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Value Convergence Holdings Limited

(Incorporated in Hong Kong with limited liability)

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

(Stock Code: 821)

DISCLOSEABLE TRANSACTION DISPOSAL OF THE ENTIRE ISSUED SHARE CAPITAL OF THE TARGET COMPANY AND ASSIGNMENT OF THE SHAREHOLDER'S LOAN

THE DISPOSAL

The Board hereby announces that on 9 December 2021 (after trading hours), the Company, as the Vendor, entered into the Sale and Purchase Agreement with the Purchaser, pursuant to which (i) the Vendor has agreed to sell to the Purchaser, and the Purchaser has agreed to purchase from the Vendor, the Sale Shares; and (ii) the Vendor has agreed to assign to the Purchaser, and the Purchaser has agreed to receive the assignment of, the Shareholder's Loan at an aggregate consideration of HK\$7,000,000.

Upon the Completion, the Target Company will cease to be a subsidiary of the Company and the financial results of the Target Company will no longer be consolidated into the financial statements of the Group.

IMPLICATIONS UNDER THE LISTING RULES

As one or more of the applicable percentage ratios under Rule 14.07 of the Listing Rules in respect of the Disposal exceeds 5% but all are less than 25%, the Disposal constitutes a discloseable transaction for the Company under Chapter 14 of the Listing Rules and is therefore subject to the reporting and announcement requirements under the Listing Rules.

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THE SALE AND PURCHASE AGREEMENT

Set out below are the principal terms of the Sale and Purchase Agreement:

Date: 9 December 2021 (after trading hours)

Parties: (i) the Company, as the Vendor; and
(ii) Ms. Su Miaojuan, as the Purchaser.

(each a “**Party**” and collectively, the “**Parties**”)

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, as at the date of this announcement, the Purchaser is a third party independent of and not connected with the Company and its connected persons (as defined in the Listing Rules).

Assets to be disposed of

Subject to the terms and conditions of the Sale and Purchase Agreement, the Vendor shall, as legal and beneficial owner, (i) sell and transfer to the Purchaser, and the Purchaser shall purchase from the Vendor, the Sale Shares free from any claim, encumbrance or third party rights of any kind and together with all rights now or thereafter attaching thereto; and (ii) assign to the Purchaser, and the Purchaser shall receive assignment of, the Shareholder's Loan free from all claims and encumbrances and third party rights of any kind and together with all rights now or thereafter attaching thereto.

The Sale Shares represent the entire issued share capital of the Target Company as at the date of the Sale and Purchase Agreement. The Shareholder's Loan represents an aggregate sum of approximately HK\$15,693,000 due and owing by the Target Company to the Vendor as at the date of the Sale and Purchase Agreement, which the Shareholder's Loan is interest free and has no fixed date of repayment but shall have to be repaid and discharged by the Target Company upon request of the Vendor.

Consideration

The Consideration, in the aggregate sum of HK\$7,000,000, shall be settled by the Purchaser in cash in accordance with such time and schedule as set out hereunder:

- (a) the Purchaser shall pay HK\$2,000,000 to the Vendor for partial settlement of the Consideration within five Business Days of the execution of the Sale and Purchase Agreement; and
- (b) the Purchaser shall settle and discharge the remaining balance of the Consideration in the sum of HK\$5,000,000 on or before 28 February 2022.

There shall not be any deduction whatsoever to the Consideration. Any Consideration paid shall not be refunded whether or not the Disposal shall be completed in accordance with the Sale and Purchase Agreement by the date scheduled to be the Completion Date.

The Consideration was arrived at after arm's length negotiations between the Vendor and the Purchaser on normal commercial terms in consideration of the aggregate of the unaudited consolidated net deficit of the Target Group attributable to the Vendor as at 30 September 2021 and the Shareholder's Loan due and owing by the Target Company to the Vendor as at the date of the Sale and Purchase Agreement, and also with reference to the trend of dropping in revenue and increasing in financial loss, the net deficit and the under-performing prospect of the Target Company. As such, the Directors are of the view that the Consideration is fair and reasonable and on normal commercial terms and in the interests of the Company and the Shareholders as a whole.

Conditions precedent

The Completion shall be subject to such conditions precedent as set out hereunder:

- (a) (if required) all necessary consents, confirmations, permits, approvals and authorisations under the Listing Rules and other regulatory regime having been granted to and/or obtained by the Vendor (collectively, the "**Necessary Approvals**"), and the Necessary Approvals having remained valid and effective, and not being threatened with any revocation, withdrawal, cancellation or suspension at any time prior to the date initially scheduled for the Completion;
- (b) the Vendor being, and remaining as, the sole shareholder of the Target Company;
- (c) the operation, management and business activities of the Joint Venture continues and/or having continued without any interruption, and not being threatened with any cessation, termination or suspension at any time prior to the date initially scheduled for the Completion;

- (d) the Purchaser having completed due diligence examinations on the legal, commercial, financial, compliance, operational and such other aspects of the Target Company as the Purchaser deems fit and appropriate (the “**DD Examinations**”), with the results and outcome of the DD Examinations being reasonably satisfactory to the Purchaser;
- (e) the Target Company not being involved in any litigation, not being insolvent and not having been presented with any winding-up petition or application for receivership; and
- (f) all the representations, warranties and undertakings given by the Purchaser and the Vendor pursuant to the Sale and Purchase Agreement remaining true and accurate in all respects at all times up to the date initially scheduled for the Completion.

