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**THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION**

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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 licensed securities dealer, bank manager, solicitor, professional accountant or other professional adviser.

**If you have sold or transferred** all your shares in Value Convergence Holdings Limited, you should at once hand this circular, together with the enclosed 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 of the Company.

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## **Value Convergence Holdings Limited**

*(Incorporated in Hong Kong with limited liability)*

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

(Stock Code: 821)

### **MAJOR TRANSACTION IN RELATION TO ACQUISITION OF CONVERTIBLE BONDS INVOLVING ISSUE OF CONSIDERATION CONVERTIBLE BONDS UNDER SPECIFIC MANDATE**

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A notice convening the extraordinary general meeting of the Company to be held at 29th Floor, The Centrium, 60 Wyndham Street, Central, Hong Kong on Wednesday, 27 December 2017 at 11:30 a.m. 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 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 Company's share registrar and transfer office, Tricor Abacus Limited at Level 22, Hopewell Centre, 183 Queen's Road East, 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.

7 December 2017

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## DEFINITIONS

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*In this circular, unless the context otherwise requires, the following terms shall have the meanings set out below.*

“Acquisition”	the acquisition of the Convertible Bonds from the Vendor by the Company pursuant to the Sale and Purchase Agreement
“associates”	has the meaning ascribed to it under the Listing Rules
“Board”	the board of Directors
“Business Day”	a day (other than a Saturday or a Sunday) on which banks generally are open for business in Hong Kong
“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 sale and purchase of the Convertible Bonds pursuant to the Sale and Purchase Agreement
“Completion Date”	the fifth (5th) Business Day after all the conditions set out in the Sale and Purchase Agreement have been satisfied or waived by the Company
“connected person”	has the meaning ascribed to it under the Listing Rules
“Consideration Conversion Shares”	new Shares to be allotted and issued by the Company upon conversion of the Consideration Convertible Bonds in accordance with the terms of the Consideration Convertible Bonds
“Consideration Convertible Bonds”	the 3-year zero interest unsecured redeemable convertible bonds in the principal amount of HK\$360,000,000 to be issued by the Company at Completion
“Conversion Shares”	new shares of the Issuer to be allotted and issued by the Issuer upon conversion of the Convertible Bonds in accordance with the terms of the Convertible Bonds
“Convertible Bonds”	the 3-year 2 per cent. unsecured redeemable convertible bonds in the principal amount of HK\$153,585,000 issued by the Issuer on 30 March 2017
“Director(s)”	director(s) of the Company

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## DEFINITIONS

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“EGM”	an extraordinary general meeting of the Company to be convened and held to consider and, if thought fit, approve the Sale and Purchase Agreement and the transactions contemplated thereunder including the issue of the Consideration Convertible Bonds and the grant of the Specific Mandate
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Shareholders”	Shareholder(s) other than those who are required by the Listing Rules to abstain from voting on the resolutions approving the Sale and Purchase Agreement and the transactions contemplated thereunder
“Independent Third Party(ies)”	party(ies) who is/are independent of the Company and its connected person(s)
“Independent Valuation”	the valuation of the Convertible Bonds as at 13 October 2017 performed by the Independent Valuer
“Independent Valuer”	APAC Asset Valuation and Consulting Limited
“Issuer”	China Fortune Financial Group Limited, a company incorporated in the Cayman Islands with limited liability and the shares of which are listed on the Stock Exchange (Stock Code: 290)
“Issuer Group”	the Issuer and its subsidiaries
“Latest Practicable Date”	4 December 2017, being the latest practicable date prior to the printing of this circular for ascertaining certain information in this circular
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Mr. Chung”	Mr. Chung Chi Shing, Eric, a substantial Shareholder and a Director
“Put Option”	the put option to be granted by the Vendor to the Company pursuant to the Sale and Purchase Agreement
“Put Option Convertible Bonds”	any part or all of the outstanding principal amount of the Convertible Bonds to be purchased or acquired by the Vendor upon each exercise of the Put Option by the Company in accordance with the terms of the Sale and Purchase Agreement
“Put Option Period”	from 30 March 2019 until the fifth (5th) Business Day prior to the maturity date of the Convertible Bonds

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## DEFINITIONS

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“Put Option Price”	2.604421 (which is determined by dividing the total consideration of HK\$400,000,000 by the Convertible Bonds in the principal amount of HK\$153,585,000) times the principal amount of the Put Option Convertible Bonds
“Sale and Purchase Agreement”	the sale and purchase agreement dated 18 October 2017 entered into between the Company, the Vendor and the Warrantors in relation to the sale and purchase of the Convertible Bonds
“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
“Shareholders”	holder of the Shares
“Shares”	the issued ordinary shares in the share capital of the Company
“Specific Mandate”	the specific mandate for the allotment and issue of the Consideration Conversion Shares granted to the Directors by the Independent Shareholders at the EGM
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Takeovers Code”	the Codes on Takeovers and Mergers
“Vendor”	Pacific Alliance Limited, a company incorporated in the British Virgin Islands and is owned as to 90% by Mr. Yip Sum Yin and as to 10% by Mr. Chung
“Warrantors”	Mr. Yip Sum Yin and Mr. Chung
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“%”	per cent.

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## LETTER FROM THE BOARD

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### 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. Lin Hoi Kwong, Aristo

Mr. Xie Jintai

Mr. Chung Chi Shing, Eric

*Registered office:*

28th Floor, The Centrium

60 Wyndham Street

Central

Hong Kong

*Independent non-executive Directors:*

Mr. Wong Chung Kin, Quentin

Mr. Wong Kam Choi, Kerry, MH

Mr. Siu Miu Man, Simon

7 December 2017

*To the Shareholders*

Dear Sir or Madam,

**MAJOR TRANSACTION  
IN RELATION TO ACQUISITION OF CONVERTIBLE BONDS  
INVOLVING ISSUE OF CONSIDERATION CONVERTIBLE BONDS  
UNDER SPECIFIC MANDATE**

**INTRODUCTION**

Reference is made to the announcement of the Company dated 18 October 2017 in relation to the Acquisition. It was announced that the Company, the Vendor and the Warrantors entered into the Sale and Purchase Agreement pursuant to which the Company agreed to purchase, and the Vendor agreed to sell, the Convertible Bonds with a principal amount of HK\$153,585,000 convertible into 2,559,750,000 Conversion Shares at the initial conversion price of HK\$0.06 per Conversion Share (subject to adjustments) for an aggregate consideration of HK\$400,000,000. Further particulars of the Sale and Purchase Agreement are set out below.

The purpose of this circular is to provide you with, amongst other things, (i) further details of the Sale and Purchase Agreement and the transactions contemplated thereunder; (ii) the financial information of the Group; (iii) the financial information of the Issuer; (iv) the valuation report on the Convertible Bonds; (v) the unaudited pro forma financial information of the Group; and (vi) the notice of the EGM.

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## LETTER FROM THE BOARD

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### THE SALE AND PURCHASE AGREEMENT

Date	:	18 October 2017
Vendor	:	Pacific Alliance Limited
Purchaser	:	The Company
Warrantors	:	Mr. Yip Sum Yin Mr. Chung

The Vendor is owned as to 90% by Mr. Yip Sum Yin and as to 10% by Mr. Chung, who is a Director and a substantial Shareholder holding 92,352,000 Shares as at the Latest Practicable Date. Save as disclosed above, the Vendor and its ultimate beneficial owners (except for Mr. Chung) are Independent Third Parties.

### Assets acquired

The Convertible Bonds with the principal amount of HK\$153,585,000 were issued by the Issuer on 30 March 2017, bearing an interest rate of 2% per annum. Set out below are the principal terms of the Convertible Bonds:

Principal amount:	HK\$153,585,000
Interest:	2% per annum (on the basis of a 365-day year, or a 366-day in a leap year) on the outstanding principal amount of the Convertible Bonds which shall be payable on the maturity date of the Convertible Bonds.
Maturity Date:	The date falling on the third (3rd) anniversary of the date of issue of the Convertible Bonds.
Conversion Price:	HK\$0.06 per Conversion Share, subject to adjustments as set out and in accordance with the terms and conditions of the Convertible Bonds.
Conversion Rights:	Holder of the Convertible Bonds will have the right, during the period commencing on the date of issue of the Convertible Bonds up to and ending on the third (3rd) Business Day prior to the maturity date of the Convertible Bonds, to convert the Convertible Bonds in whole or in part of the outstanding principal amount of the Convertible Bonds into Conversion Shares, provided that the exercise of the conversion rights will not result in:  (a) any mandatory offer obligation under Rule 26.1 of the Takeovers Code being triggered by the holder of the Convertible Bonds and/or parties acting in concert (as defined in the Takeovers Code) with such holder; or

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## LETTER FROM THE BOARD

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- (b) the Issuer being in breach of any provision of the Listing Rules, including the requirement to maintain any prescribed minimum percentage of the issued share capital of the Issuer held by the public.

As at the Latest Practicable Date, the Vendor has not exercised any conversion rights attaching to the Convertible Bonds.

Conversion Shares: 2,559,750,000 Conversion Shares (based on the initial conversion price of HK\$0.06), representing:

- (i) approximately 36.12% of the existing issued share capital of the Issuer (based on latest information published on the Stock Exchange's website); and
- (ii) approximately 26.54% of the enlarged issued share capital of the Issuer upon full conversion of the Convertible Bonds (based on latest information published on the Stock Exchange's website).

Adjustment events: The conversion price shall from time to time be subject to adjustment in accordance with the followings if, whilst any of the Convertible Bonds remains outstanding, any of the following events or circumstances in relation to the shares of the Issuer shall occur: (i) consolidation and subdivision; (ii) capitalisation of profits or reserves; (iii) capital distribution; (iv) issue of shares by way of rights or grant to the shareholders any options or warrants to subscribe for shares at a price which is less than 90% of the market price; (v) issue of any securities which are convertible into or exchangeable for or carry rights of conversion for shares at a price which is less than 90% of the market price; (vi) modification of rights of conversion or exchange; (vii) issue of new shares at a price which is less than 90% of the market price; and (viii) purchase of new shares or securities by the Issuer or making of relevant offer and invitation by the Issuer.

Redemption: The Issuer shall redeem the Convertible Bonds by repaying the holder(s) of the Convertible Bonds all outstanding principal amount and accrued interests of the Convertible Bonds on the maturity date of the Convertible Bonds.

Transferability: The Convertible Bonds are transferable except that no Convertible Bond shall be transferred to any person who:

- (a) is not independent of the Issuer Group or the connected persons of the Issuer (unless otherwise permitted with prior written consent of the Issuer); or



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## LETTER FROM THE BOARD

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- (b) is a party acting in concert (as defined in the Takeovers Code) with any person or shareholder of the Issuer to the effect that any transfer of the Convertible Bonds to such transferee(s) and/or the exercise by such transferee(s) of any conversion right attaching to the Convertible Bonds subject to such transfer will trigger the mandatory offer obligation under Rule 26.1 of the Takeovers Code.

During the period of twelve months commencing from the date of issuance of the Convertible Bonds, the holder of the Convertible Bonds shall not dispose of or transfer or enter into any agreement to dispose of or otherwise create any options, rights, interest or encumbrances in respect of any of the Conversion Shares issued pursuant to the exercise of any conversion right to dispose of or otherwise any of the Conversion Shares issued pursuant to the exercise of any conversion rights by that holder of the Convertible Bonds. After the abovementioned 12-month period, the Conversion Shares shall be transferable provided that the transfers of the Conversion Shares are in compliance with all rules and requirements under the Listing Rules and laws and regulations applicable to the Issuer and/or registered holder(s) of the Conversion Shares.

- Ranking of Conversion Shares: The Conversion Shares allotted and issued upon conversion of the Convertible Bonds will rank *pari passu* in all respects with the new shares of the Issuer already in issue on the conversion date.
- Listing: No application will be made by the Issuer for the listing of the Convertible Bonds on the Stock Exchange. The Listing Committee of the Stock Exchange granted the approval for the listing of, and permission to deal in, the Conversion Shares on 16 March 2017.

### Consideration

The total consideration for the acquisition of the Convertible Bonds is HK\$400,000,000. Based on the 2,559,750,000 Conversion Shares upon full conversion of the Convertible Bonds, the acquisition cost per Conversion Share is approximately HK\$0.156. The consideration was determined after arm's length negotiations between the Vendor and the Company with reference to: (i) the prevailing market price of the shares of the Issuer of approximately HK\$0.2128 per share (being the average closing price per share of the Issuer for the five consecutive trading days immediately before the date of the Sale and Purchase Agreement), which represents a premium of approximately 36.41% over the acquisition cost per Conversion Share; and (ii) the Independent Valuation of HK\$432,756,000 performed by the Independent Valuer which represents a premium of approximately 8.19% over the consideration.

