
THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect about this circular or as to the action to be taken, you should consult your stockbroker or other registered dealer in securities, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in Melco International Development Limited (“Melco”), you should at once hand this circular together with the enclosed form of proxy, to the purchaser or the transferee or to the bank, stockbroker or other agent through whom the sale was effected for transmission to the purchaser or transferee.

The Stock Exchange of Hong Kong Limited takes no responsibility for the contents of this circular, makes no representation as to its accuracy or completeness and expressly disclaims any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this circular.

This circular is addressed to the shareholders of Melco in connection with the Extraordinary General Meeting to be held on 10th December, 2002. This circular is for information only and does not constitute an invitation or offer to acquire or subscribe for securities in Melco.

**Melco International Development Limited**

(incorporated in Hong Kong with limited liability)

Connected and possible discloseable transaction

**Joint independent financial advisers to the
independent board committee of Melco International Development Limited**

JS CRESVALE**JS Cresvale Securities International Limited****MasterLink Securities (H.K.) Corp. Ltd.**

A letter of advice from JS Cresvale Securities International Limited and MasterLink Securities (H.K.) Corp. Ltd., the joint independent financial advisers to the independent board committee (the “Independent Board Committee”) of Melco, is set out on pages 17 to 26 of this circular. The recommendations of the Independent Board Committee to the independent shareholders of Melco are set out on page 16 of this circular.

A notice convening an extraordinary general meeting of Melco to be held at 28th Floor, The Centrium, 60 Wyndham Street, Central, Hong Kong on 10th December, 2002 at 12:00 noon is set out on page 31 of this circular. A form of proxy for use of the extraordinary general meeting is enclosed. Whether or not you are able to attend such meeting, please complete and return the enclosed form of proxy in accordance with the instructions printed thereon to the registered office of Melco at 28th Floor, The Centrium, 60 Wyndham Street, Central, Hong Kong, as soon as possible and in any event not less than 48 hours before the time appointed for holding such meeting or any adjourned meeting (as the case may be). Completion and return of the form of proxy will not preclude you from attending and voting at the meeting or any adjourned meeting (as the case may be) should you so wish.

16th November, 2002

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DEFINITIONS

In this circular, the following expressions have the following meanings, unless the context requires otherwise:

“Acquisition”	the acquisition by iAsia pursuant to the Sale and Purchase Agreement;
“Announcement”	the press announcement dated 12th October, 2002 jointly issued by Melco and iAsia;
“associate(s)”	has the meaning ascribed to it under the Listing Rules or the GEM Listing Rules, as the case maybe;
“Bailey Development”	Bailey Development Limited, a substantial shareholder of iAsia holding approximately 10.85% of the issued share capital of iAsia. Bailey Development is owned as to 65% by Dr. Ho, 5% by Dr. Lee, 15% by Mrs. Lee Wong Fun Chong, the mother of Dr. Lee, 5% by Mr. Lee Sing Man, the father of Dr. Lee, 5% by Ms. Leong On Kei, Angela, a non-executive director of iAsia, and the remaining 5% by two independent persons;
“Board”	the board of Directors;
“Bonus Issue”	a bonus issue of iAsia shares on the basis of two Bonus Shares for every three subscribed and fully paid Rights Shares;
“Bonus Shares”	the bonus shares to be issued to subscribers of the Rights Shares pursuant to the Bonus Issue;
“business day”	a day (other than a Saturday or Sunday) on which banks are open for general interbank business in Hong Kong;
“CEF Brokerage”	CEF Brokerage Limited, a company incorporated in Hong Kong on 5th March, 1992 and a securities dealer registered under the Securities Ordinance (Chapter 333 of the Laws of Hong Kong);
“CEF Capital”	CEF Capital Limited, a company incorporated in Hong Kong on 8th July, 1986 and a securities dealer registered under the Securities Ordinance (Chapter 333 of the Laws of Hong Kong);
“CEF Companies”	CEF Brokerage, CEF Capital and CEF Futures or any combination of these three companies;
“CEF Futures”	CEF Futures Limited, a company incorporated in Hong Kong on 12th December, 1995 and a commodity dealer registered under the Commodities Trading Ordinance (Chapter 250 of the Laws of Hong Kong);

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“Completion”	completion of the Sale and Purchase Agreement;
“Company”	Melco
“connected persons” or “connected with”	have the meanings ascribed to them under the Listing Rules, or the GEM Listing Rules, as the case maybe;
“Directors”	directors of Melco;
“Dr. Ho”	Dr. Stanley Ho, an executive director of iAsia and Melco, and the father of Mr. Lawrence Ho;
“Dr. Lee”	Dr. Lee Jun Sing, a director of iAsia and a director and shareholder of Bailey Development;
“Executive”	the Executive Director of the Corporate Finance Division of the Securities and Futures Commission and any delegate of the Executive Director;
“Extraordinary General Meeting”	the extraordinary general meeting of the Shareholders to be convened on 10th December, 2002 to consider and, if thought fit, approve, the Underwriting Agreement;
“GEM”	Growth Enterprise Market operated by the Stock Exchange;
“GEM Listing Rules”	the rules governing the listing of securities on GEM;
“Golden Mate”	Golden Mate Co., Ltd., a company wholly beneficially owned by Mr. Lawrence Ho;
“Group” or “Melco Group”	the Company and its subsidiaries from time to time;
“HK\$” and “cents”	Hong Kong dollars and cents, the lawful currency of Hong Kong;
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC;
“iAsia”	iAsia Technology Limited, a company incorporated in Hong Kong and the securities of which are listed on GEM;
“iAsia Group”	iAsia and its subsidiaries from time to time;
“iAsia share(s)”	share(s) of HK\$0.10 each in the capital of iAsia;

