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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)

*(A company listed on the Main Board of
Hong Kong Stock Exchange)*



VALUE CONVERGENCE HOLDINGS LIMITED

滙盈控股有限公司

(Incorporated in Hong Kong with limited liability)

*(A company listed on the Growth Enterprise Market
of Hong Kong Stock Exchange)*

JOINT ANNOUNCEMENT CONNECTED TRANSACTION

SUMMARY

On 17 December 2003, Elixir Macau, an indirect subsidiary of VC and Melco, has entered into the Service Arrangement with Mocha Slot for the provision of information technology related services (consisting of system integration services and system network services) to Mocha Slot for a consideration of about US\$258,000 (about HK\$2 million).

Mocha Slot is a connected person for the purpose of the Main Board Listing Rules and the GEM Listing Rules by virtue of the fact that Mr. Lawrence Ho, who is an executive director of Melco and VC, has more than 30% equity interest in and is a director of Mocha Slot. The entering into of the Service Arrangement constitutes a connected transaction for Melco and VC under the Main Board Listing Rules and the GEM Listing Rules respectively. However, as the consideration is less than the higher of HK\$10,000,000 or 3% of (a) the unaudited proforma adjusted consolidated net tangible assets of Melco Group as disclosed in the rights issue prospectus of Melco dated 29 August 2003; and (b) the unaudited adjusted consolidated net tangible assets of VC Group as at 30 September 2003, it is exempted from shareholders' approval requirements under the Main Board Listing Rules and the GEM Listing Rules. Details of the Service Arrangement will be included in the next published annual reports and accounts of Melco and VC in accordance with Rule 14.25(1) of the Main Board Listing Rules and Rule 20.34 of the GEM Listing Rules.

The boards of directors (including the independent non-executive directors) of Melco and VC, consider that the terms of the Service Arrangement are fair and reasonable, are upon normal commercial terms, are arrived at after arm's length negotiations in the ordinary and usual course of business of Melco Group and VC Group and are in the interests of Melco and VC and their respective shareholders as a whole.

The directors of Melco and VC are pleased to announce that on 17 December 2003, the following arrangement was entered into:

THE SERVICE ARRANGEMENT

Date: 17 December 2003

Parties: (i) Elixir Macau
(ii) Mocha Slot

The expected completion date of the provision of the information technology related services to Mocha Slot pursuant to the Service Arrangement, including the delivery and installation of the relevant hardware equipment and setting up of the relevant computer network for the same, is around late December 2003. Save for the Service Arrangement, the directors of VC are not currently aware that Mocha Slot will place further orders for the same kind of services to Elixir Macau. As such, the directors of VC consider that the Service Arrangement is a one-off project as distinct from project on a regular basis.

Services to be provided by Elixir Macau:

The services to be provided by Elixir Macau consist of (i) system integration services, including liaison with, and procurement of other hardware suppliers to provide hardware equipment, namely, several electronic gaming machines, to an electronic gaming machines centre of Mocha Slot's client and installation of the same on such centre and (ii) system network services, including the setting up of the relevant computer network for such equipment.

Consideration

The consideration is determined by arm's length negotiations between both parties with reference to the estimated costs of (i) the relevant hardware equipment; and (ii) the resources to be incurred by Elixir Macau for installing the same and provision of the related information technology services to Mocha Slot. Mocha Slot shall pay an aggregate service fee of about US\$258,000 (about HK\$2 million) to Elixir Macau. The fees charged by Elixir Macau to Mocha Slot are no less favourable to Elixir Macau than those charged by it or would have been charged by it to independent third parties.

Payment Terms

Upon delivery and installation of the relevant hardware equipment (expected to be at or before the end of December 2003), Mocha Slot shall pay part of the service fee of about US\$151,000 (about HK\$1,170,000). The remaining balance of the service fee of about US\$107,000 (about HK\$830,000) will be payable by 18 equal monthly installments commencing from the month following payment of the initial amount. The said 18 monthly payment schedule was identical to the terms offered by relevant suppliers to Elixir Macau.

REASONS FOR ENTERING INTO THE SERVICE ARRANGEMENT

Elixir Macau is a wholly owned subsidiary of Elixir Group Limited, which is owned as to about 77.5% by VC and is an indirect subsidiary of Melco. Elixir Macau and Elixir Group Limited were incorporated in July 2002 for the purposes of promoting financial trading systems, system integration services and other software and hardware solutions to clients in Macau and the Pearl River Delta Area of the PRC.

With its established business track record, the directors of Melco and VC are confident that Elixir Macau would be able to capture more business opportunities with companies engaged in retail, entertainment and hospitality industries in Macau and the PRC, thereby enabling VC Group to broaden the client base and income stream. The Service Arrangement is made towards achieving that objective.