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## LETTER FROM THE BOARD

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With reference to (i) the 2,559,750,000 Conversion Shares upon full conversion of the Convertible Bonds at the initial conversion price of HK\$0.06; (ii) the closing price of HK\$0.232 per share of the Issuer as quoted on the Stock Exchange as at the date of the Sale and Purchase Agreement (whereas the average closing price per share of the Issuer for the five consecutive trading days immediately preceding the date of the Sale and Purchase Agreement is HK\$0.2128), the conversion value of the Convertible Bonds is HK\$593,862,000. Accordingly, the consideration of HK\$400,000,000 represents a discount of approximately 32.64% to the conversion value of the Convertible Bonds and a discount of approximately 7.57% to the Independent Valuation of HK\$432,756,000.

The Independent Valuer is a valuation firm, which focuses on business, financial instruments, property and intangible assets valuation. It has extensive experience in the valuation of financial instruments such as convertible bonds, share options, etc. The Independent Valuer had been commissioned by over 30 listed companies and asset management companies in Hong Kong in the recent two years to conduct valuations on convertible bonds. In view of the extensive experience of the Independent Valuer, the Directors consider that the Independent Valuer being an established valuation firm is appropriate and competent to conduct valuation on the Convertible Bonds.

Upon Completion, the consideration of HK\$40,000,000 will be satisfied in cash and the balance of HK\$360,000,000 will be satisfied by way of issue of the Consideration Convertible Bonds. The proportion of the cash consideration was determined after arm's length negotiations between the Vendor and the Company with reference to the current and projected cash flow positions of the Group.

The Consideration Conversion Shares (upon conversion of the Consideration Convertible Bonds) will be allotted and issued pursuant to the Specific Mandate proposed to be obtained at the EGM.

### Principal Terms of the Consideration Convertible Bonds

Principal amount:	HK\$360,000,000
Interest:	The Consideration Convertible Bonds shall not bear any interest.
Maturity Date:	The date falling on the third (3rd) anniversary of the date of issue of the Consideration Convertible Bonds.
Conversion Price:	HK\$1.25 per Consideration Conversion Share, subject to adjustments as set out and in accordance with the terms and conditions of the Consideration Convertible Bonds. The initial conversion price of HK\$1.25 represents: <ul style="list-style-type: none"><li>(i) a discount of approximately 19.35% to the closing price of HK\$1.55 per Share as quoted on the Stock Exchange on the date of the Sale and Purchase Agreement;</li><li>(ii) a discount of approximately 17% to the average closing price of HK\$1.506 per Share as quoted on the Stock Exchange for the five consecutive trading days immediately prior to the date of the Sale and Purchase Agreement; and</li><li>(iii) a discount of approximately 1.57% to the closing price of HK\$1.27 per Share as quoted on the Stock Exchange on the Latest Practicable Date.</li><li>(iv) a premium of approximately 20.19 % over the unaudited consolidated net asset value per Share as at 30 June 2017</li></ul>

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## LETTER FROM THE BOARD

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The conversion price was determined after arm's length negotiations between the Vendor and the Company with reference to the then market price of the Shares and the net asset value per Share set out above.

Conversion Rights:

Holder of the Consideration Convertible Bonds will have the right, during the period commencing on the date of issue of the Consideration Convertible Bonds up to and ending on the third (3rd) Business Day prior to the maturity date of the Consideration Convertible Bonds, to convert the Consideration Convertible Bonds in whole or in part of the outstanding principal amount of the Consideration Convertible Bonds into Consideration Conversion Shares, provided that the exercise of the conversion rights will not result in:

- (a) any mandatory offer obligation under Rule 26.1 of the Takeovers Code being triggered by the holder of the Consideration Convertible Bonds and/or parties acting in concert (as defined in the Takeovers Code) with such holder; or
- (b) the Company being in breach of any provision of the Listing Rules, including the requirement to maintain any prescribed minimum percentage of the issued share capital of the Company held by the public.

Conversion Shares:

288,000,000 Consideration Conversion Shares (based on the initial conversion price of HK\$1.25), representing:

- (i) approximately 36.24% of the existing issued share capital of the Company; and
- (ii) approximately 26.60% of the enlarged issued share capital of the Company upon full conversion of the Consideration Convertible Bonds.

Adjustment events:

The conversion price shall from time to time be subject to adjustment in accordance with the followings if, whilst any of the Consideration Convertible Bonds remains outstanding, any of the following events or circumstances in relation to the Shares shall occur: (i) consolidation and subdivision; (ii) capitalisation of profits or reserves; (iii) capital distribution; and (iv) purchase of new shares or securities by the Company or making of relevant offer and invitation by the Company.

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## LETTER FROM THE BOARD

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For item (iv), if and whenever the Company shall be permitted by law and, by the Listing Rules and in accordance with the provisions of its articles of association to purchase and shall make an offer or invitation to the Shareholders to tender for sale to the Company any Shares or if the Company shall purchase any Shares or securities convertible into Shares or any rights to acquire Shares (excluding any such purchase made on the Stock Exchange, or any recognised stock exchange, being a stock exchange recognised for this purpose by the SFC or equivalent authority and the Stock Exchange) and the Directors consider that it may be appropriate to make an adjustment to the conversion price, at that time the Directors shall appoint an independent reputable merchant bank or other reputable financial institution in Hong Kong selected by the Directors (the “**approved merchant bank**”) or the auditors of the Company to consider whether, for any reason whatever as a result of such purchases, an adjustment should be made to the conversion price fairly and appropriately to reflect the relative interests of the persons affected by such purchases by the Company and, if such approved merchant bank or the auditors of the Company shall consider in its opinion that it is appropriate to make an adjustment to the conversion price, an adjustment to the conversion price shall be made in such manner as such approved merchant bank or the auditors of the Company shall certify to be, in its opinion, appropriate.

The above arrangement aims to ensure that the relative interest of the persons (i.e. the holders of the Consideration Convertible Bonds) which may be affected as a result of such corporate activity will be fairly and appropriately treated and the conversion will be made at a fair value. In order to strike a balance between the interest of the holders of the Consideration Convertible Bonds and the interest of the Company and the Shareholders and to ensure justification of a possible adjustment, an approved merchant bank or the auditors of the Company is required to be appointed by the Directors to determine whether there is an actual need for the adjustment and/or the manner in which the adjustment should be made to ensure that the imposition of an adjustment or the absence of the adjustment are fairly and appropriately dealt with. In light of the above, neither the Company nor the holders of the Consideration Convertible Bonds shall be unfairly treated, the Directors are of the view that the arrangement under such provisions is in the interests of the Company and the Shareholders as a whole.

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## LETTER FROM THE BOARD

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- Tender for cancellation by holder(s) of the Consideration Convertible Bonds: The holder(s) of the Consideration Convertible Bonds shall have the right, at any time commencing from 30 March 2019 and ending on the fifth (5th) Business Day prior to the maturity date tender for cancellation to the Company all or part of the outstanding principal amount of the Consideration Convertible Bonds for the sole purpose of settling the consideration, in whole or in part, payable to the Company, for the acquisition of the Put Option Convertible Bonds upon each exercise of the Put Option by the Company.
- According to the above provisions, if the Vendor being the holder of the Consideration Convertible Bonds, upon the exercise of the Put Option by the Company, is required to purchase the Put Option Convertible Bonds from the Company, the Vendor may tender all or part of the Consideration Convertible Bonds to the Company for cancellation in order to set off part of or the whole amount of the consideration for acquisition of the Put Option Convertible Bonds to be paid by the Vendor to the Company under the arrangement of the Put Option.
- Redemption: The Company shall redeem the Consideration Convertible Bonds by repaying the holder(s) of the Consideration Convertible Bonds all outstanding principal amount of the Consideration Convertible Bonds on the maturity date of the Consideration Convertible Bonds.
- Transferability: The Consideration Convertible Bonds are transferable except that no Consideration Convertible Bond shall be transferred to any person who:
- (a) is not independent of the Group or the connected persons of the Company (unless otherwise permitted with prior written consent of the Company); or
  - (b) is a party acting in concert (as defined in the Takeovers Code) with any person or Shareholder to the effect that any transfer of the Consideration Convertible Bonds to such transferee(s) and/or the exercise by such transferee(s) of any conversion right attaching to the Consideration Convertible Bonds subject to such transfer will trigger the mandatory offer obligation under Rule 26.1 of the Takeovers Code.
- Ranking of Consideration Conversion Shares: The Consideration Conversion Shares allotted and issued upon conversion of the Consideration Convertible Bonds will rank pari passu in all respects with the new Shares already in issue on the conversion date.

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## LETTER FROM THE BOARD

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Listing: No application will be made by the Company for the listing of the Consideration Convertible Bonds on the Stock Exchange. An application will be made by the Company to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Consideration Conversion Shares that may be issued upon the conversion of the Consideration Convertible Bonds.

### Conditions

Completion of the Sale and Purchase Agreement is conditional upon the satisfaction of the following conditions:

- (i) the passing by the requisite majority of Shareholders or Independent Shareholders (as appropriate) at the EGM of all resolutions required under the Listing Rules (if any) to approve the transactions contemplated under the Sale and Purchase Agreement, including without limitation the issue of the Consideration Convertible Bonds and the grant of the Specific Mandate;
- (ii) the Listing Committee of the Stock Exchange granting or agreeing to grant the listing of, and permission to deal in, the Consideration Conversion Shares, which has not been revoked as at Completion;
- (iii) all the required approvals, authorisations, consents having been obtained from and all the required registrations and filing having been completed with (if applicable) the governmental authorities or regulatory bodies or any relevant third party in connection with the transactions contemplated under the Sale and Purchase Agreement;
- (iv) the Company having obtained confirmation from the Vendor and the Warrantors confirming that, as at Completion, they are not aware of any matter or thing which is in breach or inconsistent with any of the warranties made by each of the Vendor and the Warrantors; and
- (v) all warranties made by each of the Vendor and the Warrantors in the Sale and Purchase Agreement remaining true and accurate from the date of the Sale and Purchase Agreement up to and including Completion.

If the conditions set out above are not fulfilled, or in respect of the conditions (iii), (iv) and (v), are not waived in writing by the Company on 18 January 2018 (or such later date as the parties to the Sale and Purchase Agreement may agree in writing), the Sale and Purchase Agreement shall terminate and none of the parties shall have any claim against the other for costs, damages, compensation or otherwise (save in respect of any prior breach of the Sale and Purchase Agreement).

### Completion

Subject to the fulfillment of the above conditions (unless otherwise waived), Completion shall take place on the Completion Date.

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## LETTER FROM THE BOARD

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### Undertaking

Pursuant to the subscription agreement entered into between the Vendor and the Issuer dated 21 September 2016 as amended and supplemented by a supplemental agreement dated 22 November 2016, the Vendor shall not exercise the conversion rights attached to the Convertible Bonds for a period of 24 months from the date of issue of the Convertible Bonds (i.e. for the period from 30 March 2017 up to 29 March 2019 (both days inclusive)). Accordingly, in consideration of the Vendor granting the Put Option to the Company, the Company has agreed in the Sale and Purchase Agreement that it will provide an undertaking (the “**Conversion Undertaking**”) to the Issuer at Completion that the Company shall not exercise the conversion rights attached to the Convertible Bonds from the Completion Date up to and including 29 March 2019.

### Put Option

The Directors sought to obtain certain degree of downside protection through selling back part or all of the Convertible Bonds to the Vendor at the original acquisition cost in the circumstances that the price of the shares of the Issuer exhibits a consistent downward trend. After arm’s length negotiations between the Vendor and the Company, the Vendor agreed to buy back 50% of the Convertible Bonds in the principal amount of HK\$153,585,000 (i.e. HK\$76,792,500) through the grant of the Put Option to the Company.

Pursuant to the Sale and Purchase Agreement, the Vendor grants to the Company the Put Option to require the Vendor to purchase from the Company the Put Option Convertible Bonds, to the extent of HK\$76,792,500 (50% of the principal amount of the Convertible Bonds), at the Put Option Price, which approximates the cost of acquisition of the Put Option Convertible Bonds by the Company under the Sale and Purchase Agreement, at any time during the Put Option Period on the condition that the closing price per share of the Issuer as quoted on the Stock Exchange falls below two times the conversion price per Conversion Share (subject to adjustments) for a period of more than ten consecutive trading days (For example, assuming there is no adjustment to the conversion price and if the closing price per share of the Issuer falls below HK\$0.12 (which is two times of the conversion price per Conversion Share of HK\$0.06) for a period of more than ten consecutive trading days, the Company may exercise the Put Option; if the conversion price per Conversion Share is adjusted to HK\$0.05, the Company shall not exercise the Put Option unless the the closing price per share of the Issuer falls below HK\$0.10 (which is two times of the conversion price per Conversion Share of HK\$0.05) for a period of more than ten consecutive trading days).

The above condition for the exercise of the Put Option is determined after arm’s length negotiations between the Vendor and the Company. The Directors consider that, with the threshold imposed under such condition being two times the conversion price per Conversion Share (i.e. 100% over the conversion price of the Convertible Bonds), the Company would have a time buffer to monitor the price movement of the shares of the Issuer before deciding whether to exercise the Put Option to sell back any part of the Convertible Bonds to the Vendor, and the arrangement of the Put Option would become more balanced between the risk to be taken by the Vendor and the protection to be given to the Company.

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## LETTER FROM THE BOARD

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The Company shall have absolute discretion in determining whether to exercise the Put Option during the Put Option Period.