Save and except such conditions precedent (c) to (f) above which may be waived in whole or in part by the Purchaser unilaterally (but not by the Vendor under whatever circumstance) at any time no later than the Long Stop Date by notice in writing to the Vendor, none of the other conditions precedent can be waived, and the Parties shall use their respective best endeavours to ensure that the conditions precedent (save and except such conditions precedent which has/have been waived by the Purchaser pursuant to the foregoing provisions of this paragraph) shall be fulfilled and/or satisfied as soon as possible after the execution of the Sale and Purchase Agreement, and in any event, no later than the Long Stop Date.

Save as otherwise stated, if any abovementioned conditions precedent (save and except such conditions precedent which have been waived by the Purchaser in accordance with the above paragraph) shall not have been fulfilled or satisfied by the date initially scheduled as the Long Stop Date, the Sale and Purchase Agreement shall, unless the Parties agree in writing to postpone the Long Stop Date to another date (being a Business Day), automatically terminate and cease to be of any effect except for certain clauses as set out in the Sale and Purchase Agreement which shall remain valid, binding and effective, and no Party shall have any claim of any nature or liabilities thereunder whatsoever against the other Party save for any antecedent breach of the Sale and Purchase Agreement.

Completion

Subject to the terms in relation to the conditions precedent as set out in the Sale and Purchase Agreement, the Completion shall take place on the Completion Date (or at such other place and time as shall be mutually agreed by the Parties in writing) when all (but not some only) of the events in relation to the Completion as described in the Sale and Purchase Agreement shall take place.

The sale and purchase of the Sale Shares and the assignment of the Shareholder's Loan shall be completed simultaneously on the Completion Date. Upon the Completion, the Vendor shall relinquish all its rights, interest and title in the Sale Shares and the Shareholder's Loan, and the Purchaser shall become (i) the sole legal and beneficial owner of the entire portfolio of issued shares in the Target Company, and (ii) the only party entitled to receive repayment of the Shareholder's Loan or any part thereof.

Upon the Completion, the Target Company will cease to be a subsidiary of the Company and the financial results of the Target Company will no longer be consolidated into the financial statements of the Group.

INFORMATION ON THE PURCHASER

The Purchaser is Ms. Su Miaojuan who is a citizen of the People's Republic of China and a merchant.

INFORMATION ON THE TARGET GROUP

The Target Company is incorporated in the British Virgin Islands with limited liability and a wholly owned subsidiary of the Company. The Target Company is principally engaged in investment holding. As at the date of this announcement, the Target Company has three subsidiaries which are principally engaged in sale and distribution of healthcare products.

FINANCIAL INFORMATION OF THE TARGET GROUP

Set out below is the unaudited financial information of the Target Group for the financial years ended 31 December 2019 and 31 December 2020 and for the nine months ended 30 September 2021 respectively:

	For the year ended 31 December 2019 <i>HK\$'000</i> (Unaudited) Approximately	For the year ended 31 December 2020 <i>HK\$'000</i> (Unaudited) Approximately	For the nine months ended 30 September 2021 <i>HK\$'000</i> (Unaudited) Approximately
Revenue	—	9,540	52
Net loss before taxation	(8)	(1,109)	(9,510)
Net loss after taxation	(8)	(1,314)	(9,517)

The unaudited consolidated net deficit of the Target Group attributable to the Vendor as at 30 September 2021 was approximately HK\$5,501,000.

FINANCIAL EFFECT OF THE DISPOSAL AND USE OF PROCEEDS

As a result of the Disposal, the Group is expected to recognise a loss of approximately HK\$3,192,000 which is calculated on the basis of the difference between the Consideration to be received by the Vendor and the unaudited consolidated net deficit of the Target Group attributable to the Vendor as at 30 September 2021 of approximately HK\$5,501,000, the Shareholder's Loan in an aggregate amount of approximately HK\$15,693,000 due and owing by the Target Company to the Vendor as at the date of the Sale and Purchase Agreement. The actual loss to be recorded by the Group will be subject to review and final audit by the auditors of the Company.

The net proceeds from the Disposal will be approximately HK\$7 million and the Company intends to use such proceeds as general working capital of the Group.

REASONS FOR AND BENEFITS OF THE DISPOSAL

The Group is an established financial services group committed to delivering premier financial services and products that fulfill various investment and wealth management needs of clients in the Greater China region. The Group's expertise includes (i) provision of financial services comprising securities, futures and options brokering and dealing, financing services, corporate finance and other advisory services, asset management and insurance brokerage; (ii) proprietary trading; and (iii) sale and distribution of healthcare products.

