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Value Convergence Holdings Limited

(Incorporated in Hong Kong with limited liability)

Website: <http://www.valueconvergence.com>

(Stock Code: 8101)

DISCLOSEABLE TRANSACTION ESTABLISHMENT OF JOINT VENTURE COMPANIES

Reference is made to the announcement of the Company dated 2 May 2008 in relation to, *inter alia*, the proposed setting up by the Company of a real estate private equity fund focusing on the investment of residential properties in Macau.

The Board is pleased to announce that on 4 August 2008, VC Financial, an indirect wholly-owned subsidiary of the Company, entered into a shareholders' agreement with Macquarie Macau¹ for the establishment of a JV Company, which is held as to 50% by each of VC Financial and Macquarie Macau. Each of VC Financial and Macquarie Macau will contribute HK\$95 million to the JV Company. It is intended that third party investors will be introduced and the JV Company will undergo transition to become the Fund within the year 2008. Since the JV Company will be held as to 50% by each of Macquarie Macau and VC Financial, the JV Company will not be treated as a subsidiary but will be treated as a jointly controlled entity and will be equity accounted for in the financial statements of the Group. Upon the transition of the JV Company to become the Fund, the Fund will be treated as an investment in the financial statements of the Group.

The Board is also pleased to announce that on 4 August 2008, the JV Company, through the Buyer which is its indirect subsidiary, entered into the Undertaking with the Sellers, pursuant to which the Buyer undertakes to acquire the Land from the Sellers at a consideration of HK\$300 million. The consideration of the Acquisition of HK\$300 million shall be satisfied as to 40% (being approximately HK\$120 million) by way of external bank financing and as to 60% (being approximately HK\$180 million) by the JV Company, by way of the aforesaid contribution to the JV Company by Macquarie Macau and VC Financial in equal shares. It is expected that a formal sale and purchase deed for the Acquisition will be signed in September 2008.

¹ *Other than Macquarie Bank Limited ABN 46 008 583 542 ("MBL"), any Macquarie group entity noted in this announcement is not an authorised deposit taking institution for the purposes of the Banking Act 1959 (Commonwealth of Australia) and that entity's obligations do not represent deposits or other liabilities of MBL. MBL does not guarantee or provide assurance in respect of the obligations of that entity, unless noted otherwise.*

The acquisition of the Land will serve as a seed project of the Fund to attract third party investors to invest in the Fund. Upon successful introduction of third party investors, the JV Company will undergo a transition to become the Fund. The Shareholders' Agreement will be terminated and the Fund will be managed, in accordance with an investment management agreement, by VC Property Asset Management Limited, an investment manager which has been established by Macquarie Bank Limited and VC Financial on a 50:50 basis. Although the investment management agreement has not yet been finalised, it is expected that VC Property Asset Management Limited will act as the investment manager of the Fund and will receive investment management fees. In addition, being an investor of the Fund, the Group will be able to capture any future capital appreciation opportunities of the investments made by the Fund. A further announcement will be made by the Company in respect of the transition of the JV Company into the Fund as and when appropriate.

The Directors (including the independent non-executive Directors) consider that the Transaction is in line with the business strategy of the Group and will enlarge the income base of the Group.

As the contribution of the Group in the JV Company, which amounts to HK\$95 million, exceeds 5% but is less than 25% of the applicable ratio of the Company as defined under Rule 19.06 of the GEM Listing Rules, the Transaction constitutes a discloseable transaction for the Company under the GEM Listing Rules. A circular containing, among other things, details of the Transaction will be despatched to the shareholders of the Company within 21 days of the publication of this announcement in accordance with Chapter 16 of the GEM Listing Rules.

Reference is made to the announcement of the Company dated 2 May 2008 in relation to, *inter alia*, the proposed setting up by the Company of a real estate private equity fund focusing on the investment of residential properties in Macau.