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“Independent Board Committee”	an independent committee of the Board comprising Sir Roger Lobo and Mr. Robert Kwan appointed to advise the Independent Shareholders of the Company in respect of the Underwriting Agreement;
“Independent Shareholders of the Company”	shareholders of the Company other than Dr. Ho, Madam Lucina Laam King Ying, Lasting Legend, Shun Tak Shipping and their respective associates;
“Independent Shareholders of iAsia”	shareholders of iAsia other than Bailey Development, Golden Mate, Best Summit International Limited, Capital Speed Limited, Newport Limited, Pioneer Asset Investment Limited, Longson Limited, Mr. Robin Miles, Mr. So Wing Hung, Peter, their respective associates and parties acting in concert with each of them;
“JS Cresvale”	JS Cresvale Securities International Limited, an investment adviser and a securities dealer registered under the Securities Ordinance (Chapter 333 of the Laws of Hong Kong), one of the joint independent financial advisers to the Independent Board Committee regarding the Underwriting Agreement;
“Lasting Legend”	Lasting Legend Limited, a company incorporated in the British Virgin Islands and wholly beneficially owned by Mr. Lawrence Ho;
“Latest Practicable Date”	13th November, 2002, the latest practicable date for ascertaining certain information for inclusion in this circular;
“Listing Rules”	the rules governing the listing of securities on the main board of the Stock Exchange;
“MasterLink”	MasterLink Securities (H.K.) Corp. Ltd., an investment adviser and a dealer registered under the Securities Ordinance (Chapter 333 of the Laws of Hong Kong), one of the joint independent financial advisers to the Independent Board Committee regarding the Underwriting Agreement;
“Melco”	Melco International Development Limited, a company incorporated in Hong Kong and the securities of which are listed on the main board of the Stock Exchange;
“Mr. Lawrence Ho” or “Mr. Ho, Lawrence”	Mr. Ho Yau Lung, Lawrence, an executive director of iAsia and Melco, and the son of Dr. Ho;
“PRC” or “China”	the People’s Republic of China;

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“Prospectus”	the prospectus to be issued by iAsia in relation to the Rights Issue and the Bonus Issue;
“Qualifying Shareholders”	the shareholders of iAsia whose names appear on the register of members of iAsia at the close of business on the Record Date and who are not overseas shareholders;
“Record Date”	31st December, 2002, being the date by reference to which entitlements under the Rights Issue will be determined;
“Rights Issue”	the proposed issue of the Rights Shares at the Subscription Price on and subject to the terms and conditions as set in this circular;
“Rights Issue Documents”	the Prospectus, the excess application forms and the provisional allotment letters relating to the Rights Issue;
“Rights Share(s)”	iAsia share(s) to be offered to Qualifying Shareholders under the Rights Issue;
“Sale and Purchase Agreement”	the conditional sale and purchase agreement dated 28th September, 2002 entered into between iAsia and the Vendors in relation to the sale and purchase of the entire issued share capital of CEF Brokerage, CEF Futures and CEF Capital;
“SDI Ordinance”	Securities (Disclosure of Interest) Ordinance (Chapter 396 of the Laws of Hong Kong);
“Shareholder(s)”	holder(s) of the Share(s);
“Share(s)”	ordinary share(s) of HK\$1.00 each in the share capital of Melco;
“Shun Tak Shipping”	Shun Tak Shipping Company Limited, a company in which Dr. Ho holds 27.78% shareholding interest and is a director;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“Subscription Price”	HK\$0.10 per Rights Share;
“Takeovers Code”	the Code on Takeovers and Mergers issued by the Securities and Futures Commission;
“Underwriting Agreement”	the underwriting agreement dated 28th September, 2002 entered into between Melco and iAsia as amended by a supplemental agreement dated 9th October, 2002 entered into between the parties;

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“Vendors”	CEF Holdings Limited and CEF Brokerage Holdings Limited;
“Whitewash Waiver”	a waiver by the Executive pursuant to note 1 of the notes on dispensations from rules 26 of the Takeovers Code from the obligations of Melco and parties acting in concert with it to make a general offer for all the securities in iAsia not already owned or agreed to be acquired by them which might otherwise arise as a result of Melco subscribing for the Rights Shares under the Underwriting Agreement.

LETTER FROM THE BOARD



Melco International Development Limited

(incorporated in Hong Kong with limited liability)

Executive Directors:

Dr. Stanley Ho, *Chairman*
Mr. Lawrence Ho, *Managing Director*
Mr. Frank Tsui,
Mr. So Wing Hung, Peter

*Registered Office, Head Office and
Principal Place of Business:*

28th Floor, The Centrium,
60 Wyndham Street,
Central,
Hong Kong

Non-Executive Director:

Mr. Ho Cheuk Yuet

Independent Non-Executive Directors:

Sir Roger Lobo
Mr. Robert Kwan

16th November, 2002

To the Shareholders

Dear Sir or Madam,

Connected and possible discloseable transaction

On 12th October, 2002, the Board announced that the Company had on 28th September, 2002 entered into the Underwriting Agreement with iAsia under which the Company would act as the sole underwriter of the Rights Issue. It was stated in the Announcement that iAsia proposed a Rights Issue of not less than 1,020,664,287 Rights Shares at HK\$0.10 per Rights Share in the proportion of three Rights Shares for every two existing iAsia shares held with a Bonus Issue in the proportion of two Bonus Shares for every three subscribed and fully paid Rights Shares.

As mentioned in the Announcement, the Rights Issue is conditional, among other things, upon (a) completion of the Sale and Purchase Agreement, and (b) approval of the Independent Shareholders of iAsia. The Underwriting Agreement is conditional upon the Executive granting to the Company the Whitewash Waiver, for which an application has been submitted. The underwriting of the Rights Issue by the Company constitutes a connected and possible discloseable transaction for the Company and is subject to approval by the Independent Shareholders of the Company.

