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**POSSIBLE ACQUISITION OF 70% INTEREST IN A PRC JOINT STOCK LIMITED COMPANY  
CARRYING ON THE BUSINESS OF SUPPLY OF NATURAL GAS**

**Financial Adviser to Melco International Development Limited**



On 10th July 2002, Melco, Mr. Zhang and Tongda Energy entered into an Agreement in principle for Melco to acquire 70% equity interest in Tongda Energy from Mr Zhang for a consideration of RMB160 million (HK\$151.15 million). Tongda Energy is a PRC joint stock limited company principally engaged in the business of supply of natural gas in the PRC. Of the consideration, an amount of RMB140.61 million (about HK\$132.83 million) will be paid in cash and the balance of RMB19.39 million will be satisfied by Melco by the issue of 3,641,315 new shares at a price of HK\$5.03 per share of Melco. The timetables for the cash payments and share issues will be discussed and agreed between Melco and Mr. Zhang at a later stage. **The parties are to negotiate and enter into a formal agreement in relation to the Transaction.** Completion of the Transaction is subject to the entering into a formal agreement and the fulfilment of certain conditions precedent as set out below.

If the Transaction materialises, it will constitute a notifiable transaction for Melco under Chapter 14 of the Listing Rules and Melco will issue circular providing details of the Transaction upon signing of the formal agreement giving effect to the Transaction. **Shareholder and potential investors should note that as the Agreement in Principle is conditional, the Transaction may or may not proceed. Accordingly, shareholders and potential investors should exercise caution in dealing in the Shares.**

**IN-PRINCIPLE AGREEMENT DATED 10TH JULY 2002**

**Parties:**

- Melco:** Melco International Development Limited
- Mr. Zhang:** 張繼平 (Mr. Zhang Jiping), an Independent Third Party
- Tongda Energy:** 通達能源股份有限公司 (Tongda Energy Corporation Limited), an Independent Third Party. Tongda Energy will undergo reorganization prior to the Transaction. Immediately after the reorganisation, Tongda Energy will be 100% beneficially owned by Mr Zhang. After the proposed sale of 70% equity interest of Tongda Energy to Melco, Mr Zhang will beneficially hold the remaining 30% equity interest of Tongda Energy.

**Transaction:** On fulfilment of the conditions precedent, Melco will acquire 70% equity interest in Tongda Energy, a PRC joint stock limited company carrying on the business of supply of natural gas in the PRC, from Mr. Zhang for a consideration of RMB160 million (about HK\$151.15 million). The consideration is arrived at after arm's length negotiation between the parties taking into account of the net asset value and the potential of Tongda Energy.

**Manner of Payment of Consideration:** Of the consideration of RMB160 million (about HK\$151.15 million), an amount of RMB140.61 million (about HK\$132.83 million) will be paid in cash. The balance of RMB19.39 million (about HK\$18.32 million) will be satisfied by issue of the New Shares. The timetables for the cash payments and share issues will be discussed and agreed between Melco and Mr. Zhang at a later stage. The cash payment will be settled by internal resources of the Group.

The New Shares to be issued represent approximately 3% of the existing issued share capital of Melco and 2.92% of issued share capital as enlarged by the issue of the New Shares. The issue price of HK\$5.03 per Share represents a premium of 220.4% to the closing price of the Shares of HK\$1.57 on the Stock Exchange on 10 July 2002 and a premium of approximately 212.4 % to the average closing price for the last 10 days of HK\$1.61, up to and including 10 July, 2002.

If the Transaction eventuates, the Directors will decide on whether the issue of the New Shares be subject to a general mandate or a specific mandate to be obtained from shareholders at a general meeting of Melco.

**Conditions Precedent:** Completion of the Transaction is subject to the following conditions precedent:

- (a) Melco and/or Melco's professional advisors, after executing a confidentiality agreement, being able to carry out due diligence in respect of Tongda Energy and its business and financial condition and the due diligence result can verify the accuracy and reliability of the balance sheet and profit and loss accounts of Tongda Energy as at and up to the period ended 30th June 2002 and the profit forecast of Tongda Energy for the years 2003 and 2004, supplied by Tongda Energy;
- (b) Melco and Melco's professional advisors being able to verify the accuracy and reliability of all information relating to Tongda Energy (including, but not limited to, the projected cashflow and valuation), supplied by Tongda Energy;