The Board is pleased to announce that on 4 August 2008, VC Financial, an indirect wholly-owned subsidiary of the Company, entered into a shareholders' agreement with Macquarie Macau for the establishment of the JV Company, which is held as to 50% by each of VC Financial and Macquarie Macau. Each of VC Financial and Macquarie Macau will contribute HK\$95 million to the JV Company. It is intended that third party investors will be introduced and the JV Company will undergo transition to become the Fund within the year 2008.

The Board is also pleased to announce that on 4 August 2008, the JV Company, through the Buyer which is its indirect subsidiary, entered into the Undertaking with the Sellers, pursuant to which the Buyer undertakes to acquire the Land from the Sellers at a consideration of HK\$300 million. The consideration of the Acquisition shall be satisfied as to 40% (being approximately HK\$120 million) by way of external bank financing and as to 60% (being approximately HK\$180 million) by the JV Company, by way of

the aforesaid contribution to the JV Company by Macquarie Macau and VC Financial in equal shares. It is expected that a formal sale and purchase deed for the Acquisition will be signed in September 2008

The acquisition of the Land will serve as a seed project of the Fund to attract third party investors to invest in the Fund. Upon successful introduction of third party investors, the JV Company will undergo a transition to become the Fund. The Shareholders' Agreement will be terminated and the Fund will be managed, in accordance with an investment management agreement, by VC Property Asset Management Limited, an investment manager which has been established by Macquarie Bank Limited and VC Financial on a 50:50 basis. The terms and conditions of the investment management agreement have not yet been determined.

ESTABLISHMENT OF THE JV COMPANY

For the purpose of establishing the JV Company, Macquarie Macau and VC Financial have entered into the Shareholders' Agreement with the following salient terms.

Date

4 August 2008

Parties Involved

- (i) Macquarie Macau
- (ii) VC Financial
- (iii) the JV Company

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, Macquarie Macau and its ultimate beneficial owners are third parties independent of the Company and its connected persons (as defined under the GEM Listing Rules).

Scope of Business

Investment in residential property development projects in Macau

Share Capital and Capital Contribution

The share capital of the JV Company shall be USD200 (approximately HK\$1,540), divided into 200 shares of USD1.00 each, which shall be held as to 100 shares by each of Macquarie Macau and VC Financial.

Apart from the share capital of USD200 (approximately HK\$1,540), the contribution into the JV Company shall be made by way of shareholder's loans, which shall be paid by Macquarie Macau or its associate and VC Financial or its associate into the JV Company (or its relevant subsidiary) not less than two business days before each occasion when the JV Company (or its relevant subsidiary) enters into an agreement in

relation to residential development projects. The maximum cumulative contribution by each of Macquarie Macau and VC Financial (and their associates) is HK\$95 million. Such contribution of HK\$95 million by VC Financial or its associate into the JV Company will be satisfied by internal resources of the Group.

If additional contribution into the JV Company (or its relevant subsidiary) is required and one of the shareholders declines to make additional contribution whilst the other agrees to do so, the relative equity interests of the shareholders in the JV Company will be varied to reflect the proportion of shareholder's loan contribution made by each shareholder or its associate, provided that the interest of VC Financial in the JV Company shall not be less than 25% at all times unless VC Financial otherwise consents. Other than the aforesaid capital contribution of HK\$95 million, the Company does not presently foresee any further capital commitment into the JV Company. If the Company incurs any further capital commitment into the JV Company, such further capital commitment may be aggregated with the aforesaid capital contribution of HK\$95 million, and the Company will comply with the disclosure requirements under the GEM Listing Rules as appropriate.

Board Composition

The board of the JV Company will comprise of a maximum of four directors, of which two shall be nominated by Macquarie Macau and two shall be nominated by VC Financial. The quorum for board meetings is two directors comprising one of each of the directors nominated by Macquarie Macau and VC Financial. The Chairman of the board of the JV Company (who shall be a director nominated by Macquarie Macau in the first year and a director nominated by VC Financial in the following year) shall have no casting vote.

Establishment of the Fund

It is intended that the JV Company will undergo a transition to become the Fund upon successful introduction of third party investors within 2008, such that Macquarie Macau, VC Financial and such third party investors shall become investors of the Fund. If the JV Company fails to become the Fund, Macquarie Macau and VC Financial agree that they shall seek to realize the investment to gain the best possible return at the appropriate time.

