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*Melco International Development Limited*

新 濠 國 際 發 展 有 限 公 司

*(Incorporated in Hong Kong with limited liability)*

Website: <http://www.melco-group.com>

(Stock Code: 200)

**DISCLOSEABLE TRANSACTION –  
PLACING OF EXISTING SHARES AND  
TOP-UP SUBSCRIPTION OF NEW SHARES  
BY VALUE CONVERGENCE HOLDINGS LIMITED**

The Company is pleased to announce that on 6 September 2007, Melco Financial, a wholly-owned subsidiary of the Company, entered into the Placing and Subscription Agreement with the Placing Agent, pursuant to which (i) Melco Financial agreed to place through the Placing Agent, up to 61,000,000 existing shares of Value Convergence, a subsidiary of the Company, representing 19.78% of the issued share capital of Value Convergence as at the date of this announcement at a price of HK\$4.20 per share on a best efforts basis, to not less than six Places; and (ii) Melco Financial conditionally agreed to subscribe for up to 61,000,000 new shares of Value Convergence at a price of HK\$4.20 per share.

Immediately after completion of the Placing and the Top-Up Subscription, the Group's percentage equity interests in Value Convergence will be reduced from approximately 52.19% to approximately 43.57%. As a result, Value Convergence will cease to be a subsidiary of the Company and will not be consolidated in the accounts of the Group and Value Convergence will become an associate of the Company upon completion of the Placing and the Top-Up Subscription.

Pursuant to Chapter 14 of the Listing Rules, the Placing constitutes a discloseable disposal transaction and the Top-Up Subscription constitutes an acquisition but not a notifiable transaction for the Company. A circular containing, among other things, further details of the Placing and the Top-Up Subscription, will be dispatched to Shareholders as soon as practicable.

The Company is pleased to announce that on 6 September 2007, Melco Financial, a wholly-owned subsidiary of the Company, entered into the Placing and Subscription Agreement with the Placing Agent, pursuant to which (i) Melco Financial agreed to place through the Placing Agent, up to 61,000,000 Placing Shares, representing 19.78% of the issued share capital of Value Convergence as at the date of this announcement at a price of HK\$4.20 per share on a best efforts basis, to not less than six Places; and (ii) Melco Financial conditionally agreed to subscribe for up to 61,000,000 Subscription Shares at a price of HK\$4.20 per share.

## **THE PLACING AND SUBSCRIPTION AGREEMENT**

**Date:** 6 September 2007

- Parties Involved:**
- (1) Melco Financial, as the Vendor, which held approximately 52.19% of the issued share capital of Value Convergence before entering into the Placing and Subscription Agreement;
  - (2) Value Convergence; and
  - (3) JPMorgan, as the Placing Agent.

To the best of the knowledge, information and belief of the Directors, after having made all reasonable enquiries, the Placing Agent and its ultimate beneficial owner(s), are independent of and not connected with any of the Directors, chief executive or substantial shareholder(s) of the Company or its subsidiaries or any of their respective associates and are not connected persons of the Company.

### **(A) THE PLACING**

#### **Number of Placing Shares**

The maximum Placing Shares (or the Subscription Shares) of 61,000,000 shares of Value Convergence represent:

- (i) approximately 19.78% of the issued share capital of Value Convergence of 308,357,451 shares of Value Convergence as at the date of this announcement; and
- (ii) approximately 16.52% of the issued share capital of Value Convergence of 369,357,451 shares of Value Convergence as enlarged by the Top-Up Subscription (assuming the maximum Subscription Shares are issued).

#### **Placing Price**

The Placing Price (or the Subscription Price) of HK\$4.20 represents:

- (i) a discount of approximately 10.26% to HK\$4.68 per share of Value Convergence as quoted on the Stock Exchange on 6 September 2007, being the last trading price of the shares of Value Convergence immediately before the trading in the shares of Value Convergence was suspended at 10:25 a.m. on 6 September 2007;
- (ii) a discount of approximately 15.83% to the closing price of HK\$4.99 per share of Value Convergence as quoted on the Stock Exchange on 5 September 2007, being the last full trading day before the date of the Placing and Subscription Agreement; and
- (iii) a discount of approximately 2.78% to the average closing price per share of Value Convergence of HK\$4.32 as quoted on the Stock Exchange for the last five full trading days up to the date of the Placing and Subscription Agreement.

The net Placing Price, after taken into account the estimated expenses for the Placing and the Top-Up Subscription of approximately HK\$8.4 million (equivalent to approximately HK\$0.14 per Placing Share), would be approximately HK\$4.06 per each Placing Share.