LETTER FROM THE BOARD

If none of the Qualifying Shareholders take up any provisional allotments of the Rights Shares and the Company does not procure other independent parties to take up such Rights Shares not taken up by the Qualifying Shareholders, the provisional allotment of the Rights Shares to all Qualifying Shareholders will be taken up by the Company in its capacity as the underwriter with the result that the Company, its associates and parties acting in concert with it would be interested in approximately 79.8% of the issued share capital of iAsia, as enlarged by the issue of the Rights Shares and the Bonus Shares assuming none of the options of iAsia is exercised prior to the Record Date. In such an event, the Company has undertaken to take steps as soon as practicable following the close of the Rights Issue to place down the iAsia shares held so that the public float of iAsia is not less than 20% of the enlarged issued share capital of iAsia.

The Independent Board Committee has been established to advise the Independent Shareholders of the Company in relation to the Underwriting Agreement. JS Cresvale and MasterLink have been appointed as the joint independent financial advisers to advise the Independent Board Committee in relation to the Underwriting Agreement. The purpose of this circular is to provide you with further information regarding the Underwriting Agreement and iAsia and to set out recommendation of the Independent Board Committee to the Independent Shareholders of the Company as regards the Underwriting Agreement based on the advice of JS Cresvale and MasterLink and to give you notice of the Extraordinary General Meeting.

THE UNDERWRITING AGREEMENT

Underwriting

On 28th September, 2002, the Company and iAsia entered into the Underwriting Agreement, under which the Company agreed to act as the sole underwriter of the Rights Issue. Subject to the fulfilment of the conditions contained in the Underwriting Agreement,

- (i) assuming that none of the subscription rights attaching to the outstanding options in iAsia (which are exercisable during the period from 10th October, 2001 to 8th July, 2012) are exercised prior to the Record Date:
 - the balance of the Rights Shares amounting to 1,020,664,287 Rights Shares (with entitlement to the Bonus Shares) will be underwritten by the Company.

- (ii) assuming that all the subscription rights attaching to the outstanding options in iAsia are exercised prior to the Record Date:
 - the balance of the Rights Shares amounting to 1,138,282,230 Rights Shares (with entitlement to the Bonus Shares) will be underwritten by the Company.

The Company intends to procure independent investors to take up Rights Shares not taken up by the Qualifying Shareholders, failing which the Company will take up such Rights Shares itself.

LETTER FROM THE BOARD

In the event that all the Rights Shares underwritten are taken up by the Company, the Company, its associates and parties acting in concert with it (being Dr. Ho, Mr. Lawrence Ho, Bailey Development, Dr. Lee, Golden Mate and Mr. So Wing Hung, Peter, who is an executive director of the Company) will be interested in:

- (a) assuming none of the subscription rights attaching to the outstanding options in iAsia are exercised prior to the Record Date and none of the Qualifying Shareholders take up their entitlements under the Rights Issue:
 - an aggregate of 1,900,483,878 iAsia shares representing approximately 79.80% of the enlarged issued share capital of iAsia upon completion of the Rights Issue and the Bonus Issue,
- (b) assuming that all the subscription rights attaching to the outstanding options in iAsia are exercised by their existing holders prior to the Record Date and none of the Qualifying Shareholders take up their entitlements under the Rights Issue:
 - an aggregate of 2,120,969,554 iAsia shares representing approximately 79.86% of the enlarged issued share capital of iAsia upon completion of the Rights Issue and the Bonus Issue,
- (c) assuming that all the subscription rights attaching to the outstanding options in iAsia are exercised by their existing holders prior to the Record Date and all of the Qualifying Shareholders take up their entitlements under the Rights Issue:
 - an aggregate of 783,413,743 iAsia shares representing approximately 29.49% of the enlarged issued share capital of iAsia upon completion of the Rights Issue and the Bonus Issue.

In the event that less than 20% of the issued share capital of iAsia should be held by the public after the Rights Issue, the Company has undertaken to take steps as soon as practicable following the close of the Rights Issue to place down the iAsia shares held so that the public float of iAsia is not less than 20% of the enlarged issued share capital of iAsia.

Conditions of the Underwriting Agreement

The Underwriting Agreement is conditional upon:

- a. the signing by or on behalf of the directors of iAsia of not less than six copies of each of the Rights Issue documents on or prior to the Prospectus posting date;
- b. the delivery of one such copy of each of the Rights Issue Documents to the Company and the Stock Exchange on or prior to the Prospectus posting date;
- c. the filing with and registration of one copy of each of the Rights Issue Documents (and all documents required to be attached thereto) by the Registrar of Companies in Hong Kong prior to the Prospectus posting date in compliance with the Companies Ordinance (Cap. 32 of the Laws of Hong Kong);

LETTER FROM THE BOARD

- d. the passing by the shareholders of iAsia at the extraordinary general meeting of iAsia of the special resolutions to amend articles 10, 62 and 142 of the Articles of Association of iAsia to permit the exclusion of the overseas shareholders of iAsia from subscription of the Rights Shares, the dealing by iAsia with the fractional entitlements to the Rights Shares and the issue of the Bonus Shares to the subscribers of the Rights Shares respectively in accordance with the GEM Listing Rules and the Takeovers Code;
- e. approval by the Independent Shareholders of iAsia at the extraordinary general meeting of iAsia in respect of the Rights Issue, the issue of the Bonus Shares and the Underwriting Agreement, if required, and the transactions contemplated thereunder in accordance with the GEM Listing Rules and the Takeovers Code;
- f. approval by the Independent Shareholders of the Company at the Extraordinary General Meeting of the entry into and performance of the Underwriting Agreement and the transactions contemplated thereunder in accordance with the Listing Rules and the Takeovers Code;
- g. the posting of the Prospectus to the Qualifying Shareholders and the posting of the provisional allotment letters and the excess application forms to the Qualifying Shareholders on the Prospectus posting date;
- h. the GEM listing committee granting or agreeing to grant (subject to allotment and/or despatch of certificates for the Rights Shares and the Bonus Shares) listings of and permission to deal in the Rights Shares, in nil-paid and fully paid forms, and the Bonus Shares on or prior to the final acceptance date of the Rights Issue;
- i. the Executive granting the Whitewash Waiver; and
- j. completion taking place in accordance with the terms of the Sale and Purchase Agreement.