ACQUISITION OF THE LAND BY THE JV COMPANY

In order to acquire the Land as a seed project to attract third party investors as investors of the Fund, the JV Company, through the Buyer which is its indirect subsidiary, entered into the Undertaking for the Acquisition. The Undertaking is legally binding. The salient terms of the Undertaking are as follows.

Date

4 August 2008

Parties Involved

- (i) the Buyer
- (ii) the Sellers

The Buyer is an indirect subsidiary of the JV Company.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, the Sellers are third parties independent of the Company and its connected persons (as defined under the GEM Listing Rules).

Information on the Land

The Land, which is currently vacant and undeveloped, is located at Estrada de Cacilhas, São Lázaro, Macau, described at the Land and Buildings Registry of Macau under number 20450 on folio 140v of book B44 and has a total site area of approximately 2,373 sq.m. The Land is held by the Sellers under a perpetual lease from the government of Macau.

Consideration

The consideration for the Acquisition is HK\$300 million. The consideration has been arrived at after arm's length negotiations between the parties to the Undertaking, with reference to the market value of the Land as at 16 July 2008 of approximately HK\$360 million as estimated by the Valuer.

The consideration will be payable in the following manner:

- (i) HK\$50 million will be delivered to the Sellers upon the signing of the Undertaking, which includes an amount of HK\$35 million already held in escrow which will be released to the Sellers; and
- (ii) HK\$250 million will be released to the Sellers in the form of bank cheques made payable to the Sellers upon Completion.

The consideration of the Acquisition of HK\$300 million shall be satisfied as to 40% (being approximately HK\$120 million) by way of external bank financing and as to 60% (being approximately HK\$180 million) by the JV Company by way of the contribution to the JV Company by Macquarie Macau and VC Financial in equal shares.

The Sellers and the Buyer agree that they shall execute a sale and purchase deed for the transfer of the Land and proceed to Completion no later than 45 days after the date of the Undertaking. It is expected that a formal sale and purchase deed for the Acquisition will be signed in September 2008. All stamp duty, notary and registration fees arising out of the transactions contemplated under the Undertaking shall be borne by the Buyer.

Conditions precedent

Completion is subject to and conditional upon satisfaction of the following conditions precedent:

- (i) that there is no breach of any of the Sellers' warranties and representations as set out in the Undertaking or of the terms of the Undertaking;
- (ii) the Buyer obtaining HK\$120 million debt financing to finance the purchase of the Land on terms satisfactory to the Buyer;
- (iii) that all necessary approvals as may be required under the listing rules issued by the Stock Exchange and other regulatory authorities in Hong Kong are obtained by the Buyer; and
- (vi) that the Buyer has not received any confirmation from the Government of Macau indicating that it is unlikely that approval will be granted for the Buyer to undertake a residential development on the Land before Completion.

The Buyer may, without any penalty, terminate the Undertaking if any of the above conditions precedent is not satisfied or otherwise waived by the Buyer on or before Completion. Upon termination of the Undertaking through no fault of the Sellers, the Sellers shall return the Down Payment in full to the Buyer. This is without prejudice to the remedies available to the Buyer upon a breach of any of the Seller's obligations under the Undertaking.

FINANCIAL EFFECTS OF THE TRANSACTION

The contribution of HK\$95 million by VC Financial or its associate into the JV Company will be satisfied by internal resources of the Group. It is expected that the Transaction will have no material impact on the Group's assets and liabilities, and will have no adverse effect on the liquidity of the Group.

Since the JV Company will be held as to 50% by each of Macquarie Macau and VC Financial, the JV Company will not be treated as a subsidiary but will be treated as a jointly controlled entity and will be equity accounted for in the financial statements of the Group. Upon the transition of the JV Company to become the Fund, the Fund will be treated as an investment in the financial statements of the Group.

REASONS FOR THE TRANSACTION

Reference is made to the announcement of the Company dated 2 May 2008 in relation to, *inter alia*, the proposed setting up by the Company of a real estate private equity fund focusing on the investment of residential properties in Macau.

