a supervisor nominated by Guangxi Jintou.

LETTER FROM THE BOARD

REASONS FOR AND BENEFITS OF THE FORMATION OF THE JV COMPANY

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; as well as asset management.

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.

By entering into the Joint Venture Agreement and committing its resource towards the establishment of the JV Company on the terms of the Joint Venture Agreement, the Group and the JV Partners expect to rely on Supplement X of the Mainland and Hong Kong Closer Economic Partnership Arrangement (CEPA), pursuant to which Hong Kong-funded financial institutions which satisfy the requirements for establishing foreign-invested securities companies may set up one full-licensed joint venture securities company (the "**Full-Licensed Securities Company(ies)**") in specified areas in the PRC in accordance with the relevant requirements. The PRC shareholders are not restricted to securities companies and the percentage of aggregate shareholding of the Hong Kong-funded financial institutions in the joint venture should not exceed 49%. Following execution of the Joint Venture Agreement, the JV Partners will submit 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.

The JV Company is proposed to be set up in Guangxi in the PRC. Subject to the JV Company obtaining the requisite approvals from the CSRC, it is contemplated that the JV Company would be principally engaged in full spectrum of securities business including, among other things, provision of securities brokerage services, securities underwriting and sponsor services, advising on securities investments, securities financing services, asset management, corporate finance advisory services, sale of investment funds, etc. subject to the laws and regulations of the PRC. On 25 July 2016, the JV Partners submitted applications, together with, among others, 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 three to six months 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. It is expected that the JV Company would be established shortly after the approvals have been obtained. The Company will publish an announcement to inform the Shareholders upon obtaining the approvals from the CSRC.

The Board believes that its participation in the establishment and operation of the JV Company would offer a golden opportunity for the Company to embark on a new milestone in its business development in financial services industry. The JV Company, when established and licensed, would offer a first-starter advantage to the Group to access to the huge and fast-growing financial markets in the PRC and would enable the Group to engage in a full spectrum of securities and financial business in the PRC.

LETTER FROM THE BOARD

The Directors (including the independent non-executive Directors) consider that the Joint Venture Agreement and the transactions contemplated thereunder, including the investment in the JV Company by VC Brokerage, are on normal commercial terms which are fair and reasonable and are in the interest of the Company and its shareholders as a whole.

INFORMATION ON THE JV COMPANY

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.

It is intended that, subject to the relevant approvals being obtained and barring unforeseen circumstances, the JV Company will operate as a full-licensed securities company and provide full range of securities businesses including securities brokerage and advising, securities underwriting, corporate finance advisory and sponsorship, proprietary trading and asset management. The JV Company will target retail, institutional and corporate customers in the PRC for different business segments. The JV Partners aim to have the full range of businesses in operation within three years after establishment of the JV Company and become a mid-tier securities company in the PRC within five to eight years. It is expected that the JV Company would have a total staff of around 200 when it reaches full-scale operations comprising talents with thorough knowledge of the PRC securities industry and those conversant with operations of the international capital markets.

It is the current intention of the JV Partners to apply the RMB1,000 million registered capital of the JV Company to the following business segments based on the projected funding needs in the business development plan for the JV Company:

	<i>RMB Million</i>
Securities brokerage and trading	250
Securities underwriting and sponsor	200
Securities financing	500
Asset management	20
Corporate finance advisory	20
Sale of investment funds	10

The JV Partners expected that the registered capital of RMB1,000 million, which was determined after arm's length negotiation among the JV Partners with reference to the funding needs of the JV Company, would be sufficient for the JV Company to implement the abovementioned business plans to become a mid-tier securities company in the PRC within five to eight years. It is intended that the JV Steering Committee will determine the timing of the capital contributions to be made by each JV Partner based on the actual funding needs of the JV Company after its business commences. Whilst the actual

LETTER FROM THE BOARD

funding needs of the JV Company may deviate from the current plan as its business develops over time, the JV Partners do not expect additional funding needs from the JV Company within the foreseeable future. The contributions to be made by each JV Partner will be proportional to their shareholding with the same deadline when the JV Steering Committee determines the particular time to make the capital contributions.

INFORMATION ABOUT THE JV PARTNERS

VC Brokerage is a limited liability company incorporated in Hong Kong and is an indirectly wholly-owned subsidiary of the Company. VC Brokerage is principally engaged in the provision of securities brokering and dealing, margin financing to clients and placing and underwriting services in Hong Kong. VC Brokerage is a licensed corporation permitted to carry on Type 1 (dealing in securities) and Type 4 (advising on securities) regulated activities under the SFO.

Guangxi Jintou (廣西金融投資集團有限公司) is a limited liability company incorporated in the PRC which is principally engaged in integration and management of state-owned assets of the PRC government. Guangxi Jintou established financial institutions such as local banks, securities, insurance, etc. primarily focused on finance related investment as well as non-financial related investment to create a new financing and fund raising platform.

