Melco International Development Limited

(Incorporated in Hong Kong with limited liability)

2002 Audited Consolidated Results

		Year ended 31st December	
		2002	2001
	Notes	***HK$***	*HK$*
Turnover	(1)	**86,375,709**	99,408,954
Other revenue and gains		**545,662**	290,880
Cost of food and beverages		**(21,989,196)**	(25,430,905)
Consumable stores used		**(2,170,186)**	(2,881,306)
Staff costs (not including director's remuneration)		**(51,975,843)**	(55,244,404)
Depreciation expense		**(5,927,225)**	(6,039,904)
Fixed assets written off		**(3,857,649)**	–
Impairment of fixed assets		**(142,441)**	–
Impairment of long term investments		**(8,911,880)**	–
Provision against deposit paid		**(3,500,000)**	–
Other operating expenses		**(26,577,231)**	(31,195,431)
Total operating expenses		**(125,051,651)**	(120,791,950)
Operating loss before tax	(1)	**(38,130,280)**	(21,092,116)
Tax		**–**	–
Loss before minority interests		**(38,130,280)**	(21,092,116)
Minority interests		**2,533,972**	2,457,484
Net loss from ordinary activities attributable to shareholders		**(35,596,308)**	(18,634,632)
Loss per share			
–Basic	(2)	**HK(27.1) cents**	HK(15.4) cents

Notes:

(1) Segmental information

An analysis of the Group's revenue and results by business segments is outlined below:–

	Restaurant		Property		Investment		Consolidated	
	2002	2001	**2002**	2001	**2002**	2001	**2002**	2001
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Segment revenue:								
Turnover	**77,929**	86,778	**5,098**	4,680	**3,349**	7,951	**86,376**	99,409
Other revenue	**307**	272	**140**	9	**98**	–	**545**	281
Gains	–	10	–	–	–	–	–	10
	78,236	87,060	**5,238**	4,689	**3,447**	7,951	**86,921**	99,700
Segment results	**(21,395)**	(22,866)	**3,447**	2,821	**(12,131)**	(1,047)	**(30,079)**	(21,092)
Unallocated expenses							**(8,051)**	–
Operating loss before tax							**(38,130)**	(21,092)
Tax							–	–
Loss before minority interests							**(38,130)**	(21,092)
Minority interests							**2,534**	2,457
Net loss from ordinary activities attributable to shareholders							**(35,596)**	(18,635)

By geographical area:

The Group's principal operations are located in Hong Kong.

(2) The calculation of basic loss per share is based on the net loss from ordinary activities attributable to shareholders for the year of HK$35,596,308 (2001: HK$18,634,632) and the weighted average of 131,231,244 (2001: 121,087,134) ordinary shares in issue throughout the year.

DIVIDENDS

The directors do not recommend the payment of any dividend (2001: Nil) in respect of the year.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

During the year, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

FINANCE

Cash available to the Group at the year end amounted to HK$219 million, representing an increase of HK$7 million from the previous year. The Group's current assets represented approximately 13 times of its current liabilities at the year end of 2002. The Group is in a financially sound position for future operation and expansion.

FINANCING ACTIVITIES

The net cash inflow from financing activities was HK$34.7 million, due to issue of additional share capital during the year.

PLEDGE OF ASSETS

As at 31 December 2002, the Group's bank deposits amounting to HK$1,100,000 (2001: HK$911,000) were pledged to secure a letter of guarantee to the extent of HK$1,031,000 (2001: HK$911,000) granted by a bank for the Group's water and electricity deposits.

EMPLOYEES

The Group employed a total of 259 employees at the year end of 2002 and staff costs, excluding director's emoluments, amounted to approximately HK$52 million this year. The Group ensures that the pay levels of its employees are competitive.

The Company operates a share option scheme for the purpose of providing incentives and rewards to eligible staff. Details of the scheme are described in the Annual Report for the year ended 31st December, 2002.