The Placing Price is negotiated and arrived at after arm's length negotiations between the Vendor, Value Convergence and the Placing Agent with reference to the prevailing market price of the shares of Value Convergence. The Directors (including the independent non-executive Directors) consider that the Placing Price and the terms of the Placing and Subscription Agreement are fair and reasonable and in the interests of the Company and its Shareholders as a whole.

The Directors estimated that, upon completion of the Placing alone, the Group will record a gain on disposal of approximately HK\$15.4 million.

### **Independence of the Placees**

The Placing Shares will be placed by the Placing Agent to not less than six independent professional, institutional and other investors, and who and whose ultimate beneficial owners, are (i) not connected person(s) (as defined in the Listing Rules) of the Company and its subsidiaries; and (ii) not parties acting in concert with the Vendor and its associates.

It is expected that none of the Placees will become substantial shareholders of Value Convergence immediately after the Placing.

### **Condition and completion of the Placing**

The Placing is unconditional and it is expected that the Placing will be completed by 20 September 2007.

### **Rights of the Placing Shares**

The Placing Shares will be placed by the Vendor free from all liens, charges, encumbrances and any third party rights and together with all rights attaching thereto at the date of completion of the Placing.

### **Placing commission payable to the Placing Agent**

The Placing commission is calculated as 3% of the amount equal to the Placing Price multiplied by the number of the Placing Shares actually placed by the Placing Agent under the Placing.

## **(B) THE TOP-UP SUBSCRIPTION**

### **Subscription Price**

The Subscription Price is HK\$4.20 per shares, which is the same as the Placing Price and is arrived at after arm's length negotiations between Value Convergence, the Vendor and the Placing Agent with reference to the Placing Price.

### **Number of Subscription Shares**

The number of Subscription Shares is equivalent to the number of Placing Shares, being a maximum of 61,000,000 shares of Value Convergence.

### **Ranking of Top-Up Subscription Shares**

The Subscription Shares, when issued and fully paid, will rank *pari passu* amongst themselves and with all the existing shares of Value Convergence in issue at the time of issue and allotment of the Subscription Shares.

### **Conditions of the Top-Up Subscription**

The Top-Up Subscription is conditional upon:

1. completion of the Placing; and
2. the GEM Listing Committee granting the listing of, and permission to deal in, all of the Subscription Shares;

The Placing and Subscription Agreement does not provide either party the rights to waive the above conditions.

### **Completion of the Top-Up Subscription**

Under the Listing Rules, the Top-Up Subscription must be completed within 14 days after the date of the Placing and Subscription Agreement, that is, on or before 20 September 2007.

Subject to fulfillment of the above conditions, completion of the Top-Up Subscription will take place on the second business days following the day upon which all of the conditions set out above are satisfied, provided that completion will not be later than 14 days after the date of the Placing and Subscription Agreement or such later date as Value Convergence and the Vendor may agree in writing.

If the conditions are not fulfilled by 20 September 2007, the Top-Up Subscription will lapse if not otherwise extended. If the date of completion of the Subscription is by mutual agreement extended beyond 20 September 2007, further announcement in this regard will be made by the Company as and when applicable.

### **Application for listing**

An application will be made by Value Convergence to the GEM Listing Committee for the listing of, and permission to deal in, the Subscription Shares.

### **General Mandate**

The Subscription Shares will be issued under the general mandate (“General Mandate”) granted to the directors of Value Convergence at the extraordinary general meeting (the “EGM”) of Value Convergence held on 17 August 2007. The General Mandate provides that the directors of Value Convergence may allot, issue and deal with shares of Value Convergence up to 20% of the issued share capital of Value Convergence as at the date of which the relevant resolution was passed at the EGM (i.e. 61,671,490 shares of Value Convergence). As at the date of this announcement, Value Convergence has not issued any new shares of Value Convergence that may be issued under the General Mandate.

## EFFECTS ON MELCO'S SHAREHOLDING IN VALUE CONVERGENCE

The following table shows the shareholding structure of Value Convergence (1) as at the date of this announcement; (2) immediately after completion of the Placing but before the Top-Up Subscription; and (3) immediately after completion of the Placing and the Top-Up Subscription (assuming the maximum number of Placing Shares and Subscription Shares are placed and issued, respectively).