Guangxi Hande (廣西瀚德集團有限公司) is a limited liability company incorporated in the PRC which is principally engaged in the real estate development business in Guangxi Zhuang Autonomous Region, the PRC. Guangxi Hande and its subsidiaries have completed various major property development projects in Guangxi since its incorporation in 2012.

Beijing Heyuan (北京合源融金股權投資中心(有限合夥)) is a limited partnership established in the PRC which is principally engaged in asset management and the provision of information service on investment and financing. Beijing Heyuan is the first insurance-based private equity investment management institution that was approved by the China Insurance Regulatory Commission. As an equity investment institution, Beijing Heyuan maintains a close relationship and long-term partnership with numerous renowned insurance companies and financial institutions.

To the best of the knowledge, information and belief of the Directors having made all reasonable enquiry, as at the Latest Practicable Date, each of Guangxi Jintou, Guangxi Hande, Beijing Heyuan and their respective ultimate beneficial owners is third party independent of and not connected with the Company and its connected persons.

THE PLACING AGREEMENT (AS AMENDED BY THE DEED OF VARIATION)

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

LETTER FROM THE BOARD

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, is an executive director and the chairman of China Fortune. 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 was discussed and had abstained from voting on the resolution in relation to the Placing.

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 EGM 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 EGM 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 or such later date as may be agreed between the Company and the Placing Agent, the Placing Agreement supplemented and amended by the Deed 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

The Company is of the view that the Placing will be completed within one month after the EGM. For any extension of the date of completion of the Placing after three months from the date of the EGM (i.e. after two months from the end of the 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
 - (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;

LETTER FROM THE BOARD

- (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.

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 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.

As advised by the Placing Agent, based on the progress of the Placing as at the Latest Practicable date, 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. Pursuant to

LETTER FROM THE BOARD

the acknowledgement letter to be executed by the Placees on or before the EGM date, the Placees will undertake that they and their respective associates will abstain from voting in the EGM in case that they become the Shareholders on or before the 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.

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; and
- (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; and
- (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.

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 197.47% 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.

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.

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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.

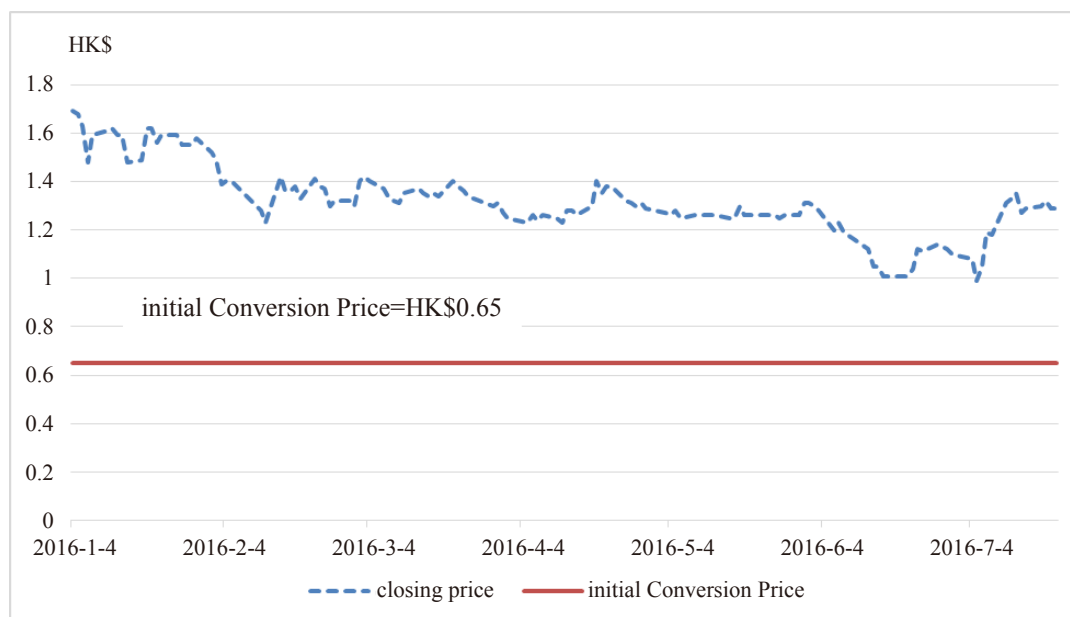
Application will be made by the Company to the Stock Exchange for the listing of, and permission to deal in, the Conversion Shares which fall to be allotted and issued upon exercise of the Conversion Rights under the Convertible Bonds.

Principal Factors Considered for Determining the Initial Conversion Price and the Principal Amount of the Convertible Bonds

The principal amount of the Convertible Bonds and the initial conversion price were determined by the Company and the Placing Agent after arm's length negotiations by reference to, among other things, the liquidity, the historical trading prices of the Shares and the financial performance of the Group for the year ended 31 December 2015.