Consequence for entering into the Underwriting Agreement

The maximum amount that the Company will incur in taking up the Rights Shares underwritten is approximately HK\$113.8 million. The Company intends to fund this amount from internal resources. Reference is made to the paragraph headed “possible financial and cashflow impact on the Group” in this section for the analysis of the possible financial consequences for entering into the Underwriting Agreement.

Pursuant to the Underwriting Agreement, the Company and parties acting in concert with it could hold more than 30% of the total issued shares of iAsia, whereby the Company and such parties would, unless the Whitewash Waiver is granted, be obliged to make a general offer for all the securities in iAsia not already owned or agreed to be acquired by them. The Company has applied for the Whitewash Waiver. If the waiver is not granted, the Company is not under any obligation to proceed with the Underwriting Agreement unless otherwise agreed by iAsia and the Company. If the Whitewash Waiver is granted, the Company will not be required to make a general offer to the shareholders of iAsia under rule 26 of the Takeovers Code as a result of the issue and allotment of the Rights Shares pursuant to the

LETTER FROM THE BOARD

Underwriting Agreement. Nevertheless, the Company may end up becoming iAsia's controlling shareholder and may at the maximum be interested in approximately 71.43% of the issued share capital of iAsia as illustrated on page 28 of the circular dated 16th November, 2002 issued by iAsia.

Termination of the Underwriting Agreement

The Company may terminate the Underwriting Agreement by up to 4:00 p.m. on the third business day after the last day for acceptance of provisional allotments in respect of the Rights Issue if,

- (a) there develops, occurs or comes into force:
 - (i) any new law or government regulation or other occurrence of any nature whatsoever which in the reasonable opinion of the Company will materially and adversely affect the business or financial or trading position or prospect of iAsia or its subsidiaries or any part thereof or the Rights Issue; or
 - (ii) any event or change (whether or not forming part of a series of events or changes occurring or continuing before, on and/or after the date of the Underwriting Agreement) in local, national, international, financial, political, military, economic or other nature (whether or not ejusdem generis with any of the foregoing), or in the nature of any local, national or international outbreak or escalation of hostilities or armed conflict, or affecting local securities markets which in the reasonable opinion of the Company will materially and adversely affect the business or financial or trading position or prospect of iAsia or its subsidiaries or any part thereof or the Rights Issue; or
 - (iii) any adverse change in the market conditions (including without limitation suspension or material restriction on trading in securities generally) which in the reasonable opinion of the Company materially and prejudicially affects the Rights Issue and makes it inadvisable or inexpedient to proceed therewith; or
- (b) the imposition by the relevant authorities of any suspension or material restriction on trading of shares of iAsia generally on the Stock Exchange for more than 10 consecutive trading days (save and except for the clearance of the announcements, circulars and/or other listing documents in relation to the transactions as contemplated under the Sale and Purchase Agreement and/or the Rights Issue) or the withdrawal of the listing status of iAsia by such relevant authorities including but not limited to the Stock Exchange; or
- (c) there comes to the notice of the Company any breach by iAsia of any of the representations and warranties contained in the Underwriting Agreement, and, where the breach is capable of remedy, iAsia has failed to remedy the same.

LETTER FROM THE BOARD

INFORMATION ON IASIA AND BENEFITS OF THE UNDERWRITING AGREEMENT

iAsia currently provides 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. iAsia and its subsidiaries also provide selected financial services, including transactions routing services through its subsidiaries, namely, CFN Hongkong Limited and CFN (UK) Limited, which are registered as securities dealers with the Securities and Futures Commission of Hong Kong and Securities and Futures Authority of United Kingdom, respectively. Upon completion of the Sale and Purchase Agreement, iAsia will expand its business to securities brokerage, commodity trading and corporate finance advisory services in Hong Kong and the PRC and will carry on comprehensive online and off-line investment banking and securities services.

The Directors of the Company believe that, in addition to 3.5% commission earned by the Company in underwriting the Rights Issue, the Underwriting Agreement also provides an opportunity for the Company to invest in and own a business with good prospects given the potential synergy expected from the Acquisition. The Directors also consider that the theoretical ex-all subscription price of 6 cents per iAsia share under the Rights Issue to be reasonable as compared with the unaudited pro forma adjusted net tangible asset value per iAsia share of approximately 5.97 cents per iAsia share following completion of the Rights Issue and the Acquisition as illustrated in the appendix headed “Financial information on enlarged iAsia group” to the circular issued by iAsia on 16th November, 2002.

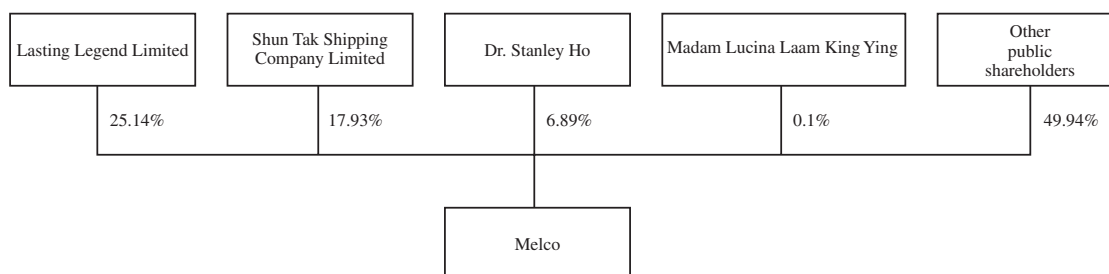
As stated in the interim report of the Company for the six months ended 30 June, 2002, it has always been the Company’s investment strategy to diversify its business into other segments and locations prudently. The proposed acquisition of a majority stake in Tongda Energy Corporation Limited by the Company as stated in an announcement of the Company dated 10th July, 2002 is a step in that direction. It is further stated in the interim report of the Company for the six months ended 30th June, 2002 that the Group will continue to search for investment opportunities in Hong Kong and overseas in order to attain growth and capture the benefits arising from China’s admission to the World Trade Organisation. Accordingly, we are of the view that the underwriting of the Rights Issue as a whole, which may result in an investment in the enlarged iAsia Group after the Acquisition, which will create synergy effect on the existing iAsia Group and will provide financial services including online financial trading systems and traditional full-fledged investment banking services such as securities brokerage, commodity trading and corporate finance services to customers in both Hong Kong and the PRC, is in line with the business strategy of the Group.