REVIEW

Year 2002 was a challenging year for the Group. The overall business environment was tough. Owing to this and to keen competition, the operating condition for local catering business was difficult. For the year ended 31st December, 2002, the Group's turnover was HK$86.4 million (2001: HK$99.4 million). The Group's net loss excluding provisions for impairment of fixed assets and investments and long service payments in connection with review of employees' salaries and against deposits paid was HK$15.6 million (2001: HK$18.6 million), a narrowing of 16% as compared to last year's amount.

The Group's new management team was in place in November 2001. During the year in question, the team rationalized and re-organized the Group's operations. As a result, a solid foundation has been laid for re-building the Group's business by prudently diversifying into other industries and maximizing on the Group's capital resources.

In line with this, the Group had made provisions of HK$20 million to account for impairment of fixed assets and investments and employees' long service payments in connection with review of employees' salaries and against deposits paid. Although this has increased the Group's net loss from HK$18.6 million to HK$35.6 million in year 2002, it also enables the Group to start from new grounds. With manifestation of effects of this year's management efforts in rationalizing and re-organizing the Group's operations, the Group would be on the path of recovery and future growth.

EVENTS AFTER 31ST DECEMBER 2002

On 28th September 2002, the Company entered into an Underwriting Agreement under which the Company underwrote the rights issue of Value Convergence Holdings Limited (formerly known as iAsia Technology Limited) ("Value Convergence"), a company listed on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited.

Pursuant to the Underwriting Agreement, the Company on 29th January, 2003 subscribed for 1,007,582,287 shares of HK$0.10 each of Value Convergence and paid for such shares with internal resources of the Company. As at the date hereof, the Company holds 67.57% of Value Convergence's issued shares, and is Value Convergence's holding company.

Value Convergence carries on the business of providing (a) online financial trading systems and services to a broad range of customers, including securities and commodities dealers, banks, asset management companies, insurance companies and other financial intermediaries, (b) selected financial services, and (c) securities brokerage, commodity trading and corporate financial advisory services in Hong Kong and PRC. The acquisition of Value Convergence into the Group means that the Group's business has been enlarged considerably and now includes, on top of its existing business, the business of investment banking, financial services and technology services.

OUTLOOK

The Group's business now comprises four divisions, namely, investment banking, financial services and technology division, fine-dining, leisure and tourism division, property investment division and investment and energy division.

Investment Banking, Financial Services and Technology Division

As mentioned above, the Group acquired Value Convergence, a well-established technology solution provider, investment banking, corporate finance and brokerage company. Value Convergence's technology arm, under the iAsia brand name, customizes and sells trading and back office systems and solutions to financial institutions and intermediaries in Asia, and has established a leading market position in the financial applications industry in Hong Kong.

The unit has recently successfully kickstarted the business of supplying computer hardware equipment, intelligent surveillance system, enterprise portal solution, business process workflow re-engineering, IT consultancy services and eCommerce infrastructure to clients in Pearl River Area, PRC. This new business was carried on by two subsidiaries, namely, Elixir Group Limited and Elixir Group (Macau) Limited, which have, after a very short lead time, begun to provide services to prominent companies in Macau such as Sociedade de Jogos de Macau, S.A. and Companhia de Electricidade de Macau. The companies have also formed strategic alliances with world-famous hardware suppliers offering the clients with hardware solutions services that complement the unit's software products. With its established position in Hong Kong and its entry into new markets like Macau and the adjacent Pearl River Area, the unit's prospect looks promising.

The Group's investment banking and financial services unit, which was acquired by the Group from Cheung Kong (Holdings) Limited and Canadian Imperial Bank of Commerce, carries on securities brokerage, commodities trading and corporate finance business under the well-established "VC CEF" and "VC CFN" brand names via traditional means and the Internet. Since the Group's acquisition, the unit has embarked on cost-cutting program involving merging of branches and offices and significant rationalization of costs. As a result, the unit's operating costs were cut by more than HK$20 million per year. With the cost-cutting measures and the unit's successful track record, well-built infrastructure and strong management team, a solid and reliable foundation has been laid for the Group to become a premium regional investment banking group, offering a comprehensive range of quality financial services for a market focused on Hong Kong, Macau and China.