In light of the growth in gross domestic product and the future prospects of the residential market in Macau, the Company and Macquarie Macau entered into the Transaction to capture the opportunity in the residential property market in Macau. The acquisition of the Land will serve as a seed project of the Fund to attract third party investors to invest in the Fund. Upon successful introduction of third party investors, the JV Company will undergo a transition to become the Fund. The Shareholders' Agreement will be terminated and the Fund will be managed, in accordance with an investment management agreement, by VC Property Asset Management Limited, an investment manager which has been established by Macquarie Bank Limited and VC Financial on a 50:50 basis. Although the investment management agreement has not yet been finalised, it is expected that VC Property Asset Management Limited will act as the investment manager of the Fund and will receive investment management fees. In addition, being an investor in the Fund, the Group will be able to capture any future capital appreciation opportunities of the investments made by the Fund. A further announcement will be made by the Company in respect of the transition of the JV Company into the Fund as and when appropriate.

The Directors (including the independent non-executive Directors) consider that the Transaction is in line with the business strategy of the Group, and would widen the income base of the Group. The Directors (including the independent non-executive Directors) also consider that the Transaction is fair and reasonable and is in the interests of the Company and its shareholders as a whole.

INFORMATION ON THE JV COMPANY, THE FUND AND THE BUYER

The JV Company, incorporated in Bermuda, is principally engaged in investing in residential properties in Macau and the operations of which are governed by the Shareholders' Agreement. Upon introduction of third party investors, the JV Company will undergo a transition to become the Fund.

It is intended that the investment focus of the Fund will be mid to high end residential properties in Macau. Upon establishment of the Fund, the Shareholders' Agreement will be terminated and the Fund will be managed, in accordance with an investment management agreement, by VC Property Asset Management Limited, an investment manager which has been established by Macquarie Bank Limited and VC Financial on a 50:50 basis. In addition, a shareholders' deed will be entered into amongst the shareholders of the Fund to govern their respective rights and obligations. The terms and conditions of the shareholders' deed and the investment management agreement in respect of the Fund are yet to be finalised.

The Buyer is a limited company incorporated in Macau and is an indirect subsidiary of the JV Company. The Buyer is principally engaged in investment holding.

INFORMATION ON THE GROUP

The Company is a company incorporated in Hong Kong with limited liability with its shares listed on GEM. The Group is principally engaged in securities, futures and option contracts brokerage mainly on the Stock Exchange and the provision of other related financial services including margin financing, securities underwriting, placing arrangements, assets management and corporate finance advisory services focusing on the markets in Hong Kong, Macau and the PRC.

INFORMATION ON THE MACQUARIE GROUP

Macquarie Macau is a company incorporated in Australia with limited liability and a subsidiary of Macquarie Group Limited which, in turn, is a subsidiary of Macquarie Bank Limited. Macquarie Bank Limited is a company incorporated in Australia with limited liability with its shares listed on the Australian Stock Exchange. Macquarie Bank Limited, together with its subsidiaries, offers a diverse range of banking, financial, advisory and investment services.

IMPLICATIONS UNDER THE GEM LISTING RULES

As the contribution of the Group in the JV Company, which amounts to HK\$95 million, exceeds 5% but is less than 25% of the applicable ratio of the Company as defined under Rule 19.06 of the GEM Listing Rules, the Transaction constitutes a discloseable transaction for the Company under the GEM Listing Rules. A circular containing, among other things, details of the Transaction will be despatched to the shareholders of the Company within 21 days after the publication of this announcement in accordance with Chapter 16 of the GEM Listing Rules.