The Vendor shall have absolute discretion in determining whether to settle the consideration for the acquisition of the Put Option Convertible Bonds in cash or by way of tendering for cancellation to the Company the Consideration Convertible Bonds in equivalent amount subject to the terms and conditions of the Consideration Convertible Bonds.

The Put Option shall lapse upon the earliest of the following events: (i) the expiry of the term of the Convertible Bonds; or (ii) the Convertible Bonds being fully converted into Conversion Shares.

### EFFECT OF THE ACQUISITION ON SHAREHOLDING STRUCTURE

Shareholder	As at the Latest Practicable Date		After the issue of the Consideration Convertible Bonds and assuming the conversion rights attaching to the Consideration 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	9.44%	75,000,000	6.93%
Mr. Chung Chi Shing, Eric ( <i>Note 1</i> )	17,352,000	2.18%	17,352,000	1.60%
Mr. Wong Chung Kin, Quentin ( <i>Note 2</i> )	500,000	0.06%	500,000	0.05%
The Vendor	–	–	288,000,000	26.60%
Public Shareholders	701,764,829	88.32%	701,764,829	64.82%
	<hr/>	<hr/>	<hr/>	<hr/>
Total	794,616,829	100%	1,082,616,829	100%
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

*Notes:*

1. Power Global Group Limited is a company 100% owned by Mr. Chung Chi Shing, Eric, an executive Director.
2. Mr. Wong Chung Kin, Quentin is an independent non-executive Director.

Given the Vendor will own approximately 26.60% of the enlarged issued share capital of the Company after Completion and full conversion of the Consideration Convertible Bonds, there will be no change in control of the Company as a result of the Acquisition which involves the issue of the Consideration Convertible Bonds.

The Vendor will become the single largest shareholder of the Company upon full conversion of the Consideration Convertible Bonds.



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## LETTER FROM THE BOARD

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### FINANCIAL EFFECTS OF THE ACQUISITION

Upon Completion, the Group will hold the Convertible Bonds, representing approximately 26.54%<sup>1</sup> of the enlarged issued share capital of the Issuer upon full conversion of the Convertible Bonds.

Since the Company will not hold more than 50% of the issued share capital of the Issuer upon full conversion of the Convertible Bonds, the Issuer will not become a subsidiary of the Company and its financial results will not be consolidated into the Company's financial statements. The Acquisition will be recognised as an interest in an associate or an investment in the Company's financial statements. If the Company holds 20% or more of the voting power of the Issuer, it would be assumed that the Company has significant influence on the Issuer and the Acquisition will be recognised as the Company's interest in an associate in the financial statements. If the Company holds less than 20% of the voting power of the Issuer, the Acquisition will be recognised as the Company's investment in the financial statements.

The unaudited pro forma financial information of the Group after Completion illustrating the possible financial effects of the Acquisition is set out in "Appendix V – Unaudited Pro Forma Financial Information" to this circular.

#### Effect on assets and liabilities of the Group

As disclosed in the Company's published interim report for the six months ended 30 June 2017, the unaudited total assets and total liabilities of the Group were approximately HK\$824,240,000 and HK\$134,818,000 respectively as at 30 June 2017. The unaudited pro forma consolidated statement of assets and liabilities of the Group is prepared as if the Acquisition had been completed on 30 June 2017.

As set out in the unaudited pro forma financial information of the Group in Appendix V to this circular, the total assets and total liabilities of the Group as at 30 June 2017 will increase to approximately HK\$1,405,741,000 and HK\$391,816,000 respectively as a result of the completion of the Acquisition.

#### Effect on earnings of the Group

As disclosed in the Company's published interim report for the six months ended 30 June 2017, the Group recorded the unaudited consolidated loss attributable to shareholders of approximately HK\$10,128,000. Assuming the Acquisition had been completed on 30 June 2017, it is expected that the earnings of the Group would be impacted as follows:

- (i) the actual interest income from the Convertible Bonds over the conversion period, in which the Convertible Bonds shall bear interest at 2% per annum on the outstanding principal amount of the Convertible Bonds from the Completion Date to (but excluding) the maturity date of the Convertible Bonds;

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<sup>1</sup> The shareholding percentage is for illustration purpose only as the conversion rights attached the Convertible Bonds are subject to the restrictions set out in the terms and conditions of the Convertible Bonds.

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## LETTER FROM THE BOARD

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- (ii) the recognition of gain on acquisition of the Convertible Bonds of approximately HK\$221,351,000 in profit or loss, being the excess of the aggregate fair value of the Convertible Bonds and the put options attached to the Convertible Bonds amounting to approximately HK\$621,501,000 with reference to the independent valuation report prepared by APAC Asset Valuation and Consulting Limited on 30 June 2017 over the aggregate of cash consideration of HK\$40,000,000 and fair value of the Consideration Convertible Bonds amounting to approximately HK\$360,150,000 with reference to the independent valuation report prepared by APAC Asset Valuation and Consulting Limited on 30 June 2017;
- (iii) the fair value change, if any, on the Convertible Bonds over the conversion period, which will be calculated with reference to the independent valuation report in future; and
- (iv) the imputed interest expenses of approximately HK\$123,535,000 on the liability component of the Consideration Convertible Bonds over the conversion period with reference to the independent valuation report prepared by APAC Asset Valuation and Consulting Limited on 30 June 2017 and also the deferred tax income of approximately HK\$20,383,000 over the conversion period arising from the taxable temporary difference associated with the liability component.

The valuations prepared by APAC Asset Valuation and Consulting Limited as abovementioned are summarised in the sub-section headed “(II) Notes to the Unaudited Pro Forma Consolidated Statement of Assets and Liabilities” in Appendix V to this circular.

### **INFORMATION ON THE GROUP**

The Group is principally engaged in (i) the provision of financial services including securities, futures and options brokering and dealing, margin financing and money lending, and placing and underwriting services, corporate financial advisory services and asset management services; and (ii) proprietary trading including the trading of equity securities, debt securities and other financial products.

### **INFORMATION ON THE ISSUER**

The Issuer, China Fortune Financial Group Limited, is an investment holding company incorporated in the Cayman Islands with limited liability and the issued shares of which are listed on the Stock Exchange (Stock Code: 290). The Issuer Group is principally engaged in the provision of brokerage and margin financing, proprietary securities trading, corporate finance, money lending and factoring and consultancy and insurance brokerage services.

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## LETTER FROM THE BOARD

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To the best of the knowledge, information and belief of the Directors having made all reasonable enquiries, the Issuer is not a connected person of the Company.

Set out below are the audited information of the Issuer for the two years ended 31 March 2016 and 31 March 2017 as extracted from the published annual reports of the Issuer:

	<b>For the year ended 31 March 2016</b>	<b>For the year ended 31 March 2017</b>
	<i>(Audited)</i>	<i>(Audited)</i>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Revenue	49,207	49,880
(Loss)/Profit before taxation	(42,682)	30,907
(Loss)/Profit after taxation	(42,682)	30,907
	<b>As at</b>	<b>As at</b>
	<b>31 March 2016</b>	<b>31 March 2017</b>
	<i>(Audited)</i>	<i>(Audited)</i>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Net current assets	116,189	622,457
Net assets	107,540	277,666

### REASONS FOR AND BENEFITS OF THE ACQUISITION OF THE CONVERTIBLE BONDS

One of the Group's principal businesses is proprietary trading including the trading of equity securities, and the Group has been constantly seeking investment opportunities. Taking an optimistic view of the prospect of the financial services industry in both Hong Kong and the PRC, the Company has been investing in the Issuer by acquiring the shares of the Issuer through on-market transactions since early 2016. As at the Latest Practicable Date, the Company was interested in 131,492,000 shares of the Issuer. With the introduction of China Cinda Asset Management Co., Limited as a strategic investor by the Issuer in the end of 2016, and the appointment of Mr. Xie Zhichun who has strong background, expertise and renowned status in the financial services industry in the PRC, as an executive director and chairman of the Issuer in January 2017, the Directors are of the view that, the Issuer Group is on its way to rapid business expansion and will have the opportunities to tap into the PRC financial services market to capture vast business opportunities in the near future. As the Directors envisage a promising prospect of the Issuer Group ahead and given that the consideration for the Acquisition represents a discount of approximately 32.64% and 15.07% to the conversion value of the Convertible Bonds as at the date of the Sale and Purchase Agreement and the Latest Practicable Date respectively and a discount of approximately 7.57% to the Independent Valuation of HK\$432,756,000 as discussed above, the Directors consider that the Acquisition represents a suitable investment opportunity for the Company. It is the intention of the Group to hold the Convertible Bonds for trading purposes with a view to achieve capital gains through disposal of the Convertible Bonds or the Conversion Shares after expiry of the Conversion Undertaking, as the Directors consider appropriate.

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## LETTER FROM THE BOARD

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According to the terms of the Sale and Purchase Agreement, 10% of the consideration will be satisfied in cash while the balance of the consideration will be satisfied by way of issue of the Consideration Convertible Bonds. The Directors consider such payment arrangement to be advantageous for the Group having considered the following reasons:

- (i) the cash outlay for this transaction is relatively small which can be satisfied by the internal fund of the Group;
- (ii) as compared to cash and/or the issue of promissory notes, the issue of the Consideration Convertible Bonds will not adversely affect the cash position and development of the Group in the short term; and
- (iii) as compared to the issue of consideration shares, the issue of the Consideration Convertible Bonds will not result in an immediate dilution impact on the existing Shareholders.

The grant of the Put Option by the Vendor to the Company, subject to the terms and conditions under the Sale and Purchase Agreement, has provided a downside protection to the Company to effectively limit or reduce risks or losses of the Company in the case of a decline in the value of the Convertible Bonds.

In view of the above, the Directors (including the independent non-executive Directors) consider that the terms of the Sale and Purchase Agreement and the transactions contemplated thereunder are on normal commercial terms and are fair and reasonable, and in the interests of the Company and the Shareholders as a whole.

The Sale and Purchase Agreement was approved by the Board. Mr. Chung had abstained from voting on the relevant resolutions of the Board approving the transaction.

### LISTING RULES IMPLICATIONS

As the applicable percentage ratios (as defined under Rule 14.07 of the Listing Rules) in respect of the transactions contemplated under the Sale and Purchase Agreement are greater than 25% but less than 100%, the transaction constitutes a major transaction for the Company under Chapter 14 of the Listing Rules, and is therefore subject to the reporting, announcement, circular and shareholders' approval requirements thereunder. An EGM will be convened by the Company to consider and, if thought fit, approve the Sale and Purchase Agreement and the transactions contemplated thereunder.

In the event that the Company exercises any conversion rights attached to the Convertible Bonds, it will have to comply with the applicable notifiable transaction requirements under Chapter 14 of the Listing Rules for the acquisition of an interest in the Issuer.

Since Mr. Chung, a substantial Shareholder and a Director, has material interest in the Sale and Purchase Agreement and the transactions contemplated thereunder, Mr. Chung and his associates would be required to abstain from voting on the resolutions approving the Sale and Purchase Agreement and the transactions contemplated thereunder including the issue of the Consideration Convertible Bonds and the grant of the Specific Mandate at the EGM.

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## LETTER FROM THE BOARD

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**As completion of the Sale and Purchase Agreement is subject to the fulfillment (or waiver, as the case may be) of a number of conditions (which are detailed in this circular), the transactions contemplated under the Sale and Purchase Agreement may or may not be completed. Shareholders and potential investors should exercise caution when dealing in the shares of the Company.**

### **EGM**

The Company will convene an EGM for the Independent Shareholders to consider and, if thought fit, approve by way of poll, the Sale and Purchase Agreement and the transactions contemplated thereunder. A notice convening the EGM to be held at 29th Floor, The Centrium, 60 Wyndham Street, Central, Hong Kong on Wednesday, 27 December 2017 at 11:30 a.m. 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 EGM in person, you are requested to complete and return the accompanying form of proxy in accordance with the instructions printed thereon to the Company's share registrar and transfer office, Tricor Abacus Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, as soon as possible and in any event not less than 48 hours before the time appointed for holding the EGM 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.

### **RECOMMENDATION**

The Directors are of the view that the terms of the Sale and Purchase Agreement 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 Independent Shareholders to vote in favour of the relevant resolutions to be proposed at the EGM to approve the Sale and Purchase Agreement and the transactions contemplated thereunder.

### **ADDITIONAL INFORMATION**

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

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

**1. CONSOLIDATED FINANCIAL INFORMATION OF THE COMPANY**

The audited consolidated financial statements of the Group for the years ended 31 December 2014, 2015 and 2016 together with the relevant notes thereto can be found from pages 43 to 111 of the annual report of the Company for the year ended 31 December 2014 published on 23 April 2015, pages 55 to 120 of the annual report of the Company for the year ended 31 December 2015 published on 18 April 2016 and pages 60 to 124 of the annual report of the Company for the year ended 31 December 2016 published on 19 April 2017, respectively.

The unaudited consolidated financial statements of the Group for the six months ended 30 June 2017 together with the relevant notes thereto can be found from pages 15 to 38 of the interim report of the Company for the six months ended 30 June 2017 published on 11 September 2017.