RELATIONSHIP BETWEEN THE COMPANY AND IASIA

The issued shares in the Company are held as to 25.14% by Lasting Legend Limited, which is wholly beneficially owned by Mr. Lawrence Ho, 17.93% by Shun Tak Shipping Company Limited, a company in which Dr. Ho holds 27.78% shareholding interest and is a director, 6.89% by Dr. Ho and 0.1% by Madam Lucina Laam King Ying, mother of Mr. Lawrence Ho. Both Dr. Ho and Mr. Lawrence Ho are executive directors of the Company and iAsia. As at the Latest Practicable Date, the Company

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does not hold any iAsia shares. The following chart illustrates the current shareholding structure of the Company:



It was stated in the Announcement that iAsia had one substantial shareholder, namely Bailey Development, which held 10.85% of the issued share capital of iAsia. Bailey Development is owned as to 65% by Dr. Ho, and 35% by other parties. Golden Mate, a company wholly beneficially owned by Mr. Lawrence Ho, holds 6.22% of the issued share capital of iAsia. In addition, Mr. So Wing Hung, Peter, who is an executive director of the Company, holds approximately 0.45% of the issued share capital of iAsia as at the Latest Practicable Date.

Mr. So Wing Hung, Peter owned 1,210,871 options in Melco as at the Latest Practicable Date. Mr. So has confirmed that he does not intend to exercise his options in Melco before the date of the Extraordinary General Meeting. In the event that Mr. So Wing Hung, Peter exercises his options in Melco before the date of the Extraordinary General Meeting, Mr. So will not be allowed to vote in respect of the ordinary resolution approving and confirming the Underwriting Agreement and the transactions contemplated thereby at the Extraordinary General Meeting.

INFORMATION ON THE CEF COMPANIES

CEF Brokerage and CEF Futures provide primarily retail brokerage services in Hong Kong. CEF Brokerage commenced its equity brokerage business in February 1996 and CEF Futures commenced its futures trading business in February 1997. CEF Brokerage currently holds four trading right certificates, one participant certificate and two branch certificates issued by the Stock Exchange and CEF Futures holds one trading right certificate, one participant certificate issued by the Hong Kong Futures Exchange Limited and one participant certificate issued by HKFE Clearing Corporation Limited.

CEF Capital was established in Hong Kong in 1986. Its primary business is to provide dealings and advisory services relating to corporate finance matters. CEF Capital is also an approved GEM sponsor. The businesses of the CEF companies are different from the current principal activities of iAsia. As such, the Acquisition constitutes a material change in the general character or nature of the business of iAsia under rule 17.25 of the GEM Listing Rules and therefore the Acquisition will be subject to, amongst other things, the prior approval of Independent Shareholders of iAsia in general meeting.

The respective audited financial results and net tangible assets of the CEF Companies are summarised below:

HK\$'000	CEF Brokerage		CEF Futures		CEF Capital	
	2001	2000	Year ended 31st December,		2001	2000
	2001	2000	2001	2000	2001	2000
Net profit/(loss) after tax from ordinary activities for the year	<u>(33,662)</u>	<u>32,201</u>	<u>(323)</u>	<u>(574)</u>	<u>(7,506)</u>	<u>467</u>
Net tangible assets (Note)	<u>59,192</u>		<u>30,437</u>		<u>117,856</u>	

Source: The respective audited financial statements of the CEF Companies.

LETTER FROM THE BOARD

POSSIBLE FINANCIAL AND CASHFLOW IMPACT ON THE GROUP

Net tangible assets

Based on the pro forma adjusted unaudited consolidated net tangible assets of the Group as at 30th June, 2002 as adjusted by the share placement of 24,200,000 Shares at HK\$1.45 per Share in August 2002 of approximately HK\$401.9 million and 145,287,134 Shares of the Company in issue, the pro forma adjusted unaudited consolidated net tangible asset value per Share before the Rights Issue was approximately HK\$2.77.

Based on the pro forma adjusted unaudited consolidated net tangible assets of the Group as mentioned above and taking into account the pro forma adjusted unaudited net tangible assets of the enlarged iAsia Group as at 30th June, 2002 after adjustment for the Rights Issue and the Bonus Issue and the proposed Acquisition, the pro forma adjusted unaudited consolidated net tangible assets per Share immediately following the Rights Issue would be approximately HK\$2.79 calculated as follows:

	30th June, 2002	
	<i>HK\$'000</i>	
	Scenario1	Scenario2
	<i>(note 1)</i>	<i>(note 2)</i>
Audited consolidated net tangible assets of the Group as at 31st December, 2001	374,469	374,469
Unaudited consolidated loss of the Group for the six months ended 30th June, 2002	<u>(7,288)</u>	<u>(7,288)</u>
Unaudited consolidated net tangible assets of the Group as at 30 June 2002	367,181	367,181
Net proceeds from a share placement of new Shares in August 2002	34,739	34,739
71.43% of iAsia's unaudited net tangible assets after the proposed Acquisition	–	101,630
Less: total consideration for the subscription of the Rights Issue	–	(102,066)
3.5% underwriting fee	<u>3,572</u>	<u>3,572</u>
Unaudited consolidated net tangible assets of the Group after the relevant adjustments for the Right Issue and the Bonus Issue and the Acquisition	<u>405,492</u>	<u>405,056</u>
Total number of Shares in issue	<u>145,287,134</u>	<u>145,287,134</u>
Unaudited net tangible assets per Share before Completion and the Rights Issue	<u>HK\$2.77</u>	<u>HK\$2.77</u>
Unaudited net tangible assets per Share after Completion and the Rights Issue	<u>HK\$2.79</u>	<u>HK\$2.79</u>

LETTER FROM THE BOARD

As shown in the table above, the pro forma adjusted unaudited consolidated net tangible asset value per Share may increase from HK\$2.77 to HK\$2.79 following the Completion and the Rights Issue.