The boards of directors (including the independent non-executive directors) of Melco and VC consider that the terms of the Service Arrangement are fair and reasonable, are on normal commercial terms, are arrived at after arms-length negotiations in the ordinary and usual course of business of Melco Group and VC Group and are in the interests of Melco and VC and their respective shareholders as a whole.

CONNECTED PERSON

Mocha Slot is a company incorporated under the laws of British Virgin Islands and is principally engaged in the business of supplying gaming machines and related services to gaming operators in Macau.

By virtue of the fact that Mr. Lawrence Ho, who is an executive director of Melco and VC, has more than 30% equity interest in and is a director of Mocha Slot, Mocha Slot is a connected person of Melco and VC under the Main Board Listing Rules and the GEM Listing Rules respectively. As such, the entering into of the Service Arrangement constitutes a connected transaction for Melco and VC under the Main Board Listing Rules and the GEM Listing Rules respectively. However, as the consideration is less than the higher of HK\$10,000,000 or 3% of (a) the unaudited proforma adjusted consolidated net tangible assets of Melco Group as disclosed in the rights issue prospectus of Melco dated 29 August 2003; and (b) the unaudited adjusted consolidated net tangible assets of VC Group as at 30 September 2003, it is exempted from shareholders' approval requirements under the Main Board Listing Rules and the GEM Listing Rules. Details of the Service Arrangement will be included in the next published annual reports and accounts of Melco and VC in accordance with Rule 14.25(1) of the Main Board Listing Rules and Rule 20.34 of the GEM Listing Rules.

GENERAL INFORMATION OF MELCO GROUP AND VC GROUP

The Melco Group's business is divided into five divisions, namely, (i) investment banking and financial services division; (ii) technology division; (iii) fine-dining, leisure and tourism division; (iv) property investment division; and (v) investment and energy division. VC Group is the flagship of Melco Group in its investment banking and financial services division and technology division.

The VC Group is principally engaged in the provision of comprehensive online trading and related systems to financial institutions and intermediaries principally in Asia. The VC Group is also engaged in broking and dealing for clients in securities and futures and option contracts mainly on the Stock Exchange in Hong Kong and the provision of other related financial services including margin financing, securities underwriting, placing arrangement, assets management and corporate finance advisory services focusing on Hong Kong, Macau and the PRC markets.

DEFINITIONS

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

“connected person”	has the same meaning as defined in the GEM Listing Rules and the Main Board Listing Rules (as the case may be)
“Elixir Macau”	Elixir Group (Macau) Limited, a company incorporated in Macau with limited liability and is a wholly owned subsidiary of Elixir Group Limited, which is owned as to about 77.5% by VC and as to about 22.5% by independent third parties who are not connected with the directors, chief executive, substantial shareholders or management shareholders of VC or any of their respective associates
“GEM”	the Growth Enterprise Market operated by the Stock Exchange
“GEM Listing Rules”	the Rules Governing the Listing of Securities on GEM
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Macau”	the Macau Special Administrative Region of the People’s Republic of China
“Main Board”	the stock market operated by the Stock Exchange prior to the establishment of GEM (excluding the option market) and which stock market continues to be operated in parallel with GEM
“Main Board Listing Rules”	The Rules Governing the Listing of Securities on the Main Board
“Melco”	Melco International Development Limited, a company incorporated in Hong Kong, the securities of which are listed on Main Board
“Melco Group”	Melco and its subsidiaries including VC Group

“Mocha Slot”	Mocha Slot Group Limited, a company incorporated under the laws of British Virgin Islands
“Mr. Lawrence Ho”	Mr. Ho Yau Lung, Lawrence, the Managing Director of Melco and the President, Vice-chairman and Executive Director of VC
“Service Arrangement”	the Service Arrangement entered into with Mocha Slot on 17 December 2003 pursuant to which Elixir Macau will provide certain information technology related services including the system integration and system network services to Mocha Slot
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“VC”	Value Convergence Holdings Limited, a company incorporated in Hong Kong, the securities of which are listed on GEM
“VC Group”	VC and its subsidiaries
“US\$”	United States dollars, the lawful currency of the United States

For the purpose of this announcement, the amount in US\$ is translated into HK\$ at an exchange rate of US\$1.00: HK\$7.78.

By order of the board of
Melco International Development Limited
Lawrence Ho
Managing Director

By order of the board of
Value Convergence Holdings Limited
Lawrence Ho
President and Vice Chairman

Hong Kong, 17 December 2003

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