The said annual reports and interim report of the Company are available on the Company's website at [www.vcgroup.com.hk](http://www.vcgroup.com.hk) and the website of the Stock Exchange at [www.hkexnews.hk](http://www.hkexnews.hk).

**2. INDEBTEDNESS STATEMENT**

As at the close of business on 31 October 2017, 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 had outstanding bank borrowings of HK\$770 million, comprising the general short-term money market loan of HK\$40 million which is secured and guaranteed and the initial public offer stag financing loans in a total of HK\$730 million which is secured and unguaranteed.

The Group held banking facilities of HK\$100 million granted from a bank to VC Brokerage Limited, the indirect wholly owned subsidiary, which is secured by bank deposits of HK\$40 million provided by VC Brokerage Limited 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 Limited's margin clients' listed securities when utilised. The balance of HK\$10 million is used for drawings against uncleared cheques. As at 31 October 2017, the Group utilised an amount of HK\$40 million for the general short-term money market loan.

Further, as at 31 October 2017, VC Brokerage Limited had obtained short-term stag financing loans in a total of HK\$730 million from two banks to assist in financing subscription of new issue shares for the clients.

**Contingent liabilities**

The Company had given financial guarantees of HK\$100 million to a bank in respect of banking facilities of HK\$100 million provided to VC Brokerage Limited as abovementioned. As at 31 October 2017, an amount of HK\$40 million for the general short-term money market loan was utilised by VC Brokerage Limited.

Apart from as disclosed above and intra-group liabilities, as at 31 October 2017, 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, material contingent liabilities or guarantees.

**3. MATERIAL ADVERSE CHANGE**

As at the Latest Practicable Date, the Directors were not aware of any material adverse changes in the financial or trading position or prospects of the Group since 31 December 2016, being the date to which the latest audited consolidated financial statements of the Group were made up.

**4. WORKING CAPITAL**

The Directors are of the opinion that in the absence of unforeseeable circumstances, assuming the Completion, 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 provision of financial services comprising securities, futures and options brokering and dealing, financing services, placing and underwriting services, corporate finance and other advisory services and asset management, and proprietary trading.

During 2017, the global investors reacted positively to the improving global and the Mainland economic outlook. Though the downturn in the local capital market continued in January 2017, the local investors' sentiment had improved subsequently and the local stock market had experienced steady growth throughout 2017. As a financial services provider, the business performance of the Group will certainly impacted by both the global and local economic and market conditions.

Looking ahead, the Group's operating environment remains challenging though it is expected that the positive market sentiments of the local stock market will persist. Investors are reminded to watch the capital market closely and avoid taking excessive risks. The global stock markets would still be influenced by various uncertain economic and political factors. Given Hong Kong economy is highly external-oriented, it certainly cannot escape the global economic volatility.

Since Shenzhen-Hong Kong Stock Connect was launched in December 2016, the Stock Connects (together with Shanghai-Hong Kong Stock Connect) continued to gather momentum in 2017 with the increased fund flows and trading volume. Further, the China-Hong Kong Bond Connect had also been launched in early July 2017. With these new trading platforms, it is vital to the local financial market infrastructure and strategy for the long term. It will certainly bring positive impact and help to boost the growth of the local financial market in the foreseeable future.

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.



**CONSOLIDATED FINANCIAL INFORMATION OF THE ISSUER**

The audited consolidated financial statements of the Issuer Group for the years ended 31 March 2015, 2016 and 2017 together with the relevant notes thereto can be found from pages 43 to 137 of the annual report of the Issuer for the year ended 31 March 2015 published on 10 July 2015, pages 45 to 133 of the annual report of the Issuer for the year ended 31 March 2016 published on 26 July 2016 and pages 58 to 139 of the annual report of the Issuer for the year ended 31 March 2017 published on 26 July 2017, respectively.

The said annual reports of the Issuer are available on the Issuer's website at [www.290.com.hk](http://www.290.com.hk) and the website of the Stock Exchange at [www.hkexnews.hk](http://www.hkexnews.hk).

The following is the management discussion and analysis of the financial conditions and operating results of the Issuer for each of the three financial years ended 31 March 2015, 2016 and 2017 respectively. The financials for the three financial years ended 31 March 2015, 2016 and 2017 are prepared in accordance with Hong Kong Financial Reporting Standards. The following discussions and analysis should be read in conjunction with the audited consolidated financial statements of Issuer for each of the three financial years ended 31 March 2015, 2016 and 2017 and the notes thereto as referred to in Appendix II to this circular.

### **For the year ended 31 March 2017**

#### ***Financial Review***

For 2017, revenue of the Issuer amounted to approximately HK\$49,880,000, representing an increase of approximately 1.37% from approximately HK\$49,207,000 in 2016. The Issuer recorded a profit of approximately HK\$30,907,000 for 2017, as compared with the loss of approximately HK\$42,682,000 in 2016. Net profit attributable to owners of the Issuer amounted to approximately HK\$30,907,000 for 2017, representing an increase of approximately 173.06% comparing with the loss of approximately HK\$42,301,000 in 2016. The overall performance from net loss to net profit attributable to owners of the Issuer was mainly due to (1) the disposal of shares and benefits related to shareholders loan of Measure Up International Limited; and (2) realised gain in fair value of derivative component of convertible bonds.

The basic and diluted profit per share of the Issuer for 2017 was approximately HK0.85 cents and HK0.84 cents respectively as compared with the basic and diluted loss per share of approximately HK1.24 cents in 2016.

#### ***Prospects***

In 2017, the world faces changes. Political and military changes are challenging the world's economic stability. China is in the middle of the supply-side reform, and its economy is experiencing a shift into "a new normal state". Hong Kong, as a crucial part of the Chinese economy, is going to celebrate the 20th anniversary of the return of its sovereignty. China's "going global" strategy and the Belt and Road initiative exposes the financial markets in both mainland and Hong Kong to both opportunities and challenges. The Issuer will be highly alert of the changing economic situation, determinant while flexible in working towards our strategic goals, and proactive in grasping market opportunities and improving core competitiveness and profitability. Moreover, the Issuer will take full advantage of Hong Kong's strategic significance as Asia's key financial hub, and China's special administrative region under the "one country, two systems" principle.

#### ***Liquidity and Financial Resources and Gearing Ratio***

During 2017, the Issuer mainly financed its operations by cash generated from operating activities and loan, and issuance of the corporate bonds. As at 31 March 2017, the Issuer's current assets and current liabilities were approximately HK\$882,604,000 (2016: approximately HK\$349,095,000) and approximately HK\$260,147,000 (2016: approximately HK\$232,906,000) respectively, while the current ratio was about 3.39 times (2016: 1.50 times). As at 31 March 2017, the Issuer's aggregate cash and cash

equivalents amounted to approximately HK\$471,990,000 (2016: approximately HK\$46,757,000), of which approximately 98.09% was denominated in Hong Kong dollars (2016: approximately 89.22%), approximately 1.47% was denominated in United States dollars (2016: approximately 9.77%), and approximately 0.44% was denominated in Renminbi (2016: approximately 1.01%), representing approximately 53.48% (2016: approximately 13.39%) of total current assets. As at 31 March 2017, the Issuer had a loan with accrued interest in approximately HK\$130,404,000 (2016: nil).

During 2017, no financial instruments were used for hedging purposes. As at 31 March 2017, the gearing ratio, measured on the basis of total borrowings as a percentage of equity attributable to owners of the Issuer, was approximately 210.82% (2016: approximately 118.22%). The increase in ratio was mainly due to issuance of corporate bonds and convertible bonds during 2017. The debt ratio, defined as total debts over total assets, was approximately 71.92% (2016: approximately 76.53%). During 2017 and 2016, the Issuer has issued 2 years to 7.5 years and 1 year to 7 years corporate bonds with aggregate face value of HK\$47,000,000 and HK\$19,000,000 to 16 and 10 independent third parties respectively, net of direct expenses of approximately HK\$6,769,000 and HK\$3,772,000 respectively, their maturity dates are from January 2018 to April 2024 and carry interest at fixed rate of 6% to 7% per annum with interest payable on the date falling on each anniversary of the issue date and maturity date of the corporate bonds (both dates exclusive). The corporate bonds are unsecured.

#### ***Significant Investment***

As at 31 March 2017, the Issuer held financial assets at fair value through profit or loss of approximately HK\$109,298,000 (2016: approximately HK\$19,723,000), with unrealised gain at approximately HK\$5,562,000 (2016: unrealised gain at approximately HK\$1,582,000). The financial assets are traded by the Issuer to make a realised gain at approximately HK\$4,912,000 (2016: gain at approximately 1,323,000) during 2017.

#### ***Contingent Liabilities***

As at 31 March 2017, the Issuer has no material contingent liabilities (2016: nil).

#### ***Charge on Assets***

No asset of the Issuer was subject to any charge as at 31 March 2017 (2016: nil).

#### ***Foreign Currency Fluctuation***

During 2017, the Issuer mainly used Hong Kong dollars to carry out its business transactions. The board of the Issuer considers that the Issuer's foreign currency exposure is insignificant.

***Human Resources***

As at 31 March 2017, the Issuer had 72 employees in total (2016: 75 employees). The related employees' costs for 2017 (excluding Directors' remunerations) amounted to approximately HK\$43,238,000 (2016: approximately HK\$34,235,000). The Issuer remunerated employees based on the industry practice and individual's performance. Staff benefits include contributions to retirement benefit scheme, medical allowance and other fringe benefits. In addition, the Issuer maintains the share option scheme for the purpose of providing incentives and rewards to eligible participants based on their contributions.

***Litigation***

In April 2014, a writ of summons was issued by a third party in liquidation (the "Plaintiff") against Fortune (HK) Securities Limited ("F(HK)SL"), a wholly-owned subsidiary of the Issuer, in relation to HK\$4,000,000 ("Sum") paid to F(HK)SL pursuant to a cheque issued by the Plaintiff in September 2009 which was transferred to a client's account maintained with F(HK)SL. The Plaintiff claimed that the Sum was money belonging to them and demanded for a refund of the Sum. As advised by the external legal adviser to the case, F(HK)SL has withheld the shares in client's account, pursuant to the terms and conditions of the client's agreement entered into between the client and F(HK)SL, F(HK)SL is entitled to set off or withhold any securities and monies held in the account against any liabilities owed by the client. Having considered the legal advice, the board of the Issuer believes that the said legal action does not have any material adverse impact on the Issuer's operation and financial position. There has not been any further action taken by the Plaintiff since June 2014.

**For the year ended 31 March 2016*****Financial Review***

For 2016, revenue of the Issuer amounted to approximately HK\$49,207,000, representing an increase of approximately 9.15% from approximately HK\$45,083,000 in 2015. The Issuer recorded a loss of approximately HK\$42,682,000 for 2016, as compared with the loss of approximately HK\$157,167,000 in 2015. Net loss attributable to owners of the Issuer amounted to approximately HK\$42,301,000 for 2016, representing a decrease of approximately 73.01% comparing with the loss of approximately HK\$156,732,000 in 2015. The drop in net loss attributable to owners of the Issuer was mainly due to (1) there was impairment loss recognised for 2015 in respect of an amount due from a joint venture; (2) increase in reversal of impairment losses recognised in respect of trade receivables; (3) decrease in impairment losses recognised in respect of trade receivables; (4) net gain from disposal of loan receivable; and (5) increase in net gain recorded on listed securities trading, despite there has been a reduction of some segment revenue.

The basic and diluted loss per share of the Issuer for 2016 was approximately HK1.24 cents as compared with the basic and diluted loss per share of approximately HK4.58 cents in 2015.

***Material Acquisition and Disposal***

On 31 March 2016, Promiseasy Limited (“Promiseasy”), a direct wholly-owned subsidiary of the Issuer, entered into a sale and purchase agreement with Celestial Tycoon Limited (“Celestial Tycoon”), an independent third party, pursuant to which Promiseasy conditionally agreed to sell and Celestial Tycoon conditionally agreed to purchase 35% of the entire issued share capital of Measure Up International Limited (“Measure Up”) and the loan owed by Measure Up to Promiseasy for a consideration of HK\$73,000,000.

***Prospects***

Shanghai-Hong Kong Stock Connect Scheme (the “SHK Connect”) is a key component to an increase of capital going south into the Hong Kong stock market. The SHK Connect has been running smoothly with recognised success since its launch in the year of 2015. Under the SHK Connect, the Hong Kong stock market serves as a good investment outlet for mainland investors to diversify their portfolios, and a gateway for mainland companies to expand their business.

The IPO market in Hong Kong remained active for the year of 2015 and inspired the trust of global investors. The market capitalisation in the year of 2015 was approximately HK\$24,683.7 billion, which is approximately 1.55% slightly less than that of year of 2014 of approximately HK\$25,071.8 billion. However, the funds raised through IPOs for the year of 2015 were around HK\$263.1 billion with an increase of approximately 13.16% as compared with around HK\$232.5 billion for the year of 2014. This presents Hong Kong still attract various companies to choose Hong Kong as their going public destination.