DEFINITIONS

In this announcement, the following expressions have the meanings set out below unless the context otherwise requires:

“Acquisition”	the acquisition of the Land from the Sellers by the Buyer pursuant to the terms of the Undertaking and a sale and purchase deed to be entered into by the Buyer and the Sellers in September 2008
“Board”	the board of Directors
“Buyer”	Guia Hill (Macau) Investments Limited, a limited company incorporated in Macau which is an indirect subsidiary of the JV Company
“Company”	Value Convergence Holdings Limited, a company incorporated in Hong Kong with limited liability, the shares of which are listed on GEM
“Completion”	completion of the Acquisition
“Directors”	the directors of the Company
“Down Payment”	the down payment of HK\$50 million, which shall be delivered by the Buyer to the Sellers upon signing of the Undertaking
“Fund”	a wholesale fund which will be formed within 2008 by way of transition from the JV Company upon introduction of third party investors, with Macquarie Macau, VC Financial and such third party investors as its investors
“GEM”	the Growth Enterprise Market of the Stock Exchange
“GEM Listing Rules”	the Rules Governing the Listing of Securities on GEM
“Group”	the Company and its subsidiaries from time to time
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC

“JV Company”	MVC Macau Property Development Fund Limited, a company incorporated in Bermuda with limited liability, which is being held as to 50% by each of Macquarie Macau and VC Financial
“Land”	a vacant and undeveloped piece of land located at Estrada de Cacilhas, São Lázaro, Macau, described at the Land and Buildings Registry of Macau under registration number 20450 on folio 140v of book B44, with a site area of approximately 2,373 sq.m.
“Macau”	the Macau Special Administrative Region of the PRC
“Macquarie Macau”	Macquarie Macau Holdings Pty Ltd., a company incorporated in Australia with limited liability and a subsidiary of Macquarie Group Limited
“PRC”	the People’s Republic of China
“Sellers”	Ms. Lao Wan I, Ms. Chan Wai, Mr. Lam Ion Fun and Ms. Lo Lai Yee, the rightful tenants and holders of the Land under a perpetual lease from the government of Macau
“Shareholders’ Agreement”	a shareholders’ agreement dated 4 August 2008 entered into between the JV Company, Macquarie Macau and VC Financial for the purpose of governing the business and operations of the JV Company
“sq.m.”	square metre(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Transaction”	the establishment of the JV Company pursuant to the Shareholders’ Agreement and the Acquisition
“Undertaking”	a legally-binding undertaking dated 4 August 2008 entered into by the Buyer and the Sellers in relation to the undertaking by the Buyer to the Sellers for the Acquisition
“USD”	United States dollars, the lawful currency of the United States of America

“Valuer”	Savills (Macau) Limited, an independent valuer appointed for the valuation of the Land for the purpose of the Acquisition
“VC Financial”	VC Financial Group Limited, a company incorporated in the British Virgin Islands with limited liability and a wholly-owned subsidiary of the Company
“%”	per cent.

For the purpose of this announcement, amounts in USD are translated into HK\$ at the exchange rate of USD1.00:HK\$7.72.

By order of the board of
Value Convergence Holdings Limited
Patrick Sun
Chief Executive Office and Executive Director

Hong Kong, 5 August 2008

As at the date of this announcement, the board of directors of the Company comprises Mr. Ho, Lawrence Yau Lung (Chairman), Mr. Patrick Sun[#] (Chief Executive Officer), Mr. Tsui Che Yin, Frank[#], Dr. Lee Jun Sing*, Dr. Tyen Kanhee, Anthony⁺, Mr. Sham Sui Leung, Daniel⁺ and Mrs. Chu Ho Miu Hing⁺.*

Executive Director

* *Non-executive Director*

+ *Independent Non-executive Director*

This announcement, for which the directors of VALUE CONVERGENCE HOLDINGS LIMITED collectively and individually accept full responsibility, includes particulars given in compliance with the GEM Listing Rules for the purpose of giving information with regard to VALUE CONVERGENCE HOLDINGS LIMITED. The directors of VALUE CONVERGENCE HOLDINGS LIMITED, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief: (i) the information contained in this announcement is accurate and complete in all material respects and not misleading; (ii) there are no other matters the omission of which would make any statement in this announcement misleading; and (iii) all opinions expressed in this announcement have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.

This announcement will remain on the GEM website at www.hkgem.com on the “Latest Company Announcements” page for at least 7 days from the date of its posting and on the website of the Company at www.valueconvergence.com.