

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.



VALUE CONVERGENCE HOLDINGS LIMITED

(Incorporated in Hong Kong with limited liability)

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

(Stock Code: 821)

UPDATE RELATING TO THE PLACING AND ISSUE OF CONVERTIBLE BONDS

**REPUDIATION OF REMAINING SUBSCRIPTION AGREEMENTS - THE
PROPOSED ISSUE OF THE REMAINING HK\$290,000,000 IN PRINCIPAL
AMOUNT OF FIRST CONVERTIBLE BONDS WILL NOT PROCEED**

ANNOUNCEMENT UNDER RULE 13.09(1) OF THE LISTING RULES

Reference is made to the circular of the Company dated 15 October 2009 relating to the placing and proposed issue of HK\$300,000,000 in principal amount of the First Convertible Bonds by the Company; the Company's announcement dated 30 November 2009 in respect of the issue of HK\$10,000,000 in principal amount of the First Convertible Bonds; the Company's announcement dated 8 December 2009 relating to an agreed extension of the date for completion of the subscription of the remaining HK\$290,000,000 in principal amount of the First Convertible Bonds, to 31 December 2009; and the Company's announcement dated 12 January 2010 relating to a further agreed extension of the completion date in respect of those First Convertible Bonds, to 1 March 2010.

On 1 March 2010, the Subscribers under the remaining Subscription Agreements, in respect of an aggregate principal amount of HK\$290,000,000 of First Convertible Bonds, failed to comply with their obligations on completion under their respective Subscription Agreements. Each Subscriber is in breach of the terms of, and has thereby repudiated, his or its respective Subscription Agreement. As a result, the issue of the remaining HK\$290,000,000 in principal amount of the First Convertible Bonds contemplated by the Circular and the Company's previous announcements referred to above will not proceed.

The Board considers that the repudiation of the remaining Subscription Agreements and the failure to proceed with the subscription and issue of the remaining HK\$290,000,000 in principal amount of the First Convertible Bonds will not have any material adverse impact on the Group's liquidity or financial position. Subject to market conditions, the Directors intend to explore alternative ways to raise financing for the Group's business expansion plans. Further announcement(s) in that regard would be made as required by the Listing Rules as and when appropriate.

Reference is made to the circular of the Company dated 15 October 2009 relating to the placing and issue of up to HK\$600,000,000 in principal amount of the Convertible Bonds by the Company, comprising HK\$300,000,000 of the First Convertible Bonds and up to HK\$300,000,000 of the Optional Bonds (the "Circular"). The Optional Bonds were to be available for issue by the Company to those holders of First Convertible Bonds exercising their conversion rights prior to the first anniversary of the issue date of the First Convertible Bonds and who also exercised their respective Options to subscribe for Optional Bonds with an aggregate principal amount equal to the principal amount of the First Convertible Bonds so converted.

Unless the context otherwise requires, capitalized terms and expressions used in this announcement which are not defined herein shall have the respective meanings given to them in the Circular.

Reference is also made to the Company's announcement dated 30 November 2009 in respect of the issue of HK\$10,000,000 in principal amount of the First Convertible Bonds; the Company's announcement dated 8 December 2009 relating to an agreed extension of the date for completion of the subscription of the remaining HK\$290,000,000 in principal amount of First Convertible Bonds, to 31 December 2009; and the Company's announcement dated 12 January 2010 relating to a further agreed extension of the completion date in respect of those First Convertible Bonds, to 1 March 2010.

On 1 March 2010, the Subscribers under the remaining Subscription Agreements, in respect of an aggregate principal amount of HK\$290,000,000 of First Convertible Bonds, failed to comply with their obligations on completion under their respective Subscription Agreements. Each Subscriber is in breach of the terms of, and has thereby repudiated, his or its respective Subscription Agreement. As a result, the issue of the remaining HK\$290,000,000 in principal amount of the First Convertible Bonds contemplated by the Circular and the Company's previous announcements referred to above will not proceed. It follows that the issue of up to HK\$290,000,000 in principal amount of the Optional Bonds (which would otherwise have been available to be issued to any holders of the HK\$290,000,000 in principal amount of the First Convertible Bonds exercising their conversion rights prior to the first anniversary of their issue date) will also not proceed. The Company rejected a request from one of the Subscribers for a further extension of the completion date. The Company is considering its legal rights and remedies arising from the breach by the Subscribers of their respective obligations under the Subscription Agreements.

As described in the Company's announcement dated 30 November 2009, the Company has issued HK\$10,000,000 in principal amount of the First Convertible Bonds to one of the Subscribers. Such Subscriber is Highgrade Holding Limited ("Highgrade"), the ultimate beneficial owner of which is Mr. Ting Pang Wan Raymond. To the best of the knowledge, information and belief of the Directors, having made reasonable enquiries, Highgrade and its ultimate beneficial owner are not connected persons of the Company and are third parties independent of, and not connected with, the directors, chief executive(s) or substantial shareholder(s) of the Company, any of its subsidiaries, or their respective associates. As a result of the aforesaid issue, a principal amount of up to HK\$10,000,000 of Optional Bonds remains available for issue to Highgrade, if Highgrade exercises the conversion rights in respect of those First Convertible Bonds which it has subscribed prior to the first anniversary of their issue date and exercises the Option to subscribe for Optional Bonds with an aggregate principal amount equal to the principal amount of the First Convertible Bonds so converted.

The Board considers that the repudiation of the remaining Subscription Agreements and the failure to proceed with the subscription and issue of the remaining HK\$290,000,000 in

principal amount of the First Convertible Bonds will not have any material adverse impact on the Group's liquidity or financial position. Subject to market conditions, the Directors intend to explore alternative ways to raise financing for the Group's business expansion plans. Further announcements in that regard would be made as required by the Listing Rules as and when appropriate.

By order of the Board of
Value Convergence Holdings Limited
Wong Yee Wah
Company Secretary

Hong Kong, 1 March, 2010

As at the date of this announcement, the Board comprises four Executive Directors, namely, Mr. Lam Cho Ying, Terence Joe (Chief Executive Officer), Mr. Chau King Fai, Philip, Mr. Cheng Tze Kit, Larry and Ms. So Wai Yee Betty; two Non-executive Directors, namely, Dr. Lee Jun Sing (Chairman) and Ms. Wang Ying; and three Independent Non-executive Directors, namely, Mr. Lam Kwok Hing, Wilfred, Mr. Tse On Kin and Mr. Lam Ka Wai, Graham.