- (c) Melco's board of directors giving its approval to the Transaction:
- (d) The parties of the Agreement in Principle having agreed and signed detailed legal documentation to provide for and give effect to the Transaction (including, but not limited to, a detailed share sale and purchase agreement and a shareholders' agreement);
- (e) Melco's giving an assurance that Melco will, within two to three years after becoming a shareholder of Tongda Energy, arrange for the listing of Tongda Energy in Hong Kong or overseas (the timing of the proposed listing of Tongda Energy will be subject to mutual agreement of the relevant parties taking into consideration of the market condition and the performance of Tongda Energy and any applicable laws and regulations);
- (f) Any necessary approval(s) required under the Hong Kong Listing Rules to enable Melco to enter into and/or complete the Transaction are obtained; and
- (g) Any necessary approval(s) (including but not limited to approval required for the sale of shares in Tongda Energy) required to be obtained from relevant government department(s) (including, but not limited to, Ministry of Foreign Trade and Economic Cooperation) and creditor(s) of Tongda Energy is(are) obtained.

None of the above conditions precedent has been fulfilled as of 10th July, 2002 and these conditions must be satisfied within 90 days after the signing of the Agreement in Principle (or such other time limit as the parties to the Agreement in Principle may agree). If the conditions precedent are not satisfied as aforesaid, Melco is entitled to terminate the Agreement In Principle free from any claims by written notice to the other parties of the Agreement in Principle.

Currently there is no definite timetable for the proposed listing of Tongda Energy. The proposed listing, if eventuates, will be subject to the applicable listing requirements of the relevant stock exchanges.

## **TONGDA ENERGY'S BUSINESS:**

Tongda Energy was incorporated on 22nd January, 1998 and presently carries on the business of supplying natural gas to 12 cities in PRC including Yuhang in Zhejiang Province, Yucheng and Laizhou in Shangdong Province and Longchuan in Guangdong Province. Upon completion of the Transaction, Tongda Energy will continue its existing business.

Melco will disclose the latest financial information such as net assets value and profit and loss of Tongda Energy in the announcement providing details of the formal agreement.

## **MELCO'S BUSINESS:**

Melco is an investment holding company. It presently carries on the business of restaurant operation and property investment through its subsidiaries. The Directors are of the view that it will be in the interest of Melco to acquire Tongda Energy in order to tap the potential of the natural gas market in the PRC.

## **BENEFITS OF TRANSACTION:**

The Transaction will enable the Group to diversify its business segment and geographical location as stated in Melco's annual report for the year ended 31 December, 2001. The Directors do not have any present intention to change the existing business of Melco upon the completion of the Transaction.

## **GENERAL**

This announcement appears for information purposes only and does not constitute an invitation or offer to acquire, purchase or subscribe for securities of Melco. Application will be made to the Stock Exchange for listing of and permission to deal in the New Shares in due course.

**Shareholders and potential investors should note that as the Agreement in Principle is conditional, the Transaction may or may not proceed. Accordingly, shareholders and potential investors should exercise caution in dealing in the Shares.**

If the Transaction materialises, it will constitute a notifiable transaction for Melco under Chapter 14 of the Listing Rules and Melco will issue circular providing details of the Transaction upon signing of the legal documents giving effect to the Transaction. Further announcement(s) will be made by Melco in compliance with the requirements of the Listing Rules as and when required.

## **DEFINITIONS**

“Agreement in Principle”	the Agreement dated 10th July 2002 entered into in principle between Melco, Mr. Zhang and Tongda Energy relating to the Transaction
“Directors”	the directors of Melco including the independent non-executive directors
“Group”	Melco and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Third Party”	an independent third party not connected with the Directors, chief executive or substantial shareholders of Melco or any of its subsidiaries or their respective associates as defined under the Listing Rules.

“Listing Rules”	The Rules Governing the Listing of Securities on the Stock Exchange
“Melco”	Melco International Development Limited, the securities of which are listed on the Stock Exchange
“Mr. Zhang”	Mr. Zhang Jiping (張繼平)
“New Shares”	3,641,315 new Shares which may fall to be issued in partial satisfaction of the consideration payable by Melco for the Transaction
“PRC”	The People’s Republic of China
“RMB”	Renminbi, the lawful currency of the PRC
“Shares”	Shares of HK\$1.00 each in the capital of Melco
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Tongda Energy”	Tongda Energy Corporation Limited, a PRC Joint Stock Limited Company incorporated on 22nd January 1998
“Transaction”	the transaction of sale and purchase of 70% interest in Tongda Energy provided under the Agreement in Principle

In this announcement, an exchange rate of 1 RMB to HK\$0.9447 has been used.

By Order of the Board of  
**Melco International Development Limited**  
**Lawrence Ho**  
*Managing Director*

10th July 2002, Hong Kong

Please also refer to the published version of this announcement in the The Standard.