Closing price

The chart below illustrates the movement of the daily closing Share prices during the past 6 months prior to the signing of the Placing Agreement (the “**Review Period**”).



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During the Review Period, the closing prices of the Share ranged from HK\$0.99 to HK\$1.69 which are generally above the initial conversion price.

Trading volume

The table below illustrates the average daily trading volume of the Shares, the percentages of average trading volume of the Shares as compared to the total number of issued Shares during the Review Period:

Month	Highest daily turnover (number of Shares)	Average daily turnover (number of Shares) <i>(Note 1)</i>	Percentage of average daily turnover to total number of Shares in issue <i>(Note 2)</i>
2016			
January	7,032,000	2,315,600	0.42%
February	1,640,000	650,000	0.12%
March	2,348,000	650,571	0.12%
April	1,272,002	325,500	0.06%
May	2,040,000	225,714	0.04%
June	3,940,000	1,173,486	0.21%
July – up to and including the date of entering into of the Placing Agreement, being 21 July 2016	6,116,000	2,211,143	0.33%

Notes:

1. Average daily trading volume is calculated by dividing the total trading volume for the month/period by the number of trading days during the month/period.
2. Based on the total number of issued Shares at the end of the respective month/period.

During the Review Period, the average daily trading volume was within the range of 225,714 Shares and 2,315,600 Shares, representing approximately 0.04% and 0.42% of the total number of Shares in issue. The Directors consider the trading volume during the whole Review Period was thin.

Fundraising alternatives

Prior to the entering into of the Placing Agreement, the Directors have considered alternative ways of fund raising such as rights issue, open offer or debt financing.

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With respect to the fund raising size and the thin trading volume of the Shares as detailed in the above section headed “Trading volume”, and the relatively long underwriting period, the Directors considered that they may have difficulty to find an independent underwriter in Hong Kong which is interested to fully underwrite a rights issue or an open offer of the Company to raise the proposed amount of funds. The Directors considered that even if such an independent underwriter were identified, the rights issue or open offer would incur costly underwriting commission and the process would be relatively more time-consuming than debt financing. The Company had approached five potential placing agents, including VC Brokerage, to explore the fundraising alternatives. Further to the arm’s length negotiation with the potential placing agents, the Directors considered it not feasible to find any underwriter for a rights issue/open offer as an alternative means of fund raising to the Placing or to undertake the Placing on a fully underwritten basis. Even if such underwriter(s) can be identified, it would only be logical to expect them to demand underwriting commission higher than the 2.5% placing commission for the Placing to compensate for the underwriting risks involved which are not applicable to the Placing. In any rights issue/open offer, the Company would have to issue a circular for the shareholders’ meeting and a prospectus in relation to the rights issue/open offer. Further, taking into account the time for trading of the nil-paid rights shares or acceptance of the offer shares, as the case may be, it is not uncommon to take two months or more to complete a rights issue/open offer. On the other hand, debt financing involves negotiation of terms with one or a small group of lenders which is expected to be less time consuming.

As regards to debt financing in terms of bank borrowing and the Placing, having considered the ongoing dealings with the Group’s major bankers, the Directors considered it is not feasible to obtain bank financings for the formation of the JV Company. The Directors had also approached a licensed money lender which had agreed to extend a short-term credit facility of up to HK\$300 million to the Group but with a much higher interest cost than that of the Convertible Bonds at an annual rate of 13% plus an upfront commitment fee.

After exploring the possibility of placing of new Shares with the above-mentioned five potential placing agents, it was concluded that convertible bonds would be more attractive to potential investors. After taking into account (i) the relatively large size of the required principal amount of the Convertible Bonds as detailed in the section headed “Reasons for the Placing and use of proceeds” below; (ii) the thin trading volume of the Shares; (iii) the loss making position of the Group for the year ended 31 December 2015; and (iv) the uncertainty as to completion (which is subject to the JV Partners having obtained all necessary approvals for establishment of the JV Company) of the proposed fund raising exercise, only three of the potential placing agents expressed interest to undertake the Placing on a best effort basis. The discounts of the initial conversion price to the then market price of the Shares proposed by these potential placing agents were similar while the placing commission proposed by the Placing Agent was lowest. The interest rate of the Convertible Bonds was arrived at after arm’s length negotiation with the Placing Agent and having referenced to the prevailing market sentiments and those of convertible securities recently issued by other listed companies. Further taking into account the Placing Agent’s performance in the Company’s past fund raising exercises, the Board decided to engage the Placing Agent to undertake the Placing.