Reference is made to the Company's announcement dated 24 July 2020. On 17 July 2020, the Target Company entered into the joint venture agreement with Vast Sea Biotechnology, Inc. (formerly known as "**Vast Sea, LLC**") ("**Vast Sea**") and the Joint Venture, pursuant to which the Target Company, and Vast Sea agreed to establish a joint venture vehicle, being Success Health Global Limited, to carry on and conduct the business of relevant commercial application of an invention (the "**Invention**"). The Invention is in relation to a formula for a dietary supplement for composition and methods for treating COVID-19.

With the mass production of the vaccines combating COVID-19 are rapidly applied around the globe, there has been a significant impact on the business of the Target Company which leads to a drastic drop in the revenue and drastic increase in the financial loss from the financial year 2020 to 2021. Taking into account of the financial performance and the net deficit, the business and operation status of the Target Group, the management of the Company is not optimistic about the business and its prospects of the Target Group. As such, the Directors believe that the Disposal represents a good opportunity for the Group to realise its investments in the Target Company and to avoid from further losses. In addition, the Company would be able to reallocate the resources for other business development of the Group. The Directors expects that the Disposal would not have any material impact on the business of the Group and the Disposal will also enhance the cash level and working capital of the Group.

In light of the above, the Directors are of the view that terms of the Sale and Purchase Agreement are fair and reasonable and the Disposal is in the interests of the Company and the Shareholders as a whole.

IMPLICATIONS UNDER THE LISTING RULES

As one or more of the applicable percentage ratios under Rule 14.07 of the Listing Rules in respect of the Disposal exceeds 5% but all are less than 25%, the Disposal constitutes a discloseable transaction for the Company under Chapter 14 of the Listing Rules and is therefore subject to the reporting and announcement requirements under the Listing Rules.

DEFINITIONS

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

“Board”	the board of Directors
“Business Day(s)”	a day on which banks in Hong Kong are open for normal banking business (excluding Saturdays, Sundays and any day on which a tropical cyclone warning no. 8 or above or a “black” rainstorm warning is hoisted in Hong Kong at any time between 9:00 a.m. and 5:00 p.m.)
“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 Disposal as specified in the clause in relation to the completion as set out in the Sale and Purchase Agreement
“Completion Date”	the date of the Completion, which shall be any Business Day within the period of five Business Days of the date scheduled for satisfaction and/or fulfilment of the conditions precedent as set out in the Sale and Purchase Agreement
“Consideration”	the sum of HK\$7,000,000 to be paid by the Purchaser to the Vendor for the Sale Shares and for the Shareholder’s Loan
“Director(s)”	the director(s) of the Company

“Disposal”	the disposal of the Sale Shares and the assignment of the Shareholder’s Loan by the Vendor to the Purchaser in accordance with the Sale and Purchase Agreement
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Joint Venture”	Success Health Global Limited, a company incorporated in the British Virgin Islands with limited liability, which is owned as to 51% and 49% by the Target Company and Vast Sea respectively pursuant to the joint venture agreement dated 17 July 2020, being the joint venture vehicle to develop, produce, sell and promote certain dietary supplements based on a novel compound primarily comprised of polypeptides and nucleotides which have the potential to support the human immune system
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Long Stop Date”	20 December 2021, or such later date as the Parties may otherwise agree in writing, being the date by which the conditions precedent as set out in the Sale and Purchase Agreement shall be satisfied and/or fulfilled (or waived, as and where appropriate)
“Purchaser”	Ms. Su Miaojuan who is a citizen of the People’s Republic of China
“Sale and Purchase Agreement”	the sale and purchase agreement dated 9 December 2021 entered into between the Company and the Purchaser in relation to the Disposal
“Sale Shares”	the 60 ordinary shares in the Target Company, representing the entire issued share capital of the Target Company
“Shareholders”	holders of the ordinary shares of the Company from time to time

“Shareholder’s Loan”	a shareholder’s loan in the aggregate sum of approximately HK\$15,693,000 is due and owing by the Target Company to the Vendor as at the date of the Sale and Purchase Agreement, which the shareholder’s loan is interest free and has no fixed date of repayment but shall have to be repaid and discharged by the Target Company upon request of the Vendor
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Target Company”	VC Global Investments Limited, a company incorporated in the British Virgin Islands with limited liability and a wholly owned subsidiary of the Company
“Target Group”	the Target Company and its subsidiaries
“Vendor”	the Company
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“%”	per cent.

By order of the Board of
Value Convergence Holdings Limited
Fu Yiu Man, Peter
Chairman & Executive Director

Hong Kong, 9 December 2021

As at the date of this announcement, the Board comprises four executive Directors, namely, Mr. Fu Yiu Man, Peter (Chairman), Mr. Lin Hoi Kwong, Aristo, Ms. Li Cindy Chen and Mr. Zhang Nu; and three independent non-executive Directors, namely, Mr. Wong Chung Kin, Quentin, Mr. Wong Kam Choi, Kerry, MH and Mr. Siu Miu Man, Simon, MH.