To capture this huge potential market pool, the Issuer allocated its resources in order to enhance its corporate finance and financial advisory services in the beginning of 2016. The Issuer expects this segment business will generate a synergy effect with the other businesses especially the business of brokerage and margin financing.

The Issuer strongly believes the corporate finance business will reclaim its ranking as the Issuer’s largest revenue in the near future. Meanwhile, the Issuer continued to sharpen its focus on the money lending business. The Issuer enhanced its financial strengths through financing exercises, and significantly expanded its lending capacity. Although the operating environment of money lending market was challenging due to weaker market sentiment and Hong Kong’s slowing economy, the Issuer anticipates the outlook of money lending shall not further worsen in the long run and non-bank money lenders still enjoy an edge of provision of flexible lending services. The Issuer will continue to strengthen the risk control on its money lending business and optimise the operation scale.

In the year of 2016, the Chinese government will, subject to market conditions, implement the Shenzhen-Hong Kong Stock Connect Scheme (the “SZHK Connect”) in due course. It is expected that the SZHK Connect will attract the inflow of more capital into the Hong Kong stock market and boost the transaction volume further, and will bring support to the Hong Kong stock market in the long term.

Looking ahead, the Issuer will continue to concentrate on developing brokerage and margin financing, proprietary trading, corporate finance and money lending as its core businesses, however, the Issuer will constantly explore and evaluate new business opportunities with cautiousness and prudence in order to generate quality returns for shareholders and strengthen the Issuer's business and financial positions.

#### ***Liquidity and Financial Resources and Gearing Ratio***

During 2016, the Issuer mainly financed its operations by cash generated from operating activities and issuance of the corporate bonds. As at 31 March 2016, the Issuer's current assets and current liabilities were approximately HK\$349,095,000 (as at 31 March 2015: approximately HK\$374,252,000) and approximately HK\$232,906,000 (as at 31 March 2015: approximately HK\$225,603,000) respectively, while the current ratio was about 1.50 times (as at 31 March 2015: 1.66 times). As at 31 March 2016, the Issuer's aggregate cash and cash equivalents amounted to approximately HK\$46,757,000 (as at 31 March 2015: approximately HK\$79,435,000), of which approximately 89.22% was denominated in Hong Kong dollars (as at 31 March 2015: approximately 98.31%), approximately 9.77% was denominated in United States dollars (as at 31 March 2015: approximately 1.04%), and approximately 1.01% was denominated in RMB (as at 31 March 2015: approximately 0.65%), representing approximately 13.39% (as at 31 March 2015: approximately 21.23%) of total current assets. As at 31 March 2016, the Group had no bank and other borrowings (as at 31 March 2015: nil).

During 2016, no financial instruments were used for hedging purposes. As at 31 March 2016, the gearing ratio, measured on the basis of total borrowings as a percentage of equity attributable to owners of the Issuer, was approximately 118.22% (as at 31 March 2015: approximately 115.43%). The increase was mainly due to issuance of corporate bonds during 2016. As at 31 March 2016, the debt ratio, defined as total debts over total assets, was approximately 76.53% (as at 31 March 2015: approximately 67.81%). During 2016 and 2015, the Issuer has issued 1 year to 7 years and 2 years to 7 years corporate bonds with aggregate face value of HK\$19,000,000 and HK\$67,500,000 to 10 and 19 independent third parties respectively, net of direct expenses of approximately HK\$3,772,000 and HK\$9,900,000 respectively, their maturity dates are from January 2017 to March 2023 and carry interest at fixed rate of 6% to 7% per annum with interest payable on the date falling on each anniversary of the issue date and maturity date of the corporate bonds (both dates exclusive). The corporate bonds are unsecured. In addition, corporate bonds with aggregate face value of HK\$10,810,000 have been renewed upon maturity during 2016. Upon completion of renewal, their maturity dates are from January 2018 to December 2020 and carry interest at fixed rate of 7% per annum.

#### ***Significant Investment***

As at 31 March 2016, the Issuer held financial assets at fair value through profit or loss of approximately HK\$19,723,000 (as at 31 March 2015: approximately HK\$20,944,000).

#### ***Contingent Liabilities***

As at 31 March 2016, the Issuer has no material contingent liabilities (as at 31 March 2015: approximately RMB21,700,000 (equivalent to approximately HK\$27,372,000)).

***Charge on Assets***

No asset of the Issuer was subject to any charge as at 31 March 2016 (as at 31 March 2015: nil).

***Foreign Currency Operation***

During 2016, the Issuer mainly used Hong Kong dollars to carry out its business transactions. The board of the Issuer considers that the Issuer's foreign currency exposure is insignificant.

***Human Resources***

As at 31 March 2016, the Issuer had 75 employees in total (as at 31 March 2015: 84 employees). The related employees' costs for 2016 (excluding directors' remunerations) amounted to approximately HK\$34,235,000 (as at 31 March 2015: approximately HK\$30,048,000). The Issuer remunerated employees based on the industry practice and individual's performance. Staff benefits include contributions to retirement benefit scheme, medical allowance and other fringe benefits. In addition, the Issuer maintains the share option scheme for the purpose of providing incentives and rewards to eligible participants based on their contributions.

**For the year ended 31 March 2015*****Financial Review***

For 2015, turnover of the Issuer amounted to approximately HK\$45,083,000, representing a decrease of approximately 11.84% from approximately HK\$51,140,000 in 2014. The Issuer recorded a loss of approximately HK\$157,167,000 in 2015, as compared with the loss of approximately HK\$15,623,000 in 2014. The loss for 2015 was principally attributable to (i) the loss recorded in proprietary trading of securities by the Issuer; (ii) a significant decrease in reversal of impairment loss in respect of trade receivables; (iii) a significant increase in impairment loss recognised in respect of trade receivables; (iv) an increase in provision of loan receivables; and (v) impairment loss recognised in respect of the amount due from a joint venture. Net loss attributable to owners of the Issuer for 2015 amounted to approximately HK\$156,732,000, representing an increase of approximately 927.48% comparing with the loss of approximately HK\$15,254,000 in last year.

The basic and diluted loss per share for 2015 was approximately HK4.58 cents as compared with the basic and diluted loss per share of approximately HK0.46 cent in last year.

***Material Acquisition***

On 20 January 2015, Giant Talent Group Ltd. ("Giant Talent"), a directly wholly-owned subsidiary of the Issuer, entered into the sale and purchase agreement with Ms. Kwong Mei Ling Merlin (the "Vendor"), an independent third party, pursuant to which the Vendor has conditionally agreed to sell and Giant Talent has conditionally agreed to purchase 25% of the entire issued capital of Prior Capital Limited for a consideration of HK\$2.5 million.

### *Prospects*

Despite the constantly changing stock market in Hong Kong, the impact of the slowdown of economic growth in the mainland China, the Issuer still holds a cautiously optimistic view on Hong Kong's economy as well as the prospects of the Issuer's business development and it is still confident that there is room for potential development.

In 2014, the CSRC and the SFC of Hong Kong have approved, in principle, the development through Shanghai-Hong Kong Stock Connect for establishing mutual stock market access between mainland China and Hong Kong.

The Shanghai-Hong Kong Stock Connect is an important step towards the opening up of the China capital market and will enhance capital market connectivity between mainland China and Hong Kong. Therefore, the Issuer expects that the performance of the stock market in Hong Kong and mainland China to be relatively optimistic and the programme might have a positive impact on the securities business of the Issuer.

The initial public offering (the "IPO") market in Hong Kong was more active for the year of 2014. The funds raised through IPOs for the year of 2014 were around HK\$227,741 million and there was an increase of approximately 35% when compared with approximately HK\$168,960 million for the year of 2013. The market capitalisation in the year of 2014 is HK\$25,071.8 billion, which is approximately 4% more than that of the year of 2013 of HK\$24,042.8 billion. The Issuer expects there will be an increase in our sponsorship business.

For expanding our money lending business, the Issuer has introduced the mortgage and factoring businesses in 2015. The Issuer expects the respective introduction will broaden the revenue base of the business of the Issuer.

Looking ahead, the Issuer will continue to concentrate on developing broking and margin financing, proprietary trading, corporate finance and money lending as its core businesses. The Issuer will stand firm against difficulties and challenges, make strategic adjustments according to the market trend and create more development and growth opportunities for the Issuer in order to enhance shareholder's value.

### *Liquidity and Financial Resources and Gearing Ratio*

During 2015, the Issuer mainly financed its operations by cash generated from operating activities and issuance of the corporate bonds. As at 31 March 2015, the Issuer's current assets and current liabilities were approximately HK\$374,252,000 (as at 31 March 2014: approximately HK\$465,084,000) and approximately HK\$225,603,000 (as at 31 March 2014: approximately HK\$182,157,000) respectively, while the current ratio was about 1.66 times (as at 31 March 2014: 2.55 times). As at 31 March 2015, the Issuer's aggregate cash and cash equivalents amounted to approximately HK\$79,435,000 (as at 31 March 2014: approximately HK\$87,011,000), of which approximately 98.31% was denominated in Hong Kong dollars, approximately 1.04% was denominated in United States dollars and approximately 0.65% was denominated in Renminbi, representing approximately 21.23% (as at 31 March 2014: approximately 18.71%) of total current assets. As at 31 March 2015, the Issuer had no bank and other borrowings (as at 31 March 2014: Nil).



During 2015, no financial instruments were used for hedging purposes. As at 31 March 2015, the gearing ratio, measured on the basis of total borrowing as a percentage of total shareholders' equity, was approximately 115.43% (as at 31 March 2014: approximately 36.79%). The increase was mainly due to issuance of corporate bonds during the reporting year. As at 31 March 2015, the debt ratio, defined as total debts over total assets, was approximately 67.81% (as at 31 March 2014: approximately 45.50%). As at 31 March 2014 and 31 March 2015, the Issuer has issued 2 to 7 and a half years corporate bonds with aggregate principal amounts of HK\$53,810,000 and HK\$67,500,000 to 8 and 19 independent third parties respectively, net of direct expenses of approximately HK\$7,637,000 and HK\$9,900,000 respectively, their maturity dates are from December 2015 to March 2022 and carry interest at fixed rate of 6% to 7% per annum with interest payable annually in arrears. The corporate bonds are unsecured.

#### ***Significant Investment***

As at 31 March 2015, the Issuer held financial assets at fair value through profit or loss amounted to approximately HK\$20,944,000 (as at 31 March 2014: approximately HK\$22,464,000).

#### ***Contingent Liabilities***

During 2015, the Issuer has provided certain counter financial guarantees to an independent third party (2014: two independent parties), which has provided financial guarantees directly to Chongqing Liangjiang New Area Runtong Small Loans Business Limited, an associate of the Issuer, in aggregate of approximately RMB21,700,000 (equivalent to approximately HK\$27,372,000) (2014: approximately RMB10,000,000 (equivalent to approximately HK\$12,317,000)).

#### ***Charge on Assets***

No asset of the Issuer was subject to any charge as at 31 March 2015 (2014: nil).

#### ***Foreign Currency Fluctuation***

During 2015, the Issuer mainly used Hong Kong dollars to carry out its business transactions. The board of the Issuer considers that the Issuer's foreign currency exposure is insignificant.

#### ***Human Resources***

As at 31 March 2015, the Issuer had 84 employees in total (as at 31 March 2014: 81 employees). The related employees' costs for the year (excluding directors' emoluments) amounted to approximately HK\$29,870,000 (2014: approximately HK\$31,977,000). The Issuer remunerated employees based on the industry practice and individual's performance. Staff benefits include contributions to retirement benefit scheme, medical allowance and other fringe benefits. In addition, the Issuer maintains the share option scheme for the purpose of providing incentives and rewards to eligible participants based on their contributions.

**APAC Asset Valuation and Consulting Limited**

5/F., Blissful Building, 243 – 247 Des Voeux Road Central, Hong Kong

Tel: (852) 2357 0085

Fax: (852) 2951 0799

The Directors

Value Convergence Holdings Limited

28/F, The Centrium,  
60 Wyndham Street,  
Central,  
Hong Kong

7 December 2017

Dear Sirs,

**RE: VALUATION IN RESPECT OF HK\$153,585,000 2% CONVERTIBLE BONDS DUE 2020  
ISSUED BY CHINA FORTUNE FINANCIAL GROUP LIMITED**

In accordance with your instructions, we have undertaken a valuation on behalf of Value Convergence Holdings Limited (the “Investor”) to determine the Fair Value (to be defined as below) of HK\$153,585,000 2% convertible bonds due 2020 (“CBs”) issued by China Fortune Financial Group Limited (the “Company”) as at 13 October 2017 (“Valuation Date”) regarding the sale and purchase agreement entered into between the Investor and Pacific Alliance Limited (the “Vendor”) on 18 October 2017 (the “Sale and Purchase Agreement”).

**Purpose of Valuation and Standard of Value**

The intended use of the valuation is to serve as basis for internal reference and compliance purpose. The ultimate transaction, if happens, and the corresponding acquisition prices would be the results of negotiations between the transacting parties. The responsibility for determining the agreed acquisition price of the Company rests solely on the Investor. The results of our analysis should not be construed to be a fairness opinion, solvency opinion or an investment recommendation. It is inappropriate to use our valuation report for purpose other than its intended use or by third parties. These third parties should conduct their own investigation and independent assessment of the Valuation and underlying assumptions. If the key assumptions are changed, the valuation result will have significant changes.

