

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.

This announcement appears for information purposes only and does not constitute an invitation or offer to acquire, purchase or subscribe for the securities of the Company.



Value Convergence Holdings Limited

(Incorporated in Hong Kong with limited liability)

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

(Stock Code: 821)

SUPPLEMENTAL ANNOUNCEMENT IN RELATION TO (I) DISCLOSEABLE TRANSACTION IN RELATION TO ACQUISITION OF 24% EQUITY INTEREST IN THE TARGET COMPANY INVOLVING THE ISSUE OF CONSIDERATION CONVERTIBLE BONDS UNDER GENERAL MANDATE; AND (II) PLACING OF CONVERTIBLE BONDS UNDER SPECIFIC MANDATE

Placing Agent



VC Brokerage Limited

Reference is made to the announcement of Value Convergence Holdings Limited (the “**Company**”, together with its subsidiaries, the “**Group**”) dated 22 February 2024 in relation to, among other things, the Acquisition and the CB Placing (the “**Announcement**”). Capitalised terms used herein, unless otherwise defined, shall have the same meanings as those defined in the Announcement.

BASIS OF THE CONSIDERATION OF THE ACQUISITION

In determining the Consideration, the Company has taken various factors into account. In addition to the relevant disclosure in the Announcement, the Company would like to provide the following additional information in relation to the basis of the Consideration, regarding the Acquisition, inter alia, the Profit Guarantee and the reference of the PE ratios of numerous listed companies engaged in similar businesses in Hong Kong and the PRC.

PE ratios of comparable companies

In determining the Consideration, other than considering the potential business development and business prospects of the Target Company (including that the Target Company has secured two new customers in 2024), the Company also considered the Target Company's existing businesses. The Target Company has secured two new customers in the PRC and are scheduled to commence gas supply in 2024. The customers are engaged in, including but not limited to, the petrochemical and fine chemical industry, which demand for the natural gas supplied by the Target Company during the production process. Based on the profit margin for the sale of gas of the Target Company and its existing businesses, the Company is of the view that it is expected that the profit generated by the Target Company will exceed RMB20,000,000. The Company applied the PE ratio approach in determining the Consideration based on the Profit Guarantee of HK\$20,000,000. The Company considers such approach is a usual and common approach in pricing revenue-generating companies. Given that the PE ratio of the Target Company (based on the Profit Guarantee) falls within the range of listed companies with similar business nature in Hong Kong and the PRC, the Company is of the view that the PE ratio of the Target Company of 6.25 is fair and reasonable.

The Consideration, being the price of the Acquisition, is HK\$30,000,000, which was applied for acquiring 24% equity interest in the Target Company. It represents the Target Company being priced at HK\$125,000,000 on a 100% basis. Based on the price of HK\$125,000,000 and the Profit Guarantee of HK\$20,000,000, the PE ratio of the Target Company would be 6.25.

As disclosed in the Announcement, the Company has benchmarked the PE ratio of 6.25 against listed companies with similar business nature in Hong Kong and the PRC, where the PE ratios of these comparable companies ranged from 4.17 to 64.51 and with the median of approximately 13.27. These companies are principally engaged in, including but not limited to, the retail sale of natural gas such as piped natural gas and liquefied natural gas, provision of construction and installation services and other activities including the provision of natural gas transportation services. Given the similar business nature of these companies and the Target Company, the Company is of the view that these listed companies are comparable to the Target Company.

Financial performance of the Target Company

As at 31 December 2022, the unaudited net asset value of the Target Company was RMB21,439,020 (equivalent to approximately HK\$23,303,283). As disclosed in the Announcement, for the unaudited profit or loss after taxation of the Target Company, it recorded a gain of RMB523,761 for the year ended 31 December 2021 but recorded a loss of RMB850,312 for the year ended 31 December 2022.

The Target Company has commenced its business since 2007. In view of the long operating history of the Target Company, the Company is of the view that it is more appropriate to consider the business performance and potential growth of the Target Company as the basis of the Consideration instead of its net asset value.

As disclosed in the Announcement, the total revenue of the Target Company amounted to RMB33,079,245 and RMB62,316,741 for the years ended 31 December 2021 and 2022 respectively. The total revenue of the Target Company mainly derives from (i) the sales of gas; and (ii) the pipe connection fee in relation to gas supply. The profit margin of the pipe connection fee is substantially higher than that of the sales of gas. However, due to the contraction of the property market in the PRC, the revenue for the pipe connection fee dropped for more than 50% in 2022.

Consequently, owing to the lower overall profit margin of the Target Company for the year ended 31 December 2022 as compared to that for the year ended 31 December 2021, the Target Company recorded a turnaround from profit to loss during these two financial years.

Given the gradual recovery from the COVID-19 pandemic, and that the property market in the PRC has become considerably stable, it is expected that the number of clients who demand for connection of gas pipelines will also stably increase, thus leading to an increase in the pipe connection fee. In addition to the two secured new customers for the gas supply, the Company is of the view that the Target Company will not only turn around from a loss making result in 2022 but will also be able to reach the Profit Guarantee.

Given the inclusion of mechanisms of the Profit Guarantee and the Put Option, it provides an exit alternative for the Company. And the Consideration is settled by way of issue of the Consideration CB and so it will not lead to immediate cash outflow to the Group. In view of the reasons and basis as disclosed in the Announcement and above, the Company considers the Consideration is fair and reasonable and is in the interests of the Company and the Shareholders as a whole.

USE OF PROCEEDS FROM THE CB PLACING

The Board would like to provide the following additional information regarding the use of proceeds from the CB Placing.

As disclosed in the Announcement, the Company will use approximately HK\$30 million for the brokerage business. The Company will apply such proceeds in the securities margin financing services for the Company's brokerage clients if they need further funding for their securities trading and financing as the Company considers that the increase in the securities margin financing services will not only increase the interest income from the brokerage clients, but will also drive up the brokerage commission. As disclosed in the annual report of the Company for the year ended 31 December 2022, having considered the brokerage business accounted for 34% of the Group's revenue, the Group is desirous of devoting more resources in this segment.

The Group also intended to apply HK\$10.0 million to repay a short-term loan due to a third party of approximately HK\$4 million and a total amount of indebtedness of approximately HK\$6 million which were matured in December 2023.

Given that the world is ever-changing and developing rapidly, and the economic conditions in both the PRC and Hong Kong are considerably uncertain, the Group has therefore taken a relatively prudent approach in terms of investment. The Group has been looking for and reviewing different investment opportunities in various industries to diversify its investment portfolio from time to time. With the funding of approximately HK\$30 million from the CB Placing, in the event the Group comes across other projects with promising investment potential or possible synergy effect with the business of the Group, the Group shall actively consider pursuing further investment.

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

Hong Kong, 13 March 2024

As at the date of this announcement, the Board comprises five executive Directors, namely, Mr. Fu Yiu Man, Peter (Chairman), Mr. Wong Kam Fat, Tony (Vice 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. Siu Miu Man, Simon, MH and Mr. Au Tin Fung, Edmund.