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Having taken into account (i) the reasons and benefits of the formation of the JV Company and the Placing as detailed in the sections headed “Reasons for and benefits of the formation of the JV Company” above and “Reasons for the Placing and use of proceeds” below; (ii) the Placing will provide funding for the formation of the JV Company without resulting in immediate dilution effect on the shareholding of the existing Shareholders; (iii) the Company has considered other alternative fund raising methods and which may not be viable before resorting to the Placing and the terms and conditions of Placing Agreement were concluded after exploration with potential placing agents and arm’s length negotiations with the Placing Agent; (iv) the dilution effect only occurs if the Bondholders exercise the Conversion Rights; and (v) the Placing, assuming conversion of the Convertible Bonds into Conversion Shares by those non-Shareholder Placees, will widen the shareholders base and also strengthen the financial position of the Group, the Directors consider that the Placing provides a good opportunity to raise additional funds to meet the Company’s funding needs.

Despite the initial conversion price represents discount to the closing prices during the Review Period as detailed in the above section headed “Closing price”, having considered (i) the arm’s length negotiation with the Placing Agent in terms of discounts of the initial conversion price, the principal amount of the Convertible Bonds of HK\$850 million and the placing commission; (ii) the thin trading volume of the Shares as detailed in the above section headed “Trading volume”; (iii) the relatively long commitment period for the subscribers of the Convertible Bonds; (iv) the consecutive loss making position of the Group for the seven financial years ended 31 December 2015; and (v) the formation of the JV Company represents a golden opportunity for the Company to access to the huge and fast-growing financial markets in the PRC so as to improve the Group’s financial performance, the Directors consider that the principal amount of the Convertible Bonds and the initial conversion price were determined on a fair and reasonable basis which is in the interests of the Company and the Shareholders as a whole.

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, as well as asset management.

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 approved in mid August 2016 and is expected to be launched in late fourth quarter of 2016, it may have positive impact to the Group's business performance from the fourth quarter of 2016 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 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 November 2016 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 2016 and HK\$25 million in 2017;

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- 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 as to HK\$25 million in 2016 and HK\$25 million in 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 (ii) 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 proposed 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. Accordingly, the Directors consider that the Placing 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, approximately HK\$23 million of the net proceeds from the aforesaid placing of

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Shares 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\$5 million for the settlement of corporate administrative expenses of the Group. The remaining balance of approximately HK\$2 million will be utilized based on the intended usage.

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.

SHAREHOLDING STRUCTURE

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	
	Number of Shares	Approximately %	Number of Shares	Approximately %
Power Global Group Limited (Note 1)	75,000,000	11.32%	75,000,000	3.81%
Mr. Chung Chi Shing, Eric (Note 1)	17,352,000	2.62%	17,352,000	0.88%
Mr. Chau King Fai, Philip (Note 2)	3,519,869	0.53%	3,519,869	0.18%
Ms. So Wai Yee, Betty (Note 2)	702,000	0.11%	702,000	0.04%
Mr. Wong Chung Kin, Quentin (Note 3)	500,000	0.08%	500,000	0.03%
Placees	–	–	1,307,692,307	66.37%
Public Shareholders	565,142,960	85.34%	565,142,960	28.69%
Total	<u>662,216,829</u>	<u>100%</u>	<u>1,969,909,136</u>	<u>100%</u>

LETTER FROM THE BOARD

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 and Ms. So Wai Yee, Betty are executive Directors of the Company.
3. Mr. Wong Chung Kin, Quentin is an independent non-executive Director of the Company.

FINANCIAL EFFECTS OF THE FORMATION OF THE JV COMPANY AND THE PLACING OF CONVERTIBLE BONDS

Effect on assets and liabilities of the Group

Based on the audited consolidated financial statements of the Company for the year ended 31 December 2015, the total assets and total liabilities of the Group were approximately HK\$734 million and HK\$94 million respectively. Assuming the Placing had been completed in full, the JV Company had been established and the capital contribution of RMB445 million (equivalent to approximately HK\$534 million) into the JV Company by VC Brokerage had completed and had been fully financed by net proceeds from the Placing at 31 December 2015, the total assets of the Group would have been impacted as follow:

- (i) an increase in the Group's investment in joint venture of RMB445 million (equivalent to approximately HK\$534 million) when the capital contribution of approximately HK\$534 million into the JV Company by VC Brokerage was made; and
- (ii) an increase in the Group's cash and bank balances of approximately HK\$295 million after the Group shall use the total net proceeds from the Placing amounting to approximately HK\$829 million to settle the capital contribution of RMB445 million (equivalent to approximately HK\$534 million) into the JV Company.

The total liabilities of the Group shall be impacted by the increase in recognition of the liability component of the Convertible Bonds upon the Placing having been completed and the Convertible Bonds having been issued, in which the fair value of the liability component will be with reference to a valuation report to be prepared by an independent professional valuer in future. Further, if the conversion of the Convertible Bonds occurs immediately after completion of the Placing, the total liabilities of the Group shall be decreased by the derecognition of the liability component of the Convertible Bonds.