Name of shareholder of Value Convergence	As at the date of this announcement		Immediately after completion of the Placing but before the Top-Up Subscription		Immediately after completion of the Placing and the Top-Up Subscription	
	<i>No. of shares</i>	<i>Approximate</i>	<i>No. of shares</i>	<i>Approximate</i>	<i>No. of shares</i>	<i>Approximate</i>
	<i>of Value</i>	<i>Convergence</i>	<i>of Value</i>	<i>Convergence</i>	<i>of Value</i>	<i>Convergence</i>
The Vendor	160,930,381	52.19	99,930,381	32.41	160,930,381	43.57
Mr. Ho, Lawrence Yau Lung (Note 1)	4,232,627	1.37	4,232,627	1.37	4,232,627	1.15
Dr. Ho Hung Sun, Stanley (Note 2)	7,384,651	2.39	7,384,651	2.39	7,384,651	2.00
Dr. Lee Jun Sing (Note 3)	6,299,702	2.04	6,299,702	2.04	6,299,702	1.71
Public Shareholders						
The Placee(s)	-	-	61,000,000	19.78	61,000,000	16.52
Other public Shareholders	129,510,090	42.00	129,510,090	42.00	129,510,090	35.06
	<u>308,357,451</u>	<u>100.00</u>	<u>308,357,451</u>	<u>100.00</u>	<u>369,357,451</u>	<u>100.00</u>

### Notes:

1. Mr. Ho, Lawrence Yau Lung is taken to be interested in 4,232,627 shares of Value Convergence as a result of him being beneficially interested in the entire issued share capital of Golden Mate Co., Ltd. which in turn holds approximately 1.37% of the existing issued share capital of Value Convergence as at the date of this announcement.
2. Dr. Ho Hung Sun, Stanley is taken to be interested in 7,384,651 shares of Value Convergence as a result of him being beneficially interested in 65% of the issued share capital of Bailey Development Limited which in turn holds approximately 2.39% of the existing issued share capital of Value Convergence as at the date of this announcement.
3. Dr. Lee Jun Sing is taken to be interested in 6,299,702 shares of Value Convergence as a result of him being beneficially interested in the entire issued share capital of Best Summit International Limited which in turn holds approximately 2.04% of the existing issued share capital of Value Convergence as at the date of this announcement.

The Company currently holds, through the Vendor 52.19% of the issued share capital of Value Convergence and Value Convergence is a subsidiary of the Company as at the date of this announcement. Immediately after completion of the Placing and the Top-Up Subscription, the shareholding interests of the Company in Value Convergence will be reduced to approximately 43.57% of the then issued share capital of Value Convergence as enlarged by the Subscription Shares (assuming the maximum number of Placing Shares and Subscription Shares are placed and issued, respectively). Upon completion of the Placing and the Top-Up Subscription, Value

Convergence will cease to be a subsidiary of the Company and will not be consolidated in the accounts of the Group and Value Convergence will become an associate of the Company.

## **INFORMATION ON THE COMPANY**

The Company is one of the companies with the longest history in Hong Kong. Founded in 1910, the Company was among the first one hundred companies established in the city and was listed on the Hong Kong Stock Exchange in 1927. Today, the Company is a dynamic new generation Asian conglomerate that leads in leisure and entertainment industry in Asia. The Company is a constituent of the MSCI Hong Kong Index, part of the MSCI Standard Index Series and granted that Asia's Best Managed Companies 2007 Award by FinanceAsia.

Currently, the Company engages in four main business streams, namely, (i) leisure, gaming and entertainment; (ii) technology; (iii) investment banking and financial services; and (iv) property and other investments.

## **INFORMATION ON VALUE CONVERGENCE**

Value Convergence is 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 arrangement, assets management and corporate finance advisory services focusing on the markets in Hong Kong, Macau and the People's Republic of China.

As disclosed in the annual report of Value Convergence for the year ended 31 December 2006, the audited net profit before and after taxation for the year ended 31 December 2005 were approximately HK\$3.61 million and HK\$5.11 million respectively and, the net profit before and after taxation for the year ended 31 December 2006 were approximately HK\$26.45 million and HK\$26.33 million respectively. As disclosed in the interim report of Value Convergence for the six months ended 30 June 2007, the unaudited net assets as at 30 June 2007 was HK\$208,509,000.

## **REASONS FOR THE PLACING AND TOP-UP SUBSCRIPTION AND USE OF PROCEEDS**

The directors of Value Convergence have considered various ways of raising funds and are of the view that the Placing and Top-Up Subscription represent opportunities to raise capital for Value Convergence while broadening the shareholder base and the capital base of Value Convergence. The gross proceeds from the Top-Up Subscription is approximately HK\$256.2 million. Value Convergence will bear the costs and expenses in connection with the Placing and Top-Up Subscription incurred by the Vendor, the Placing Agent and itself. The net proceeds from the Top-Up Subscription (after deducting the underwriting commission for the Placing and other expenses which will be paid by Value Convergence) of approximately HK\$247.8 million will be utilized as general working capital or applied to the possible acquisition of The Macau Chinese Bank Limited, if and when it materializes, as referred to in the announcement of Value Convergence dated 9 July 2007 or to other investment opportunities as and when they arise.