According to International Valuation Standard, our opinion of the Fair Value (renamed to equitable value subsequently from 2017) is defined as “the estimated price for the transfer of an asset or liability between identified knowledgeable and willing parties that reflects the respective interests of those parties”.

**Scope of Work**

Our valuation conclusion is based on the assumptions stated herein and information provided by the management of the Investor and/or its representative(s) (the “Management”).

In preparing this report, we have had discussions with the Management in relation to the terms and conditions of the CBs and other relevant information concerning the CBs. As part of our analysis, we have reviewed such financial information and other pertinent data concerning the CBs provided to us by the Management and have considered such information and data as accurate and reasonable.

We have no reason to believe that any material facts have been withheld from us. However, we do not warrant that our investigations have revealed all of the matters which an audit or more extensive examination might disclose.

**Detail of CBs**

Issue Date:	30 March 2017
Principal Amount:	HK\$153,585,000
Interest Rate:	2% per annum (on the basis of a 365-day year, or a 366-day in a leap year) on the outstanding principal amount of the CBs which shall be payable on the maturity date of the CBs
Maturity Date:	The date falling on the third anniversary of the date of issue of the CBs
Conversion Price:	HK\$0.06 per conversion share, subject to adjustments as set out and in accordance with the terms and conditions of the CBs
Conversion:	Holder of the CBs will have the right, during the period commencing on the date of issue of the CBs up to and ending on the third business day prior to the maturity date of the CBs, to convert the CBs in whole or in part of the outstanding principal amount of the CBs into conversion shares. However, pursuant to the subscription agreement entered into between the Vendor and the Company dated 21 September 2016 as amended and supplemented by a supplemental agreement dated 22 November 2016, the Vendor shall not exercise the conversion rights attached to the CBs for a period of 24 months from the date of the issue of the CBs (i.e. for the period from 30 March 2017 up to 29 March 2019 (both days inclusive)). The Investor has agreed in the Sale and Purchase Agreement that it will provide an undertaking to the Company at completion that the Investor shall not exercise the conversion rights attached to the CBs from the completion date up to and including 29 March 2019.

Redemption: The Company shall redeem the CBs by repaying the holder(s) of the CBs all outstanding principal amount and accrued interests of the CBs on the maturity date of the CBs.

According to the Sale and Purchase Agreement, the Vendor grants to the Investor a put option exercisable by serving the put option notice on the Vendor anytime from 30 March 2019 until the fifth business day prior to the maturity date of the CBs (both days inclusive) (the “Put Option Period”) to require the Vendor to purchase any part of or all of the outstanding principal amount of the CBs (the “Put Option Convertible Bonds”) at 2.604421 times the principal amount of the Put Option Convertible Bonds if the closing price per share of the Company as quoted on the Stock Exchange of Hong Kong Limited falls below two times the conversion price per conversion share of HK\$0.06 for a period of more than 10 consecutive trading days. Subject to the foregoing, the Investor shall have absolute discretion in determining whether to exercise the put option during the Put Option Period.

On the exercise of the put option, the Vendor shall be bound to purchase and the Investor shall be bound to sell such amount of CBs as specified in the put option notice to the extent of the principal amount of HK\$76,792,500.

### **Valuation Methodology**

The valuation of CBs is mainly based on the closing price of the share of the Company as at the Valuation Date. It is assumed that the closing price of the Company is fair and appropriate as at the Valuation Date. The value of CBs is considered to be divided into three components, namely 1) bond value; 2) conversion option value; and 3) put option of the bondholder.

#### ***Bond value of CBs:***

The methodology applied in valuing the bond value is similar to the valuation of a 3 years 2% interest-bearing CBs with maturity value at 100% of the principal amount. The cash flow for the bond value is the recovery of the CBs’ redemption value and annual coupons. Thus, the bond value of the CBs is simply the present value of all the cash flows if the CBs conversion is not exercised.

#### ***Conversion option of CBs:***

For the valuation of conversion feature of the CBs, we have adopted the binomial (Cox, Ross, Rubinstein) option pricing model (“Binomial Model”) to assess the Fair Value of the whole CBs feature as at the Valuation Date. The conversion option value is equal to the difference between the value of whole CBs and the bond value.

#### ***Put option of the bondholder:***

For the valuation of put option of the bondholder, we have adopted the Binomial Model to assess Fair Value of 50% of the whole CBs (i.e. HK\$76,792,500) with the put option of the bondholder and 50% of the whole CBs without any put option feature. The difference between CBs with the put option of the bondholder and CBs without any put option feature represents the Fair Value of put option of the bondholder.

Under Binomial Model, the underlying assets can take on only two possible discrete values in the next time period for each value that it can take on in the preceding time period.

The Binomial Model breaks down the time to expiration into potentially a very large number of time intervals or steps. A tree of stock prices is initially produced working forward from the present to expiration. At each step it is assumed that the stock price will move up or down by an amount calculated using volatility and time to expiration. This produces a binomial distribution, or recombining tree, of underlying stock prices. The tree represents all the possible paths that the stock price could take during the life of the option.

The sizes of the upward and downward movements are defined as functions of the volatility and the length of the “steps” in the Binomial Model:

$$U = \text{size of the up-move factor} = e^{\sigma\sqrt{t}}$$

$$D = \text{size of the down-move factor} = 1/U$$

Where:

$\sigma$  = annual volatility of the underlying asset’s returns

$t$  = the length of the step in the Binomial Model

The risk-neutral probabilities of upward and downward movements are then calculated as follows:

$$\pi_u = \text{probability of an up-move} = (e^{(r-d)t} - D)/(U - D)$$

$$\pi_d = \text{probability of a down-move} = 1 - \pi_u$$

Where:

$e$  = exponential term

$r$  = continuously compounded annual risk-free rate

$d$  = continuously compounded dividend yield

At the end of the tree, i.e. at expiration of the CBs, all the terminal CBs prices for each of the final possible stock prices are known as they simply equal their intrinsic values.

Next, the underlying stock prices at each step of the tree are calculated working back from expiration to the present. The underlying stock prices at each step are used to derive the stock prices at the next step of the tree using risk neutral valuation based on the probabilities of the stock prices moving up or down, the risk-free rate and the time interval of each step. Any adjustments to stock prices (at an ex-dividend date) or conversion prices (as a result of early exercise of american options) are worked into the calculations at the required point in time. At the top of the tree you are left with one price, i.e. Fair Value of the CBs. The Fair Value of the CBs will be calculated as the probability-weighted expected value of the CBs at maturity discounted at the risk-free rate and/or the Company’s borrowing rate/effective interest rate.

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## APPENDIX IV VALUATION REPORT ON THE CONVERTIBLE BONDS

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As the value of the CBs is dependent on assumptions and information in deriving their Fair Value, we have taken into consideration of the following factors:

	13 October 2017
Share price of the Company	HK\$0.203
Conversion price of the Company	HK\$0.06
Expected volatility of the Company	69%
Hong Kong risk-free rate	0.99%
Borrowing rate/effective interest rate of the Company	9%
Borrowing rate/effective interest rate of the Vendor	18%
Life of the CBs	2.46 years
Expected ordinary dividend yield	Nil
Dilution effect	63%

### *Determination of effective interest rate of the Company:*

We have assessed the credit rating of the Company and used bond yield of comparable companies with similar credit rating to determine the effective interest rate of the Company as at the Valuation Date.

In assessing the credit rating of the Company, we have taken into consideration the following ratios/analysis:

- EBIT interest coverage (x);
- Adjusted EBITDA interest coverage (x);
- FFO/total debt (%);
- Free operating cash flow/total debt (%);
- Total debt/Adjusted EBITDA (x);
- Return on capital (%);
- Total debt/total debt + equity (%);
- Adjusted EBITDA margin; and
- Discretionary cash flow to total debt.

Based on our review of 2017 annual financial statements of the Company and discussion with the Management, the credit rating of the Company is arrived. We have derived the effective interest rate/borrowing rate of the Company according to average of the bond yields of the comparable companies with similar businesses and credit ratings of the Company;

We have been provided with extracts of copies of relevant documents and financial information relating to the Company and the CBs. We have relied upon the aforesaid information in forming our opinion of the Fair Value for the CBs. However, we have not inspected the original documents to ascertain any amendments which may not appear on the copies handed to us. We have no reason to doubt the truth and accuracy of the said information which is material to the valuation. We have also been advised by the Investor that no material facts have been omitted from the information provided. We have also made relevant inquiries and obtained further information as necessary for the purpose of this valuation.

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**APPENDIX IV VALUATION REPORT ON THE CONVERTIBLE BONDS**

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While we have exercised our professional knowledge and cautions in adopting assumptions and other relevant key factors in our valuation, those factors and assumptions are still vulnerable to the change of the business, economic environment, competitive uncertainties or any other abrupt alternations of external factors.

**Sensitivity Test**

To determine how the different values of an independent variable would impact a particular dependent variable under a given set of assumptions, we have carried out sensitivity analyses on the Fair Value of the CBs in respect of changes in the discount rate and share price of the Company used in the valuation model. The results of the sensitivity analyses were as follows:

<b>Absolute change in discount rate</b>	<b>Applied discount rate</b>	<b>Fair Value of the CBs</b> <i>HK\$'000</i>
+2%	11%	431,988
+1%	10%	432,363
+0%	9%	432,756
-1%	8%	433,153
-2%	7%	433,567

  

<b>Change in share price of the Company</b>	<b>Applied share price of the Company per share</b> <i>HK\$</i>	<b>Fair Value of the CBs</b> <i>HK\$'000</i>
+10%	0.223	462,658
+5%	0.213	450,789
+0%	0.203	432,756
-5%	0.193	416,928
-10%	0.183	402,409

**Source of Information**

Our valuation considered and relied on some key information as follows:

- The terms and conditions of the CBs provided by the Management;
- Annual reports, announcement, etc of the Company as sourced from the website of the Stock Exchange of Hong Kong Limited;
- Standard & Poor's research information; and
- Market data as sourced from Bloomberg.

### **Assumptions**

Notwithstanding the incorporation of foreseeable changes in our valuation, a number of assumptions have been made in the preparation of the reported assessed figures. The major assumptions are:

- We assumed that the risk-free rate is equal to the yield of Hong Kong government bonds over the exercise period near the Valuation Date;
- The volatilities measured at the standard deviation of expected share price returns is based on statistical analysis of weekly closing share prices of the Company over past few years preceding the Valuation Date. The calculation is based on the assumption that there is no material difference between the expected volatility over the whole life of the CBs and the historical volatility of the Company;
- According to our review and analysis of the Company's latest annual report, the effective interest rate/borrowing rate of the Company represented 9% as at the Valuation Date, which is according to the bond yields of the companies with similar businesses of the Company. We have assumed that the effective interest rate fairly represented the borrowing capacity of the Company as at the Valuation Date;
- As advised by the Investor, the interest rate of a commercial loan lent to Mr. Yip Sum Yin (Mr. Yip Sum Yin owns 90% equity interest of Best Fortress Limited which is the parent company of the Vendor) by VC Finance Limited, a wholly owned subsidiary of the Investor, is 1.5% per month. Therefore, we consider that the effective interest rate of the Vendor is 18% per annum;
- It is assumed that risk-free rate, effective interest rate, dividend yield and volatility will be kept constant throughout the valuation period;
- Number of trading weeks per year is 52;
- The Company will have full capacity in meeting the liabilities arising from the CBs at the maturity date and credit risk involved will be negligible;
- For calculation of bond value of the CBs, the bondholder will either fully convert the CBs or hold the CBs until the maturity date;
- The discount rate/effective interest rate is assumed to be constant during the conversion period of the CBs; and
- In the event of CBs are not exercised within the conversion period, the bondholder will hold the CBs until the maturity date of the CBs.



**Limiting Conditions**

We have relied to a considerably extent on the information provided by the Investor. We are not in a position to, nor have been instructed to, comment on the lawfulness of the businesses and the Company's possession of the assets or liabilities. In the course of our valuation, we have assumed that the Company and the CBs have obtained all required registration and are freely transferable in the market without any legal obstacles.

In accordance with our standard practice, we must state that this report and valuation is for internal reference and compliance purposes and the use only of the party to whom it is addressed and no responsibility is accepted to any third party for the whole or any part of its contents.

Neither the whole, nor any part of this report and valuation, nor any reference thereto may be included in any documents, circular or statement without our written approval of the form and context in which it will appear.

**Management Confirmation of Facts**

A draft of this report and respective calculation has been sent to Management. They have reviewed and orally confirmed to us that facts as stated in this report are accurate in all material respects and that they are not aware of any material matters relevant to our engagement which have been excluded.

**Remarks**

Unless otherwise stated, all money amounts are stated in Hong Kong Dollars.

This report is issued subject to our Assumptions and Limiting Conditions as attached.

The English text of this report shall prevail over the Chinese text in case of any inconsistency.