LETTER FROM THE BOARD

Effect on earnings of the Group

Based on the audited consolidated financial statements of the Company for the year ended 31 December 2015, the Group recorded the net loss attributable to owners of the Company of approximately HK\$13 million. Assuming the Placing had been completed in full, the JV Company had been established and the capital contribution of RMB445 million (equivalent to approximately HK\$534 million) into the JV Company by VC Brokerage had completed and had been fully financed by net proceeds from the Placing at 31 December 2015, it is expected that the earnings of the Group would be impacted as follow:

- (i) the actual interest expenses of approximately HK\$34 million over the conversion period of the Convertible Bonds, in which the Convertible Bonds shall bear interest at 2% per annum from the issue date up to and including the date of maturity on the 2nd anniversary of the date of issue of the Convertible Bonds;
- (ii) the imputed interest expenses on the liability component of the Convertible Bonds over the conversion period of the Convertible Bonds, which will be with reference to the independent valuation report in future as abovementioned; and
- (iii) the share of 44.5% of the net results of the JV Company will be taken up by the Group after the Completion. As such, the impact to the earnings of the Group will depend on the actual financial performance of the JV Company in future.

LISTING RULES IMPLICATIONS

As one or more of the applicable percentage ratios calculated by reference to Rule 14.07 of the Listing Rules in respect of the capital commitment of VC Brokerage under the Joint Venture Agreement are more than 25% but all of the applicable percentage ratios are less than 100%, the entering into of the Joint Venture Agreement and the transactions contemplated thereunder constitute a major transaction of the Company under Chapter 14 of the Listing Rules and are subject to the reporting, announcement and shareholders' approval requirements. The Conversion Shares will be allotted and issued pursuant to the specific mandate to be sought from the Shareholders at the 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 appropriates their ultimate beneficent owners will abstain from voting at the 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 EGM. Save as disclosed above, to the best information, knowledge and belief of the Directors having made all reasonable enquiries, as at the Latest Practicable Date, no Shareholder has any interest in the Joint Venture Agreement, Placing Agreement and the respective transactions contemplated thereunder that is materially different from the other Shareholders.

LETTER FROM THE BOARD

EGM

The Company will convene an EGM for the Shareholders to consider and, if thought fit, approve by way of poll, the Joint Venture Agreement and Placing Agreement and the transactions contemplated thereunder. A notice convening the EGM to be held at 29/F., The Centrium, 60 Wyndham Street, Central, Hong Kong on Wednesday, 26 October 2016 at 11:30 a.m. is set out on pages EGM-1 to EGM-3 of this circular.

Whether or not you are able to attend and/or vote at the 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 EGM or any adjournment thereof (as the case may be) should you so wish

ADDITIONAL INFORMATION

Your attention is also drawn to the additional information contained in the appendices to this circular.

RECOMMENDATION

The Directors are of the view that the terms of Joint Venture Agreement and Placing Agreement 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 resolutions to be proposed at the EGM to approve the Joint Venture Agreement and Placing Agreement and the transactions contemplated thereunder.

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

1. THREE-YEAR AUDITED FINANCIAL INFORMATION

The audited consolidated financial statements of the Group for the years ended 31 December 2013, 2014 and 2015 together with the relevant notes thereto can be found from pages 45 to 113 of the annual report of the Company for the year ended 31 December 2013 published on 25 March 2014, pages 43 to 111 of the annual report of the Company for the year ended 31 December 2014 published on 26 March 2015 and pages 55 to 120 of the annual report of the Company for the year ended 31 December 2015 published on 29 March 2016.

The said annual reports of the Company are available on the Company's website at www.vcgroup.com.hk and the website of the Stock Exchange at www.hkexnews.hk.

2. INDEBTEDNESS STATEMENT

As at the close of business on 31 July 2016, being the latest practicable date for the purpose of this indebtedness statement prior to the printing of this circular, the total indebtedness of the Group was as follows:

Banking facilities

The Group held banking facilities of HK\$100 million granted from a bank to VC Brokerage, which is secured by bank deposits of HK\$40 million and corporate guarantee of HK\$100 million provided by the Company. Among the available banking facilities, HK\$40 million is general short-term money market loan and current account overdraft. The other HK\$50 million is short-term money market loan for margin financing business, which is required to be secured by VC Brokerage's margin clients' listed securities when utilised. The balance of HK\$10 million is used for drawings against uncleared cheques. As at 31 July 2016, the Group did not utilise any of the abovementioned banking facilities.

Contingent liabilities

The Company had given financial guarantee of HK\$100 million to a bank in respect of banking facilities of HK\$100 million provided to VC Brokerage as abovementioned. As at 31 July 2016, there was no banking facilities utilised by VC Brokerage.

Apart from as disclosed above and intra-group liabilities, as at 31 July 2016, the Group did not have any debt securities issued and outstanding, and authorised or otherwise created but unissued, and term loans, other borrowings or indebtedness in the nature of borrowing including bank overdrafts and liabilities under acceptance (other than normal trade bills) or acceptance credits or hire purchase commitments, mortgages, charges, contingent liabilities or guarantees.