## **LISTING RULES IMPLICATIONS**

Upon completion of the Placing, the Group's equity interests in Value Convergence will be reduced from approximately 52.19% to approximately 32.41%. As the applicable percentage ratios (as defined in the Listing Rules) for the Placing are more than 5% but less than 25%, the Placing constitutes a discloseable disposal transaction for the Company under Chapter 14 of the Listing Rules.

Following completion of the Placing, the Top-Up Subscription will increase the Group's equity interests in Value Convergence from approximately 32.41% to 43.57% of the then issued share capital of Value Convergence as enlarged by the Subscription Shares (assuming maximum number of Subscription Shares are issued). As the applicable percentage ratios (as defined in the Listing Rules) for the Top-Up Subscription are less than 5%, the Top-Up Subscription constitutes an acquisition but not a notifiable transaction for the Company pursuant to Chapter 14 of the Listing Rules.

A circular containing, among other things, further details of the Placing and the Top-Up Subscription, will be dispatched to Shareholders as soon as practicable.

## **TERMS USED IN THIS ANNOUNCEMENT**

In this announcement, unless the context otherwise requires, terms used herein shall have the following meaning:

“Board”	the board of directors of the Company
“Company”	Melco International Development Limited, a company incorporated under the laws of Hong Kong, shares of which are listed on the Stock Exchange
“Directors”	directors of the Company
“GEM”	the Growth Enterprise Market operated by the Stock Exchange
“GEM Listing Committee”	the listing sub-committee of the board of directors of the Stock Exchange with responsibility for GEM
“Group”	the Company and its subsidiaries from time to time
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Independent Third Party(ies)”	independent third party(ies) not connected with the Company and its subsidiaries, the controlling shareholders, directors, chief executive or substantial shareholders of the Company and its subsidiaries, or an associate of any of them under the Listing Rules
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited

“Melco Financial” or “Vendor”	Melco Financial Group Limited, a company incorporated under the laws of British Virgin Islands, a wholly-owned subsidiary of the Company
“Placee(s)”	any professional, institutional or other investor(s) procured by or on behalf of the Placing Agent to purchase any of the Placing Shares by or on behalf of the Placing Agent to selected investors pursuant to the terms of the Placing and Subscription Agreement
“Placing”	the placing of 61,000,000 existing shares of Value Convergence beneficially owned by the Vendor pursuant to the terms of the Placing and Subscription Agreement
“Placing Agent” or “JPMorgan”	J.P. Morgan Securities (Asia Pacific) Limited
“Placing and Subscription Agreement”	the placing and subscription agreement entered into between the Vendor, the Company and the Placing Agent dated 6 September 2007 in relation to the Placing and the Top-Up Subscription
“Placing Price”	HK\$4.20 per share of Value Convergence
“Placing Shares”	Up to a total of 61,000,000 existing shares of Value Convergence beneficially owned by the Vendor and to be placed pursuant to the Placing and Subscription Agreement
“Shareholders”	shareholders of the Company
“Subscription Price”	HK\$4.20 per share of Value Convergence
“Subscription Shares”	61,000,000 new shares of Value Convergence to be subscribed for by the Vendor pursuant to the Placing and Subscription Agreement
“Top-Up Subscription”	the subscription of 61,000,000 new shares of Value Convergence pursuant to the term of the Placing and Subscription Agreement



“Value Convergence”

Value Convergence Holdings Limited, a company incorporated under the laws of Hong Kong and having its shares listed on the GEM

“%”

per cent.

By order of the Board of  
**Melco International Development Limited**  
**Tsang Yuen Wai, Samuel**  
*Company Secretary*

Hong Kong, 6 September 2007

*As at the date of this announcement, the Board comprises three Executive Directors; namely, Mr. Ho, Lawrence Yau Lung (Chairman and Chief Executive Officer), Mr. Tsui Che Yin, Frank and Mr. Chung Yuk Man, Clarence (Chief Operating Officer); one Non-executive Director, namely Mr. Ng Ching Wo; and three Independent Non-executive Directors, namely Sir Roger Lobo, Dr. Lo Ka Shui and Mr. Sham Sui Leung, Daniel.*