Further, the established operation of the Group's investment banking and financial services business coupled with the technology know-how and infrastructure of the Group's technology unit will lead to development of new products and services. These products and services will transform into enhanced revenue stream and a broadened client base, as more comprehensive range of quality financial services can be delivered to existing or potential clients, retail or institutional alike.

Hong Kong is renowned as an international financial centre and this status will be further reinforced in the long term. The needs for capital markets always exist, so does that for brokerage services. Although the securities and commodities broking and corporate finance businesses of the Group are inevitably suffering from the impacts of the contemporary global economic downturn, the Directors believe that cyclical upturns and downturns is a normal market phenomenon and by entering the market at downturns will allow the Group to capture the opportunities at market upturns and pave the path for a steady growth of business in the future. With the acquisition of the Value Convergence group of companies, the Group will also be able to participate in the investment banking business in the PRC, giving it another valuable business prospect. The Directors are therefore confident that the inclusion of such companies into the Group will position the Group to become a prominent player in the regional financial services industry.

Fine-Dining, Leisure and Tourism Division

The tourism industry in Hong Kong is likely to remain weak in the coming year. In view of the challenging times ahead, the Group has prepared plans to transform the Group's Jumbo and Tai-Pak Floating Restaurants into a modern complex of fine dining, shopping, sightseeing and cultural attraction to be named "Jumbo Kingdom". With its strategic position, unique design and architecture and great fame locally and overseas, Jumbo Kingdom would become an even more popular tourist, recreational and leisure spot after its rebirth. Leveraging on our recognized brand, Jumbo Kingdom will also create more streams of revenue and potential earnings for the Group and will expand the division's business into areas other than fine-dining. The Directors are confident that it will become a spectacular center of attention and tourist attraction in the Southern part of Hong Kong, and, together with other tourist attractions like Ocean Park, will help promote and market Hong Kong's tourism.

Property Investment Division

The rental property market continues to be soft in the coming year. The Group faces a challenging task to maintain full occupancy and existing rentals of its investment property.

Investment and Energy Division

With China's accession to WTO, and the consequential rapid economic growth, the demand for energy in China will increase tremendously. Among the various forms of energy, natural gas is expected to grow most in terms of demand, due to its environmental friendliness, its cost-effectiveness and Government's support of its development. The Group is actively pursuing energy and natural gas distribution and supply projects in China so as to capitalize on the emerging natural gas market.

The Group is also seeking to establish a professional investment company with overseas and local partners. The Group plans to make direct equity and other investments in companies with good prospects in Greater China via this professional investment company.

Conclusion

In conclusion, the year ahead is likely to be tough and difficult, particularly in view of worldwide fear of terrorism, the war in Middle East, and widespread contagious diseases, all having long-lasting adverse effects on local and worldwide economies and tourism. Notwithstanding this and the uncertain times ahead, the Group has begun a transformation process, whereby a lot of hard work has been done to streamline and rebuild the Group's business. When the changes relating to the Group's business are completed, the Group will become a conglomerate with diversified and exciting businesses. On this, I can continue to rely on the loyalty and support of the Group's management and staff, for whose contributions and hard work last year I would like to express my thanks and appreciation.

PUBLICATION OF RESULTS ON THE STOCK EXCHANGE WEBSITE

A detailed results announcement containing all the information required by paragraphs 45(1) to 45(3) of Appendix 16 of the Listing Rules will be published on the Stock Exchange's website in due course.

By Order of the Board
Dr. Stanley Ho
Group Executive Chairman

Hong Kong, 2nd April, 2003

NOTICE OF 88TH ANNUAL GENERAL MEETING

NOTICE is hereby given that the 88th annual general meeting of Melco International Development Limited will be held at 38th Floor, The Centrium, 60 Wyndham Street, Central, Hong Kong on Tuesday, 17th June, 2003 at 3:00 p.m. for the following purposes:

1. To consider and receive the audited financial statements and the reports of the directors and auditors for the financial year ended 31st December, 2002.
2. To re-elect directors and to fix the remuneration of the directors.
3. To appoint auditors and to fix their remuneration, Special Notice having been given pursuant to Sections 116C and 132(1) of the Companies Ordinance of the intention to propose the following resolution as an Ordinary Resolution:–

ORDINARY RESOLUTION

"**THAT** Messrs. PricewaterhouseCoopers be and are hereby appointed auditors of the Company in place of the retiring auditors, Messrs. Ernst & Young, to hold office until conclusion of the next Annual General Meeting at remuneration to be fixed by the board of directors."