3. MATERIAL ADVERSE CHANGE

As disclosed in the interim results announcement of the Company dated 29 August 2016, the Group recorded an unaudited consolidated net loss of approximately HK\$25.5 million for the six months ended 30 June 2016. Excluding the fair value change in unlisted warrants issued by the Company, which was a non-recurrent and non-operating item, the Group generated an unaudited consolidated operating profit of approximately HK\$17.1 million for the corresponding period in 2015. The deterioration in the operating results for the six months ended 30 June 2016 was mainly due to (i) the Group's operating performance had been adversely affected by the deteriorated local stock market conditions in the first half of 2016; (ii) the increase in corporate expenses incurred for business development; and (iii) the increase in loss from investments held for trading purposes.

Save for the above, the Directors are not aware of any material adverse changes in the financial or trading position or prospects of the Group since 31 December 2015, being the date to which the latest audited consolidated financial statements of the Group were made up, up to and including the Latest Practicable Date.

4. WORKING CAPITAL

The Directors are of the opinion that in the absence of unforeseeable circumstances, assuming the completion of the formation of the JV Company and the Placing of HK\$850 million in full, and taking into account the present internal financial resources available to the Group and the existing banking facilities available to the Group, the Group will have sufficient working capital for its present requirements and the requirements for the next twelve months from the date of this circular.

5. FINANCIAL AND TRADING PROSPECTS OF THE GROUP

The Group is an established financial services group committed to delivering premier financial services and products that fulfill the 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, as well as asset management.

The local capital market experienced a setback as global economic conditions started to wobble from the third quarter of 2015 when investors reacted to the negative development in Greece debt crisis, specifically to the uncertain future in Euro, and the equity rout happened in the PRC's capital markets. Investors' sentiment was strongly hit and never picked up again in the rest of 2015. The downturn in the local stock market has continued in 2016. As a financial services provider, the business performance of the Group has been unavoidably impacted by both the global and local economic and market conditions.

Looking ahead, it is expected that global stock markets will be influenced by various uncertain economic and political factors over the world in the rest of the year including Britain's exit from the European Union and the US presidential election in November 2016. The Group's operating environment is expected to remain challenging in the rest of 2016.

Our business strategies continue to include enlarging our revenue base through fostering our core businesses, and tapping into new emerging markets with expanded business initiatives. While applying our excellent operational capabilities to serve our clients, the Group will devote increased resources to business diversification and acquisition when opportunities arise, with the view to strengthening our all-round business position in Hong Kong and beyond. The Group will continue to explore the business opportunities in the PRC market. At the same time, the Group also keeps a firm grasp on the business opportunities with comparably positive growth and return in the local financial market and more resources will then be devoted. As at the Latest Practicable Date, the Company had no intention to, nor was it under negotiation for the purpose of entering into any agreement, arrangement or understanding regarding any potential acquisition or disposal.

1. 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 aspects and not misleading or deceptive, and there are no other matters, the omission of which would make any statement herein or this circular misleading.

2. DISCLOSURE OF INTERESTS

Interests of Directors and Chief Executive in the Company

As at the Latest Practicable Date, the interests and short positions of the Directors in the shares, underlying shares and debentures of the Company or any of its associated corporation (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests which they were taken or deemed to have under such provisions of the SFO), or were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Companies in the Listing Rules to be notified to the Company and the Stock Exchange were as follows:

Name of Director	Capacity	Nature of interest	Number of Shares held (long position)	Approximate % of total issued Shares
Mr. Chau King Fai, Philip	Beneficial owner	Personal	3,519,869	0.53%
Ms. So Wai Yee, Betty	Beneficial owner	Personal	702,000	0.11%
Mr. Chung Chi Shing, Eric	Beneficial owner	Personal	17,352,000	2.62%
	Held by controlled corporation (<i>Note</i>)	Corporation	75,000,000	11.32%
Mr. Wong Chung Kin, Quentin	Beneficial owner	Personal	500,000	0.08%

Note:

Mr. Chung Chi Shing, Eric is taken to be interested in 75,000,000 Shares as a result of him being beneficially interested in the entire issued share capital of Power Global Group Limited, which in turn holds approximately 11.32% of the Company's total issued Shares as at the Latest Practicable Date.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors or chief executive of the Company had any interests or short positions in the shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests which they were taken or deemed to have under such provisions of the SFO), or were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Companies in the Listing Rules to be notified to the Company and the Stock Exchange.