Notes:

1. On the basis that all shareholders of iAsia have taken up their provisional allotments of the Rights Shares assuming none of the existing options of iAsia are exercised prior to the Record Date.
2. On the basis that none of the shareholders of iAsia have taken up any provisional allotments of the Rights Shares and the provisional allotments of the Rights Shares to all iAsia shareholders have been taken up by Melco assuming none of the existing options of iAsia are exercised prior to the Record Date.

Profit and loss accounts

Assuming none of the Rights Share is required to be taken up by the Company and the minimum number of the Rights Shares are to be issued by iAsia under the Rights Issue, the Group will earn an underwriting commission of approximately HK\$3.6 million, which will be treated as “other income” in the consolidated profit and loss account of the Group.

Assuming the Rights Issue is to be fully taken up by the Company and the minimum number of the Rights Shares are to be issued by iAsia under the Rights Issue, the Company will own an equity interest of approximately 71.43% in the enlarged iAsia Group. Accordingly, iAsia will be treated as a new subsidiary company of the Company and the post acquisition results of the enlarged iAsia Group will be incorporated into the consolidated profit and loss account of the Group.

IMPLICATIONS UNDER THE LISTING RULES

The underwriting of the Rights Issue by the Company constitutes a connected and possible discloseable transaction for the Company. This connected transaction will be conditional upon the approval of the Independent Shareholders of the Company at the Extraordinary General Meeting. Lasting Legend, Shun Tak Shipping, Dr. Ho and Madam Lucina Laam King Ying and their respective associates will abstain from voting at the meeting.

EXTRAORDINARY GENERAL MEETING

Set out in this circular is a notice convening the Extraordinary General Meeting which will be held at 12:00 noon on 10th December, 2002 at 28th Floor, The Centrium, 60 Wyndham Street, Central, Hong Kong, at which an ordinary resolution will be proposed to approve the Underwriting Agreement.

The form of proxy for use at the Extraordinary General Meeting is enclosed with this circular. Whether or not you intend to attend the meeting, you are requested to complete the enclosed form of proxy and return in accordance with the instructions printed thereon and return it as soon as possible to the Company at its registered office at 28th Floor, The Centrium, 60 Wyndham Street, Central, Hong Kong not less than 48 hours before the time appointed for the holding of the meeting. Delivery of a form of proxy will not preclude a shareholder from attending and voting in person at the meeting or any adjourned meeting should a Shareholder so desire.

LETTER FROM THE BOARD

The Independent Board Committee, after taking into account the opinions from JS Cresvale and MasterLink, considers that the terms of the Underwriting Agreement are fair and reasonable so far as the Independent Shareholders of the Company generally are concerned. Accordingly, the Independent Board Committee recommends the Independent Shareholders of the Company to vote in favour of the resolution to approve the Underwriting Agreement. The text of a letter from the Independent Board Committee is set out on page 16 of this circular and the text of a letter from JS Cresvale and MasterLink containing their opinions and the principal factors and reasons they have taken into account in arriving at their opinions on the Underwriting Agreement is set out on pages 17 to 26 of this circular.

GENERAL

Your attention is drawn to the texts of the letters from the Independent Board Committee and from JS Cresvale and MasterLink respectively containing their opinions regarding the Underwriting Agreement, and to the information set out in the appendix.

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

LETTER FROM THE INDEPENDENT BOARD COMMITTEE



Melco International Development Limited

(incorporated in Hong Kong with limited liability)

16th November, 2002

To the Independent Shareholders of the Company

Dear Sir or Madam,

CONNECTED AND POSSIBLE DISCLOSEABLE TRANSACTION

We have been appointed as members of the Independent Board Committee to advise you in connection with the Underwriting Agreement of the Rights Issue, details of which are set out in the letter from the Board in a circular dated 16th November, 2002 to the Shareholders (the “Circular”), of which this letter forms part. Capitalised terms used in this letter shall have the same meanings as defined in the Circular unless the context otherwise requires.

Your attention is drawn to the “Letter from JS Cresvale and MasterLink” containing their advices to us regarding the Underwriting Agreement as set out on pages 17 to 26 of the Circular. Having considered the advice given by the joint independent financial advisers, namely JS Cresvale and MasterLink, and the principal factors and reasons taken into consideration by them in arriving at their advices, we are of the opinion that the terms of the Underwriting Agreement are fair and reasonable so far as the Independent Shareholders of the Company generally are concerned. We, therefore, recommend the Independent Shareholders of the Company to vote in favour of the ordinary resolution to be proposed at the Extraordinary General Meeting to approve the Underwriting Agreement.

Yours faithfully,
For and on behalf of
the Independent Board Committee

Sir Roger Lobo
Independent non-executive Director

Robert Kwan
Independent non-executive Director

LETTER FROM JS CRESVALE AND MASTERLINK

The following is the text of a letter of advice to the Independent Board Committee from JS Cresvale and MasterLink setting out their opinions regarding the Underwriting Agreement prepared for the purpose of incorporation in this circular:

JS CRESVALE

JS Cresvale Securities International Limited
Suite 701-704A
Asia Pacific Finance Tower, Citibank Plaza
3 Garden Road
Central, Hong Kong



MasterLink Securities (H.K.) Corp. Ltd.
Suite 2501, 25th Floor
One International Finance Centre
1 Harbour View Street
Central, Hong Kong

16th November, 2002

The Independent Board Committee
Melco International Development Limited
28th Floor, The Centrium
60 Wyndham Street
Central, Hong Kong

Dear Sirs,

CONNECTED AND POSSIBLE DISCLOSEABLE TRANSACTION

INTRODUCTION

We, JS Cresvale Securities International Limited and MasterLink Securities (H.K.) Corp. Ltd., have been appointed as the joint independent financial advisers to the Independent Board Committee, consisting of Sir Roger Lobo and Mr. Robert Kwan, in relation to the Underwriting Agreement where the Company acts, subject to the fulfilment of certain conditions, as the underwriter as referred to in the Announcement. In particular, the Underwriting Agreement constitutes a connected and possible discloseable transaction for the Company and is subject to, among other things, approval by the Independent Shareholders of the Company. Information about the Underwriting Agreement and application for the Whitewash Waiver and their details are contained in the letter from the Board (the "Letter") contained in the circular to the Shareholders dated 16th November, 2002 (the "Circular"), of which this letter forms part. Capitalised terms used in this letter shall have the same meanings as defined in the Circular unless the context otherwise requires.