4. As special business to consider and, if thought fit, pass the following resolution as an ordinary resolution:

ORDINARY RESOLUTION

"**THAT**:

(a) subject to paragraph (b) of this Resolution, the exercise by the directors of the Company during the Relevant Period of all the powers of the Company to repurchase shares of the Company be and it is hereby generally and unconditionally approved;

(b) the aggregate nominal amount of shares of the Company which may be repurchased on The Stock Exchange of Hong Kong Limited or any other stock exchange recognised for this purpose by the Securities and Futures Commission of Hong Kong and The Stock Exchange of Hong Kong Limited under the Hong Kong Code on Share Repurchases pursuant to the approval in paragraph (a) of this Resolution shall not exceed 10 per cent. of the aggregate nominal amount of the share capital of the Company in issue at the date of passing this Resolution, and the said approval shall be limited accordingly;

(c) for the purposes of this Resolution:

"Relevant Period" means the period from the passing of this Resolution until whichever is the earlier of:-

i. the conclusion of the next annual general meeting of the Company;

ii. the expiration of the period within which the next annual general meeting of the Company is required by the Companies Ordinance to be held; and

iii. the revocation or variation of the authority given under this Resolution by ordinary resolution of the shareholders in general meeting."

5. As special business to consider and, if thought fit, pass the following resolutions as ordinary resolutions:

ORDINARY RESOLUTIONS

(I) "**THAT**:

(a) subject to paragraph (c) of this Resolution and pursuant to Section 57B of the Companies Ordinance, the exercise by the directors of the Company during the Relevant Period of all the powers of the Company to allot, issue and deal with additional shares in the capital of the Company and to make or grant offers, agreements and options (including warrants, bonds, debentures, notes and other securities which carry rights to subscribe for or are convertible into shares of the Company) which might require the exercise of such power be and it is hereby generally and unconditionally approved;

(b) the approval in paragraph (a) of this Resolution shall authorise the directors of the Company during the Relevant Period to make or grant offers, agreements and options (including warrants, bonds, debentures, notes and other securities which carry rights to subscribe for or are convertible into shares of the Company) which might require the exercise of such power after the end of the Relevant Period;

(c) the aggregate nominal amount of share capital allotted or agreed conditionally or unconditionally to be allotted (whether pursuant to an option or otherwise) by the directors of the Company pursuant to the approval in paragraph (a) of this Resolution, otherwise than pursuant to (i) a Rights Issue, (ii) the exercise of any rights of subscription or conversion under any existing warrants, bonds, debentures, notes and other securities issued by the Company which carry rights to subscribe for or are convertible into shares of the Company, (iii) any option scheme or similar arrangement for the time being adopted for the grant or issue to officers and/or employees of the Company and/or any of its subsidiaries of shares or rights to acquire shares of the Company or (iv) any scrip dividend or similar arrangement providing for the allotment of shares in lieu of the whole or part of a dividend on shares of the Company in accordance with the Articles of Association of the Company, shall not exceed the aggregate of:

(aa) 20 per cent. of the aggregate nominal amount of the share capital of the Company in issue at the date of passing this Resolution plus;

(bb) (if the directors of the Company are so authorised by a separate resolution of the shareholders of the Company) the nominal amount of share capital of the Company repurchased by the Company subsequent to the passing of this Resolution (up to a maximum equivalent to 10 per cent. of the aggregate nominal amount of the share capital of the Company in issue at the date of passing this Resolution), and the said approval shall be limited accordingly;

(d) for the purposes of this Resolution:

"Relevant Period" means the period from the passing of this Resolution until whichever is the earlier of:-

i. the conclusion of the next annual general meeting of the Company;

ii. the expiration of the period within which the next annual general meeting of the Company is required by the Companies Ordinance to be held; and

iii. the revocation or variation of the authority given under this Resolution by ordinary resolution of the shareholders in general meeting; and