Interests of substantial Shareholders

So far as is known to the Directors, as at the Latest Practicable Date, the persons other than a Director or chief executive of the Company who has an interest or short position in the shares and underlying shares of the Company which would fall to be disclosed to the Company under the provision of Division 2 and 3 of Part XV of the SFO, who is expected, directly or indirectly, to be interest in 5 per cent, or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of the Group or had any options in respect of such capital, were as follows:

Name	Capacity	Number of Shares held (long position)	Approximate % of total issued Shares
Power Global Group Limited	Beneficial owner	75,000,000	11.32%
Mr. Chung Chi Shing, Eric	Beneficial owner	17,352,000	2.62%
	Held by controlled corporation (<i>Note 1</i>)	75,000,000	11.32%
Grade Rich Investments Limited	Beneficial owner	54,000,000	8.15%
Mr. Wong Kin Ting	Held by controlled corporation (<i>Note 2</i>)	54,000,000	8.15%
Planters Universal Limited	Beneficial owner	52,380,000	7.91%
Mr. Poon Ho Man	Held by controlled corporation (<i>Note 3</i>)	52,380,000	7.91%

Notes:

1. Mr. Chung Chi Shing, Eric, a non-executive Director of the Company, is taken to be interested in 75,000,000 Shares as a result of him being beneficially interested in the entire issued share capital of Power Global Group Limited, which in turn holds approximately 11.32% of the Company's total issued Shares as at the Latest Practicable Date.
2. Mr. Wong Kin Ting is taken to be interested in 54,000,000 Shares as a result of him being beneficially interested in the entire issued share capital of Grade Rich Investments Limited, which in turn holds approximately 8.15% of the Company's total issued Shares as at the Latest Practicable Date.
3. Mr. Poon Ho Man is taken to be interested in 52,380,000 Shares as a result of him being beneficially interested in the entire issued share capital of Planters Universal Limited, which in turn holds approximately 7.91% of the Company's total issued Shares as at the Latest Practicable Date.

Save as disclosed above, as at the Latest Practicable Date, (i) the Directors and the chief executive of the Company were not aware that there was any person (other than a Director or chief executive of the Company) who, as at the Latest Practicable Date, had an interest of short position in the Shares and underlying Shares of the Company which would fall to be disclosed to the Company under the provision of Division 2 and 3 of Part XV of the SFO, or who was, directly or indirectly, interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meeting of any other member of the Group or had any options in respect of such capital; and (ii) to the best information, knowledge and belief of the Directors, no Director or proposed Director is a director or employee of a company which has an interest or short position in the shares and underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO.

Service Contracts

As at the Latest Practicable Date, there is no existing or proposed service contract between any of the Directors and the Company or any member of the Group excluding contracts expiring or determinable by the Group within one year without payment of compensation (other than statutory compensations).

Interests in other competing business

As at the Latest Practicable Date, Mr. Wong Kam Fat, Tony, a brother of Mr. Wong Kam Choi, Kerry, an independent non-executive Director, was a director of the Placing Agent and held 800,000,000 shares in China Fortune Financial Group Limited (“**China Fortune**”), a company whose shares are listed on the Main Board. As the business of China Fortune and its subsidiaries (“**China Fortune Group**”) consist of brokerage services, margin financing, asset management as well as corporate finance services, there is a risk that such business may compete with the Group.

Mr. Wong Kam Fat, Tony held 748,000 Shares of the Company, representing approximately 0.11% of the total issued Shares of the Company as at the Latest Practicable Date. Save for those disclosed in the above and to the best of the Directors’ knowledge, information and belief and having made all reasonable enquiries, as at the Latest Practicable Date, the Placing Agent and its close associates do not have any shareholding interests in the Company.

Save as disclosed above, each of the Directors has confirmed that so far as they are aware, the Directors and their respective associates do not have any interests in a business apart from the Group’s business which competes or likely to compete with the Group.

Interests in assets

As at the Latest Practicable Date, none of the Directors has any direct or indirect interest in any assets have been acquired or disposed of by or leased to any member of the Group, or are proposed to be acquired or disposed of by or leased to any member of the Group since 31 December 2015 being the date to which the latest published audited accounts of the Company were made up.

Interests in contract or arrangement

As at the Latest Practicable Date, none of the Directors is materially interested in contract or arrangement subsisting which is significant in relation to the business of the Group.

3. LITIGATION

As at the Latest Practicable Date, no member of the Group is engaged in any litigation or arbitration of material importance and no litigation or claim of material importance is known to the Directors to be pending or threatened against any member of the Group.

4. MATERIAL CONTRACTS

The following contracts (not being contracts in the ordinary course of business) have been entered into by members of the Group within two years immediately preceding the date of this circular which are or may be material:

- (a) the placing agreement dated 18 December 2014 between the Company and Fortune (HK) Securities Limited as the placing agent, in relation to the placement on a best effort basis of up to an aggregate of 82,600,000 shares, as disclosed in the announcement of the Company dated 18 December 2014;
- (b) the placing agreement dated 6 July 2016 between the Company and Fortune (HK) Securities Limited as the placing agent in relation to the placement on a best effort basis of up to an aggregate of 110,000,000 shares as disclosed in the announcement of the Company dated 6 July 2016;
- (c) the acquisition agreement dated 11 May 2016 between Mr. Lai (“**Mr. Lai**”) and Century Race Investments Limited (“**Century Race**”), a member of the Group, in relation to the acquisition of 60,000 shares of Shine Well Holdings Limited (“**Shine Well**”) by Century Race from Mr. Lai, as disclosed in the announcement of the Company dated 7 July 2016;
- (d) the acquisition agreement dated 7 July 2016 between Mr. Lai, Century Race and Shine Well in relation to, among other things, (i) the swapping of 60,000 shares in Shine Well by Mr. Lai for 6,000 shares in a target company which is a limited liability company incorporated in the Cayman Islands; and (ii) Century Race acquiring an additional 4,500 shares in the target company from Shine Well, as disclosed in the announcement of the Company dated 7 July 2016;
- (e) the Joint Venture Agreement; and
- (f) the Placing Agreement.