In our capacity as the joint independent financial advisers to the Independent Board Committee for the purposes of the Listing Rules, our role is to give you an independent opinion as to whether the terms of the Underwriting Agreement, from a financial perspective, are fair and reasonable so far as the Independent Shareholders of the Company generally are concerned. We have not been requested to opine on, and our opinion does not in any manner address, the Company's decision to proceed with the Underwriting Agreement.

LETTER FROM JS CRESVALE AND MASTERLINK

In formulating our opinion, we have relied on the accuracy of the information and facts supplied, and the opinions and representations expressed, to us by the Directors, the Company and its management. We have also assumed that all information and representations made or referred to in the Circular and all information and representations which have been provided by the Directors, for which they are solely and wholly responsible, were true, complete and accurate at the time they were made and continue to be so at the date of the Extraordinary General Meeting of the Company. We have assumed that all statements of belief, opinion and intention made by the Directors in the Circular were reasonably made after due and careful enquiries and are based on honestly held opinions. We have no reason to doubt the truth, completeness and accuracy of the information and representations provided to us and referred to in the Circular, and we have been advised by the Board that no material facts have been omitted from the information provided and referred to in the Circular. We have also assumed that all statements of intention of the Company or its Directors as set out in the Circular will be implemented. We consider that we have reviewed sufficient information to reach an informed view and to justify reliance on the accuracy of the information contained in the Circular and to provide a reasonable basis for our advice. We have not, however, conducted any independent verification of the information and representations provided to us nor conducted any form of independent investigation into the businesses and affairs, financial position or the future prospects of the Group, iAsia, the iAsia Group, CEF Brokerage Holdings Limited, CEF Brokerage, CEF Futures, CEF Capital and CEF Holdings Limited.

Our opinion is necessarily based upon the financial, economic, market, regulatory and other conditions as they exist on, and the facts, information, representations and opinions made available to us as of the Latest Practicable Date. We disclaim any undertaking or obligation to advise any person of any change in any fact or matter affecting the opinion expressed herein which may come or be brought to our attention after the Latest Practicable Date.

PRINCIPAL FACTORS AND REASONS CONSIDERED

The principal factors and reasons we have taken into account in assessing the underwriting of the Rights Issue and in giving our advice to the Independent Board Committee are set out below:–

The Rights Issue

1. Background

On 28th September, 2002, iAsia entered into the Sale and Purchase Agreement, pursuant to which iAsia conditionally agreed, among other things, to acquire the entire issued share capital of CEF Brokerage, CEF Futures and CEF Capital for a consideration of HK\$126 million which will largely be satisfied by the proceeds of the Rights Issue, before expenses, of not less than approximately HK\$102 million and internal resources or bank borrowings of iAsia.

As at the Latest Practicable Date, iAsia has 680,442,858 shares in issue and 78,411,963 outstanding share options of iAsia exercisable pursuant to their respective terms. 29,306,249 outstanding share options of iAsia are exercisable at HK\$0.49 per share and 49,105,714 outstanding share options of iAsia are exercisable at HK\$0.10 per share.

LETTER FROM JS CRESVALE AND MASTERLINK

Assuming that no further outstanding share options of iAsia are exercised before the Record Date, 1,020,664,287 Rights Shares will be issued (with entitlement to the Bonus Shares) pursuant to the Rights Issue. Assuming that all outstanding share options of iAsia are exercised before the Record Date, 1,138,282,230 Rights Shares will be issued (with entitlement to the Bonus Shares) pursuant to the Rights Issue. Subject to the fulfilment of the conditions contained in the Underwriting Agreement, the Company will act as the underwriter of the Rights Issue.

2. Terms of the Rights Issue

a. Basis of allocation for the Rights Shares

Subject to the fulfilment of the conditions of the Rights Issue, the Qualifying Shareholders will be provisionally allotted three Rights Shares in iAsia for every two existing issued iAsia shares held by them on the Record Date with two Bonus Shares for every three Rights Shares subscribed and fully-paid for. As the documents to be issued in connection with the Rights Issue will not be registered under the applicable securities legislation of any jurisdiction other than Hong Kong, no provisional allotment of Rights Shares or excess applications will be available to overseas shareholders of iAsia being those shareholders whose address as shown on the register of members of iAsia are outside Hong Kong. The Rights Shares which would otherwise have been provisionally allotted to these overseas shareholders will be sold in the manner as described in the Announcement. The proceeds of such sales, less all costs and expenses, of HK\$100 or more will be paid to the relevant overseas shareholders in Hong Kong dollars. Any individual amounts of less than HK\$100 will be retained by iAsia.

As at the Latest Practicable Date, iAsia has not received any undertaking from any of its shareholders that they will or will not take up their entitlements under the Rights Issue.

b. Subscription price

The subscription price is HK\$0.10 per Rights Share, which was agreed based on arm's length negotiations between iAsia and the Company, represents:

- i. a premium of approximately 5.3% to the closing price of HK\$0.095 per share in iAsia as quoted on the Stock Exchange on 27th September, 2002 (being the last trading day prior to the release of the Announcement);
- ii. a premium of approximately 2.0% to the closing price of HK\$0.098 per share in iAsia as quoted on the Stock Exchange on the Latest Practicable Date;
- iii. a premium of approximately 2.0% to the average closing price of approximately HK\$0.098 per share in iAsia quoted on the Stock Exchange for the last ten trading days up to and including the Latest Practicable Date; and
- iv. a premium of approximately 5.3% to the unaudited consolidated net asset value of iAsia of approximately HK\$0.095 per share in iAsia as at 31st March, 2002.