"Rights Issue" means an offer of shares of the Company or issue of options, warrants or other securities giving the right to subscribe for shares of the Company, open for a period fixed by the directors of the Company to holders of shares whose names appear on the register of members of the Company (and, where appropriate, to holders of other securities entitled to the offer) on a fixed record date in proportion to their then holdings of such shares of the Company (or, where appropriate, such other securities), (subject in all cases to such exclusions or other arrangements as the directors of the Company may deem necessary or expedient in relation to fractional entitlements or having regard to any restrictions or obligations under the laws of, or the requirements of any recognised regulatory body or any stock exchange in, any territory applicable to the Company)."

(II) "**THAT** the directors of the Company be and they are hereby authorised to exercise the powers of the Company referred to in paragraph (a) of the resolution set out as Resolution (I) in item 5 of the notice of this meeting in respect of the share capital of the Company referred to in sub-paragraph (bb) of paragraph (c) of such resolution."

6. As special business to consider and, if thought fit, pass the following resolution as an ordinary resolution:

ORDINARY RESOLUTION

"**THAT** the authorisation by the Company's Subsidiary ("the Company's Subsidiary"), Value Convergence Holdings Limited, a company listed on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited ("Stock Exchange") of its directors to grant at their discretion, in accordance with the terms of the share option scheme of the Company's Subsidiary adopted on 29th November, 2001 ("Share Option Scheme"), all applicable laws and the requirements of the Rules Governing the Listing of Securities on the Growth Enterprise Market of the Stock Exchange as may be amended from time to time, share options of the Company's Subsidiary ("Share Options") and to allot and issue shares pursuant to the exercise of such Share Options up to 10% of the issued share capital of the Company's Subsidiary as at the date of passing of an ordinary resolution of the Company's Subsidiary on 9th April, 2003 (subject to such corresponding change in the issued share capital of the Company's Subsidiary upon the Capital Reorganisation (as defined in the circular of the Company's Subsidiary dated 13th March, 2003 despatched to the shareholders of the Company's Subsidiary)) be and is hereby confirmed and approved."

By Order of the Board
Tsang Yuen Wai, Samuel
Secretary

Hong Kong, 2nd April, 2003

Registered Office:
38th Floor, The Centrium,
60 Wyndham Street,
Central
Hong Kong

Notes:

1. A member of the Company entitled to attend and vote at the meeting convened by the notice is entitled to appoint one or more proxies to attend and on a poll vote in his stead. A proxy need not be a member of the Company.

2. In order to be valid, a form of proxy must be deposited at the Company's registered office together with a power of attorney or other authority, if any, under which it is signed or a notarially certified copy of that power of attorney or authority, not less than 48 hours before the time for holding the meeting or adjourned meeting.

3. The register of members will be closed from Friday, 13th June, 2003 to Tuesday, 17th June, 2003, both days inclusive, during which period no transfer of shares will be effected. In order to determine the identity of shareholders who are entitled to attend and vote at the meeting, all transfers accompanied by the relevant share certificates must be lodged with the Company's Registrars, Standard Registrars Limited, G/F., BEA Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong not later than 4:00 p.m. on Thursday, 12th June, 2003.

4. With regard to item 4 above, the directors wish to draw the attention of the shareholders to the circular which summarises the more important provisions of the Listing Rules relating to the repurchase of shares on The Stock Exchange of Hong Kong Limited by a company and will be despatched to the shareholders together with the annual report. The present general mandate to repurchase shares given by the shareholders expires at the forthcoming annual general meeting and, accordingly, a renewal of that general mandate is now being sought.

5. With regard to item 5 above, the directors wish to state that, currently, they have no plans to issue any additional new shares of the Company (other than pursuant to any of items (ii), (iii) or (iv) contained in paragraph (c) of the Resolution (I)). The present general mandate to issue shares given by the shareholders expires at the forthcoming annual general meeting and, accordingly, a renewal of that general mandate is now being sought.

Please also refer to the published version of this announcement in The Standard dated on 3-4-2003.