**Opinion of the Value**

In arriving at our opinion of value, we have relied upon a number of assumptions that are subjective and uncertain in nature. Any variation of these assumptions could affect the value of the CBs.

Based on the investigation and analysis stated above and on the method employed, we are of the opinion that the Fair Value of the CBs as at Valuation Date was reasonably stated as HK\$432,756,000.

Yours faithfully,

**APAC Asset Valuation and Consulting Limited**

**Contributing valuer:**

**S. C. Tsoi** *ICVS CFTP MFin*

**Issac Ho** *MSMFAS*

**BASIS OF PREPARATION OF THE UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE GROUP**

Pursuant to the Sale and Purchase Agreement entered into on 18 October 2017 with Pacific Alliance Limited (the “Vendor”), Value Convergence Holdings Limited (the “Company”) has contractually agreed to purchase and the Vendor has contractually agreed to dispose of the 3-year 2% unsecured redeemable convertible bonds of principal amount of HK\$153,585,000 (the “Convertible Bonds”) issued by China Fortune Financial Group Limited (the “Issuer”)(the “Acquisition”). The Acquisition is settled by cash consideration of HK\$40,000,000 and issuance of convertible bonds with principal amount of HK\$360,000,000 of the Company (the “Consideration Convertible Bonds”) to the Vendor.

The accompanying illustrative unaudited pro forma consolidated statement of assets and liabilities of the Company and its subsidiaries (hereinafter collectively referred to as the “Group”) (“Unaudited Pro Forma Financial Information”) has been prepared in accordance with Rule 4.29 and Rule 14.67(6)(b)(ii) of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited for the purpose of illustrating the effect of the Acquisition to the financial position of the Group as if the Acquisition had been completed on 30 June 2017. Details of the Acquisition are set out in the section headed “Letter from the Board” contained in this circular.

The Unaudited Pro Forma Financial Information of the Group has been prepared by the directors of the Company (the “Directors”) based upon the unaudited consolidated statement of financial position of the Group as at 30 June 2017 which has been extracted from the published interim report of the Company for the six months ended 30 June 2017; and adjusted on a pro forma basis to reflect the effect of the Acquisition. These pro forma adjustments are (i) directly attributable to the Acquisition and not relating to other future events and decisions; and (ii) factually supportable.

The Unaudited Pro Forma Financial Information of the Group has been prepared by the Directors for illustrative purposes only and is based on their judgments, estimations and assumptions. Accordingly, because of its hypothetical nature, it does not purport to give a true picture of the financial position of the Group that would have been attained had the Acquisition been completed as at 30 June 2017 nor does it purport to predict the financial position of the Group at any future dates.

**APPENDIX V                      UNAUDITED PRO FORMA FINANCIAL INFORMATION**

**(I)      Unaudited Pro Forma Consolidated Statement of Assets and Liabilities**

	<b>The Group</b>	<b>Pro forma adjustment</b>	
	<b>At 30 June 2017</b>	<b>Investment in</b>	<b>Total</b>
	<b>(Unaudited)</b>	<b>Convertible</b>	<b>At 30 June 2017</b>
	<b>HK\$'000</b>	<b>Bonds and</b>	<b>(Unaudited)</b>
	<b>Note 1</b>	<b>settled by cash</b>	<b>HK\$'000</b>
		<b>and issue of</b>	<b>HK\$'000</b>
		<b>Consideration</b>	
		<b>Convertible</b>	
		<b>Bonds</b>	
		<b>(Unaudited)</b>	
		<b>HK\$'000</b>	
		<b>Note 2</b>	
<b>NON-CURRENT ASSETS</b>			
Trading rights	–	–	–
Other intangible assets	1,246	–	1,246
Property and equipment	5,080	–	5,080
Statutory deposits	3,128	–	3,128
Rental and utility deposits	3,253	–	3,253
Financial assets designated as at fair value through profit or loss	48,460	592,462	640,922
Derivative financial asset	–	29,039	29,039
Available-for-sale investments	–	–	–
	<u>61,167</u>	<u>621,501</u>	<u>682,668</u>
<b>CURRENT ASSETS</b>			
Accounts receivable	217,826	–	217,826
Prepayments, deposits and other receivables	10,834	–	10,834
Tax recoverable	32	–	32
Financial assets held for trading	285,891	–	285,891
Pledged bank deposits	40,000	–	40,000
Bank balances and cash	208,490	(40,000)	168,490
	<u>763,073</u>	<u>(40,000)</u>	<u>723,073</u>

	<b>The Group</b>	<b>Pro forma adjustment</b>	<b>Total</b>
	<b>At 30 June 2017</b>	<b>Investment in</b>	<b>At 30 June 2017</b>
	<b>(Unaudited)</b>	<b>Convertible</b>	<b>(Unaudited)</b>
	<b>HK\$'000</b>	<b>Bonds</b>	<b>(Unaudited)</b>
	<b>Note 1</b>	<b>settled by cash</b>	<b>HK\$'000</b>
		<b>and issue of</b>	
		<b>Consideration</b>	
		<b>Convertible</b>	
		<b>Bonds</b>	
		<b>Note 2</b>	
<b>CURRENT LIABILITIES</b>			
Accounts payable	87,516	–	87,516
Accrued liabilities and other payables	7,300	–	7,300
Taxation payable	2	–	2
Short-term bank borrowings	40,000	–	40,000
	<u>134,818</u>	<u>–</u>	<u>134,818</u>
<b>NET CURRENT ASSETS</b>	<u>628,255</u>	<u>(40,000)</u>	<u>588,255</u>
<b>NON-CURRENT LIABILITIES</b>			
Deferred tax liability	–	20,383	20,383
Convertible bonds due after one year	–	236,615	236,615
	<u>–</u>	<u>256,998</u>	<u>256,998</u>
<b>TOTAL ASSETS LESS LIABILITIES</b>	<u><u>689,422</u></u>	<u><u>324,503</u></u>	<u><u>1,013,925</u></u>

**(II) Notes to the Unaudited Pro Forma Consolidated Statement of Assets and Liabilities**

- The assets and liabilities of the Group are extracted from the unaudited condensed consolidated statement of financial position of the Group as at 30 June 2017 as set out in the published interim report of the Group for the six months ended 30 June 2017.

2. Pursuant to the Sale and Purchase Agreement entered into on 18 October 2017 with the Vendor, the Company has contractually agreed to purchase and the Vendor has contractually agreed to dispose of the 3-year 2% unsecured redeemable convertible bonds of a principal amount of HK\$153,585,000 (the “Convertible Bonds”) issued by China Fortune Financial Group Limited (the “Issuer”) (the “Acquisition”). The Acquisition is settled by cash consideration of HK\$40,000,000 and issuance of convertible bonds with a principal amount of HK\$360,000,000 of the Company (the “Consideration Convertible Bonds”) to the Vendor.

#### *Convertible Bonds*

The Convertible Bonds have a conversion option which grants the holders the right to convert the Convertible Bonds into shares of the Issuer at a conversion price of HK\$0.06 per share. Should the principal amount of the Convertible Bonds be converted at HK\$0.06 per share into the shares of the Issuer, the Company would hold 26.54% of the enlarged share capital of the Issuer upon full conversion of the Convertible Bonds based on the outstanding shares of the Issuer as of 18 October 2017. Under the Hong Kong Accounting Standard 28 “Investments in Associates and Joint Ventures”, the equity interest of 26.54% is presumed to have a significant influence on the investee. Accordingly, upon full conversion of all Convertible Bonds, the resulting investment in the Issuer would become an investment in associate, assuming there is no change in the outstanding number of shares issued by the Issuer from 30 June 2017 to the date of conversion. However, pursuant to the subscription agreement entered into between the Vendor and the Issuer dated 21 September 2016 as amended and supplemented by a supplemental agreement dated 22 November 2016, the Convertible Bonds could not be converted until 30 March 2019. The Company has agreed in the Sale and Purchase Agreement that it will provide an undertaking to the Issuer on completion that the Company shall not exercise the conversion rights attaching to the Convertible Bonds from the Completion Date (as defined in the circular), up to and including 29 March 2019. Therefore, the management recognised and classified the Convertible Bonds as, on 30 June 2017, financial assets designated at fair value through profit or loss.

According to the valuation report prepared by APAC Asset Valuation and Consulting Limited (“APAC”), an independent professional valuer, the fair value of the Convertible Bonds as at 30 June 2017 is approximately HK\$592,462,000. The fair value of the Convertible Bonds is measured by a valuation technique which is subject to estimates and judgment and may be significantly different as at the Completion Date. In particular, the pro forma financial information has not taken into account the convertible bondholder’s restriction to transfer converted shares in a period of twelve months from date of issue of the Convertible Bonds as it is expected that such restriction would expire shortly after the Completion Date, and the impact of which is likely to be insignificant on the actual date of completion. Therefore, for simplicity and for the purpose of preparation of this pro forma financial information, the financial impact of the restriction as at 30 June 2017 was disregarded.

*Put Option*

In return for the Company's undertaking to the Issuer that the Company shall not exercise the conversion rights attaching to the Convertible Bonds from the Completion Date up to and including 29 March 2019 as mentioned above, the Vendor grants to the Company a put option to require the Vendor to purchase from the Company the Put Option Convertible Bonds (as defined in the circular) to the extent of the principal amount of HK\$76,792,500, at 2.604421 times the principal amount of the Put Option Convertible Bonds. According to the valuation report prepared by APAC, the fair value of the Put Option (as defined in the circular) as at 30 June 2017 is approximately HK\$29,039,000. The fair value of the Put Option is measured by a valuation technique which is subject to estimates and judgment and may be significantly different as at the Completion Date.

*Consideration Convertible Bonds*

The Consideration Convertible Bonds includes no contractual obligation for the Company to deliver a variable number of its own equity instruments upon conversion of the Consideration Convertible Bonds and therefore separation of the instrument into its liability and equity components is made upon initial recognition under Hong Kong Accounting Standard 32. Details of the terms of the Consideration Convertible Bonds are set out in pages 8-12 in the circular. According to the valuation report prepared by APAC, the fair value of the Consideration Convertible Bonds as at 30 June 2017 is approximately HK\$360,150,000. The Consideration Convertible Bonds consist of debt component of approximately HK\$236,615,000 and conversion option of approximately HK\$123,535,000 which are classified as liability and equity components respectively. The fair value of the Consideration Convertible Bonds is measured by a valuation technique which is subject to estimates and judgment and may be significantly different as at the Completion Date.

*Summary of the valuations prepared by APAC*

- (i) Convertible Bonds in the principal amount of HK\$153,585,000

The fair value of the Convertible Bonds as at 30 June 2017 was calculated using the binomial (Cox, Ross, Rubinstein) option pricing model ("Binomial Model"), in which the parameters were summarised as follows:

**As at 30 June 2017**

Share price of the Issuer	HK\$0.225
Effective interest rate of the Issuer	9%
Risk-free rate	0.83%
Expected volatility of the Issuer	77%
Dividend yield of the Issuer	0%

The effective interest rate of the Issuer was determined with reference to the average of the bond yields of the comparable companies with similar businesses and credit rating of the Issuer. Risk-free rate was determined with reference to yield of 2.75 years Hong Kong government bonds as at the valuation date of 30 June 2017. Expected volatility was determined using the historical volatility of the Issuer's share price over the previous 2.75 years.

Based on the above, the fair values of the Convertible Bonds and the Put Option held by the Company are approximately HK\$592,462,000 and HK\$29,039,000 respectively.

(ii) Consideration Convertible Bonds in the principal amount of HK\$360,000,000

The fair value of the Consideration Convertible Bonds as at 30 June 2017 was calculated using the Binomial Model, in which the parameters were summarised as follows:

**As at 30 June 2017**

Share price of the Company	HK\$1.11
Effective interest rate of the Company	15%
Risk-free rate	0.85%
Expected volatility of the Company	68%
Dividend yield of the Company	0%

The effective interest rate of the Company was determined with reference to the average of the bond yields of the comparable companies with similar businesses and credit rating of the Company. Risk-free rate was determined with reference to yield of 3 years Hong Kong government bonds as at the valuation date of 30 June 2017. Expected volatility was determined using the historical volatility of the Company's share price over the previous 3 years.

Based on the above, the fair value of the Consideration Convertible Bonds is approximately HK\$360,150,000.

The deferred tax liability relating to the imputed effective interest of the Consideration Convertible Bonds amounted to approximately HK\$20,383,000, which is calculated at the Hong Kong Profits Tax rate of 16.5%.

The difference of approximately HK\$221,351,000 between the aggregate fair value of the Convertible Bonds and the Put Option and the aggregate of cash consideration of HK\$40,000,000 and fair value of the Consideration Convertible Bonds issued by the Company is recognised as a gain in the profit or loss on 30 June 2017.

3. No adjustment has been made to the Unaudited Pro Forma Financial Information for acquisition-related costs (including fees to legal advisers, reporting accountants, printers and other expense) as the Directors determined that such costs are insignificant.
4. No adjustments have been made to reflect any trading results or other transactions of the Company entered into subsequent to 30 June 2017.