5. GENERAL

- (a) The secretary of the Company is Ms. Wong Yee Wah. Ms. Wong Yee Wah is an associate member of the Institute of Chartered Secretaries and Administrators and the Hong Kong Institute of Chartered Secretaries.
- (b) The registered office of the Company is situated at 28th Floor, The Centrium, 60 Wyndham Street, Central, Hong Kong.
- (c) The share registrar of the Company is Tricor Abacus Limited, located at Level 22, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong.
- (d) In the event of inconsistency, the English text shall prevail over the Chinese text.

6. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be made available for inspection during 9:00 a.m. to 6:00 p.m. at the registered office and principal place of business of the Company at 28th Floor, The Centrium, 60 Wyndham Street, Central, Hong Kong up to and including the date of the EGM:

- (a) the memorandum and articles of association of the Company;
- (b) the annual reports of the Company for the two years ended 31 December 2014 and 31 December 2015;
- (c) the material contracts referred to under the section headed "Material Contracts" in this appendix; and
- (d) this circular.

NOTICE OF 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 29/F., The Centrium, 60 Wyndham Street, Central, Hong Kong at 11:30 a.m. on Wednesday, 26 October 2016 (the “**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

1. “**THAT:**

- (a) the entering into of the joint venture agreement dated 21 July 2016 entered into among VC Brokerage Limited, 廣西金融投資集團有限公司 (transliterated as Guangxi Financial Investment Group Company Limited), 廣西瀚德集團有限公司 (transliterated as Guangxi Hande Group Company Limited) and 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)) (the “**Joint Venture Agreement**”, a copy of which has been produced to the EGM and marked "A" and initialled by the Chairman of the EGM for the purposes of identification) in relation to the establishment of 金港證券股份有限公司 (transliterated as Jingang Securities Company Limited) (the “**JV Company**”), details of which are set out in the circular of the Company dated 26 September 2016 (the “**Circular**”, a copy of which has been produced to the EGM and marked “B” and initialled by the Chairman of the EGM for the purposes of identification) and the terms thereof be and are hereby confirmed, approved and ratified;
- (b) all the transactions contemplated under the Joint Venture Agreement including but not limited to the capital contribution by VC Brokerage Limited into the JV Company be and are hereby confirmed, approved and ratified; and
- (c) any one or more directors of the Company (“**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 to give effect to or in connection with the JV Agreement and any transactions contemplated thereunder.

NOTICE OF EGM

2. **“THAT:**

- (a) the entering into of the placing agreement dated 21 July 2016 supplemented and amended by the deed of variation dated 20 September 2016 (the **“Placing Agreement”**, a copy of which has been produced to the EGM and marked **“C”** and initialled by the Chairman of the EGM for the purposes of identification) between the Company as the issuer and Fortune (HK) Securities Limited as the placing agent in respect of the best effort placing of up to aggregate principal amount of HK\$850 million of 2% convertible bonds due 2018 (the **“Convertible Bonds”**), details of which are set out in the Circular and the terms thereof be and are hereby confirmed, approved and ratified;
- (b) subject to the conditions precedent to the Placing (as defined in the Circular) having been satisfied or waived pursuant to the terms of the Placing Agreement within three months from the date of the EGM:
 - (i) the issue of the Convertible Bonds by the Company to the pursuant to the terms of the Placing Agreement;
 - (ii) the issue and allotment by the Company of the Conversion Shares (as defined in the Circular) from time to time upon exercise of the conversion rights under the Convertible Bonds; and
 - (iii) the execution by the Company of the Convertible Bonds as deeds and the affixing of the Company’s common seal to the Convertible Bonds in accordance with the provisions of the Company’s articles of association

be and are hereby approved; and

- (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 to give effect to or in connection with the Placing Agreement and any transactions contemplated thereunder, including but not limited to the approval of any non-material amendments to the form of the Conversion Bonds 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, 26 September 2016

NOTICE OF EGM

Principal Office:

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

Notes:

1. A member entitled to attend and vote at the extraordinary general meeting 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 special general meeting 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 meeting if shareholders so wish.
5. Pursuant to the Listing Rules, the resolutions set out in this notice of extraordinary general meeting will be put to Shareholders to vote taken by way of a poll.