*The following is the text of the independent reporting accountants' assurance report received from Deloitte Touche Tohmatsu, Certified Public Accountants Hong Kong, the reporting accountants' of the Company in respect of the Group's unaudited pro forma financial information prepared for the purpose of incorporation in this circular.*

**Deloitte.****德勤****INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON THE COMPILATION OF UNAUDITED PRO FORMA FINANCIAL INFORMATION****To the Directors of Value Convergence Holdings Limited**

We have completed our assurance engagement to report on the compilation of unaudited pro forma financial information of Value Convergence Holdings Limited (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group") by the directors of the Company (the "Directors") for illustrative purposes only. The unaudited pro forma financial information consists of the unaudited pro forma consolidated statement of assets and liabilities as at 30 June 2017 and related notes as set out on pages V-1 to V-6 of the circular issued by the Company dated 7 December 2017 (the "Circular"). The applicable criteria on the basis of which the Directors have compiled the unaudited pro forma financial information are described on pages V-1 to V-6 of the Circular.

The unaudited pro forma financial information has been compiled by the Directors to illustrate the impact of the proposed acquisition of the Convertible Bonds (as defined in the Circular) involving issue of Consideration Convertible Bonds (as defined in the Circular) (the "Acquisition") on the Group's financial position as at 30 June 2017 as if the Acquisition had taken place at 30 June 2017. As part of this process, information about the Group's financial position has been extracted by the Directors from the Group's unaudited condensed consolidated financial statements for the six months ended 30 June 2017, on which no audit or review report has been published.

**Directors' Responsibilities for the Unaudited Pro Forma Financial Information**

The Directors are responsible for compiling the unaudited pro forma financial information in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and with reference to Accounting Guideline 7 "Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars" ("AG 7") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

**Our Independence and Quality Control**

We have complied with the independence and other ethical requirements of the "Code of Ethics for Professional Accountants" issued by the HKICPA, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

Our firm applies Hong Kong Standard on Quality Control 1 “Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements” issued by the HKICPA and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

### **Reporting Accountants’ Responsibilities**

Our responsibility is to express an opinion, as required by paragraph 4.29(7) of the Listing Rules, on the unaudited pro forma financial information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the unaudited pro forma financial information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3420 “Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus” issued by the HKICPA. This standard requires that the reporting accountants plan and perform procedures to obtain reasonable assurance about whether the Directors have compiled the unaudited pro forma financial information in accordance with paragraph 4.29 of the Listing Rules and with reference to AG 7 issued by the HKICPA.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the unaudited pro forma financial information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the unaudited pro forma financial information.

The purpose of the unaudited pro forma financial information included in an investment circular is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the Group as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the event or transaction at 30 June 2017 would have been as presented.

A reasonable assurance engagement to report on whether the unaudited pro forma financial information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the Directors in the compilation of the unaudited pro forma financial information provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

- The related pro forma adjustments give appropriate effect to those criteria; and
- The unaudited pro forma financial information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountants' judgment, having regard to the reporting accountants' understanding of the nature of the Group, the event or transaction in respect of which the unaudited pro forma financial information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the unaudited pro forma financial information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### **OPINION**

In our opinion:

- (a) the unaudited pro forma financial information has been properly compiled on the basis stated;
- (b) such basis is consistent with the accounting policies of the Group; and
- (c) the adjustments are appropriate for the purposes of the unaudited pro forma financial information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

**Deloitte Touche Tohmatsu**

*Certified Public Accountants*

Hong Kong, 7 December 2017

## 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	Number of share options held	Approximate % of total issued Shares
Mr. Tin Ka Pak, Timmy	Beneficial owner	Personal	–	6,500,000	0.82%
Mr. Lin Hoi Kwong, Aristo	Beneficial owner	Personal	–	6,500,000	0.82%
Mr. Xie Jintai	Beneficial owner	Personal	–	5,000,000	0.63%
Mr. Chung Chi Shing, Eric	Beneficial owner	Personal	17,352,000	600,000	2.26%
	Held by controlled corporation ( <i>Note</i> )	Corporation	75,000,000	–	9.44%
Mr. Wong Chung Kin, Quentin	Beneficial owner	Personal	500,000	200,000	0.09%
Mr. Wong Kam Choi, Kerry, MH	Beneficial owner	Personal	–	200,000	0.03%

*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 9.44% 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 had 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 was expected, directly or indirectly, to be interested 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	9.44%
Grade Rich Investments Limited	Beneficial owner	79,000,000	9.94%
Mr. Wong Kin Ting	Held by controlled corporation ( <i>Note 1</i> )	79,000,000	9.94%
Kaiser Capital Holdings Limited	Beneficial owner	56,580,000	7.12%
Mr. Ting Pang Wan Raymond	Beneficial owner	400,000	0.05%
	Interest of spouse ( <i>Note 2</i> )	48,000	0.006%
	Held by controlled corporations ( <i>Note 3</i> )	61,000,000	7.68%
Ms. Luu Huyen Boi	Beneficial owner	48,000	0.006%
	Interest of spouse ( <i>Note 4</i> )	61,400,000	7.73%
Planters Universal Limited	Beneficial owner	52,380,000	6.59%
Mr. Lin Wenqing	Held by controlled corporation ( <i>Note 5</i> )	52,380,000	6.59%

*Notes:*

- Mr. Wong Kin Ting is taken to be interested in 79,000,000 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 9.94% of the Company's total issued Shares as at the Latest Practicable Date.
- Mr. Ting Pang Wan Raymond is the spouse of Ms. Luu Huyen Boi and is, therefore, taken to be interested in the 48,000 Shares Ms. Luu is interested in.

3. Mr. Ting Pang Wan Raymond is taken to be interested in 61,000,000 Shares as a result of him being beneficially interested in the entire issued share capital of Kaiser Capital Holdings Limited and Highgrade Holding Limited, which in turn holds approximately 7.12% and 0.56% of the Company's total issued Shares as at the Latest Practicable Date respectively.
4. Ms. Luu Huyen Boi is the spouse of Mr. Ting Pang Wan Raymond and is, therefore, taken to be interested in the 61,400,000 Shares Mr. Ting is interested in.
5. Mr. Lin Wenqing 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 6.59% 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 had 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 was 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, 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 had 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 2016 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 was 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 was 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. QUALIFICATIONS AND CONSENTS OF EXPERTS**

The qualifications of the experts who have given opinions and advice in this circular are as follows:

<b>Name</b>	<b>Qualification</b>
Deloitte Touche Tohmatsu	Certified Public Accountants
APAC Asset Valuation and Consulting Limited	Independent Valuer

As at the Latest Practicable Date, none of the experts had any shareholding in any company in the Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any company in the Group and had no direct or indirect interest in any assets which have been acquired or disposed of by or leased to any member of the Group since 31 December 2016, being the date to which the latest published audited accounts of the Company were made up or are proposed to be acquired or disposed of by or leased to any member of the Group.

Each of the experts above has given and has not withdrawn its written consent to the issue of this circular with the inclusion herein of its letter, report, advice and/or references to its name, in the form and context in which they respectively appear.

**5. 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 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;

- (b) 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;
- (c) 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;
- (d) the joint venture agreement dated 21 July 2016 among VC Brokerage Limited, 廣西金融投資集團有限公司, 廣西瀚德集團有限公司 and 北京合源融金股權投資中心(有限合夥) in relation to the establishment of 金港證券股份有限公司, as disclosed in the announcement of the Company dated 24 July 2016; and
- (e) the placing agreement dated 21 July 2016 between the Company and Fortune (HK) Securities Limited in relation to the placing of up to a maximum aggregate principal amount of HK\$850,000,000 of Convertible Bonds (the “**Placing Agreement**”), as disclosed in the announcement of the Company dated 24 July 2016;
- (f) the deed of variation dated 20 September 2016 between the Company and Fortune (HK) Securities Limited to amend and supplement the Placing Agreement, as disclosed in the announcement of the Company dated 20 September 2016;
- (g) the second deed of variation dated 18 November 2016 between the Company and Fortune (HK) Securities Limited to amend and supplement the Placing Agreement, as disclosed in the announcement of the Company dated 18 November 2016;
- (h) the third deed of variation dated 17 January 2017 between the Company and Fortune (HK) Securities Limited to amend and supplement the Placing Agreement, as disclosed in the announcement of the Company dated 17 January 2017;
- (i) the fourth deed of variation dated 28 June 2017 between the Company and Fortune (HK) Securities Limited to amend and supplement the Placing Agreement (the “**Fourth Deed of Variation**”), as disclosed in the announcement of the Company dated 28 June 2017;
- (j) the placing agreement dated 28 July 2017 between the Company and VC Brokerage Limited in relation to the placing of up to a maximum of 132,000,000 new Shares, as disclosed in the announcement of the Company dated 28 July 2017;



- (k) the supplemental deed to the Fourth Deed of Variation dated 20 September 2017 between the Company and Fortune (HK) Securities Limited, as disclosed in the announcement of the Company dated 20 September 2017;
- (l) the memorandum of understanding dated 22 September 2017 between the Company and an independent third party in relation to the proposed formation of a joint venture company, as disclosed in the announcement of the Company dated 22 September 2017; and
- (m) the Sale and Purchase Agreement.

**6. GENERAL**

- (a) The secretary of the Company is Ms. Wong Yee Wah, Daphne. Ms. Wong 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.

**7. 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 articles of association of the Company;
- (b) the annual reports of the Company for the three years ended 31 December 2014, 2015 and 2016 and the interim report of the Company for the six months ended 30 June 2017;
- (c) the annual reports of the Issuer for the three years ended 31 March 2015, 2016 and 2017;
- (d) the valuation report of the Independent Valuer, the text of which is set out in Appendix IV to this circular;
- (e) the accountants' report from Deloitte Touche Tohmatsu relating to the unaudited pro forma financial information of the Group, the text of which is set out in Appendix V to this circular;

- (f) the material contracts referred to under the section headed “Material Contracts” in this appendix;
- (g) the written consents referred to under the section headed “Qualifications and Consents of Experts” in this appendix; and
- (h) this circular.

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## NOTICE OF EGM

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### 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 (the “**Meeting**”) of Value Convergence Holdings Limited (the “**Company**”) will be held at 29th Floor, The Centrium, 60 Wyndham Street, Central, Hong Kong at 11:30 a.m. on Wednesday, 27 December 2017 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 sale and purchase agreement dated 18 October 2017 (the “**Sale and Purchase Agreement**”) entered into among Pacific Alliance Limited as vendor (the “**Vendor**”), the Company as purchaser and Mr. Yip Sum Yin and Mr. Chung Chi Shing, Eric as warrantors in relation to the Company agreed to purchase, and the Vendor agreed to sell, the convertible bonds issued by China Fortune Financial Group Limited (the “**Issuer**”) with a principal amount of HK\$153,585,000 convertible into 2,559,750,000 new ordinary shares in the capital of the Issuer (the “**Conversion Shares**”) at the initial conversion price of HK\$0.06 per Conversion Share (subject to adjustments) for an aggregate consideration of HK\$400,000,000 (the “**Acquisition**”), a copy of which has been produced to the Meeting and marked “A” and initialled by the Chairman of the Meeting for the purposes of identification) and the terms thereof be and are hereby confirmed, approved and ratified;
- (b) all the transactions contemplated under the Sale and Purchase Agreement including but not limited to, the issue of the 3-year zero interest unsecured redeemable convertible bonds in the principal amount of HK\$360,000,000 (the “**Consideration Convertible Bonds**”) convertible into new ordinary shares in the capital of the Company (the “**Consideration Conversion Shares**”) at the initial conversion price of HK\$1.25 per Consideration Conversion Share to partly satisfy the consideration of the Acquisition, be and are hereby approved;

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## NOTICE OF EGM

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- (c) conditional upon The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) granting the listing of, and permission to deal in, the Consideration Conversion Shares, the directors of the Company (the “**Directors**”) be and are hereby granted a specific mandate to allot and issue the Consideration Conversion Shares provided that this specific mandate shall be in addition to, and shall not prejudice nor revoke any existing or such other general or special mandates which may from time to time be granted to the Directors prior to the passing of this resolution; and
- (d) the Directors be and are hereby authorised to do all such acts, deeds and things and to sign, execute and deliver all such documents as they may, in their absolute discretion, consider necessary, desirable or expedient to give effect, determine, revise, supplement or complete any matters relating to or in connection with the Sale and Purchase Agreement and the transactions contemplated thereunder, including, without limitation, the issue of the Consideration Convertible Bonds.

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

Hong Kong, 7 December 2017

*Principal Office:*  
28th Floor, The Centrium  
60 Wyndham Street  
Central  
Hong Kong

*Notes:*

1. A member entitled to attend and vote at the 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 share registrar and transfer office, Tricor Abacus Limited at Level 22, Hopewell Centre, 183 Queen’s Road East, Hong Kong, not less than 48 hours before the time fixed for holding the Meeting or any adjourned meeting thereof.
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 any member from attending and voting in person at the Meeting should he so wish.
5. Pursuant to the Rules Governing the Listing of Securities on the Stock Exchange, the resolution set out in this notice of Meeting will be put to shareholders to vote taken by way of a poll.