LETTER FROM JS CRESVALE AND MASTERLINK

In addition, the theoretical ex-all subscription price of HK\$0.06 per share in iAsia represents:

- i. a discount of approximately 14.3% to the theoretical ex-all price of HK\$0.07 per share (Note) in iAsia based on the closing price of the shares in iAsia on 27th September, 2002 (being the last trading day prior to the release of the Announcement);
- ii. a discount of approximately 36.8% to the closing price of HK\$0.095 per share in iAsia as quoted on the Stock Exchange on 27th September, 2002 (being the last trading day prior to the release of the Announcement); and
- iii. a discount of approximately 36.8% to the unaudited consolidated net asset value of approximately HK\$0.095 per share in iAsia as at 31st March, 2002.

Note:

The theoretical ex-all price = [2 shares in iAsia x HK\$0.095 (closing price on 27th September, 2002) + 3 Rights Shares to be issued by iAsia x HK\$0.10 (subscription price)] ÷ [2 shares in iAsia + 3 Rights Shares + 2 Bonus Shares]

c. *Conditions of the Rights Issue*

The Rights Issue is subject to, among other things, the following conditions:

- i. completion of the Sale and Purchase Agreement; and
- ii. the approval of the Independent Shareholders of iAsia.

3. *Terms of the Underwriting Agreement*

a. *The underwriting commission*

The underwriting commission payable to the Company is 3.5% of the total subscription price of the Rights Shares agreed to be underwritten by the Company. For the period from September 2001 to September 2002, there were four rights issues (not including the Rights Issue of iAsia) carried out by listed companies on GEM. The underwriting commission rates of these four rights issues ranged from 2.0% to 2.5%. In light of the above, we consider that the underwriting commission of 3.5% for the underwriting of the Rights Issue, which is higher than the aforesaid range of underwriting commission rates, is fair and reasonable so far as the Independent Shareholders of the Company generally are concerned.

LETTER FROM JS CRESVALE AND MASTERLINK

b. Conditions of the Underwriting Agreement

The Underwriting Agreement is subject to, among other things, the following conditions:

- i. the listing committee of the GEM granting and agreeing to grant (subject to allotment and/or dispatch of certificates for the Rights Shares and the Bonus Shares) listings of and permission to deal in the Rights Shares, in nil-paid and fully paid forms, and the Bonus Shares on or prior to the final acceptance date of the Rights Issue;
- ii. the Executive granting the Whitewash Waiver; and
- iii. completion taking place in accordance with the terms of the Sale and Purchase Agreement.

c. Termination of the Underwriting Agreement

The rights of the Company under the termination clauses in the Underwriting Agreement are set out in the paragraph headed “Termination of the Underwriting Agreement” in the Letter. We consider that the provisions in the Underwriting Agreement granting the Company a right to terminate the Underwriting Agreement under certain circumstances provide the necessary safeguards to the interests of the Company (as being the underwriter of the Rights Issue) and are in line with the market practice.

In light of the above, the Directors consider that the provisions in the Underwriting Agreement are normal commercial terms and are in line with the market practice. We concur with the view of the Directors in this respect.

Reasons of the Company entering into the Underwriting Agreement

As a result of entering into the Underwriting Agreement, the Company would receive an underwriting commission of 3.5% of the value of securities in iAsia underwritten. Furthermore, as stated in the Letter, the Directors believe that the underwriting of the Rights Issue will offer an opportunity for the Company to invest in a business with good prospects particularly in view of the potential synergy arising from the merger of iAsia and CEF Companies. The Directors also consider that the theoretical ex-all subscription price of 6.0 cents per share in iAsia under the Rights Issue is reasonable as compared with the unaudited pro forma adjusted net tangible asset value per share of iAsia immediately following completion of the Rights Issue and the Acquisition of approximately 5.97 cents per share as illustrated in the appendix headed “Financial information on enlarged iAsia group” to the circular issued by iAsia on 16th November, 2002.

Application for the Whitewash Waiver

Under the terms of the Underwriting Agreement, the Company which does not hold any shares in iAsia as at the Latest Practicable Date, could see its holdings together with parties acting in concert with it, increase to a maximum of approximately 79.86% of the enlarged issued share capital of iAsia upon completion of the Rights Issue and the Bonus Issue. This is a substantial potential increase which arises from the relatively large size of the Rights Issue (three Rights Shares for every two existing iAsia shares

LETTER FROM JS CRESVALE AND MASTERLINK

with two Bonus Shares for every three Rights Shares) and the fact that the Company is the underwriter for the entire Rights Issue.

If the fulfilment by the Company of its underwriting commitment results in the aggregate interest of the Company and its concert parties exceeding 30% of the issued share capital of iAsia as enlarged by the Rights Issue and the Bonus Issue, the Company and its concert parties would be required under the Takeovers Code to make a mandatory general offer for all the issued shares of iAsia other than those already owned by them. The Company has applied to the Executive for a waiver under note 1 on dispensation from rule 26 of the Takeovers Code. The Whitewash Waiver, if granted, would be subject to the approval of the Independent Shareholders of iAsia by poll at the extraordinary general meeting of iAsia.

As at the Latest Practicable Date, Bailey Development is the only substantial shareholder of iAsia, which holds 10.85% of the issued share capital of iAsia. Bailey Development is owned as to 65% by Dr. Ho, 5% by Dr. Lee, an executive director of iAsia, 5% by Ms. Leong On Kei, Angela, a non-executive director of iAsia, 15% by Mrs. Lee Wong Fun Chong, the mother of Dr. Lee, 5% by Mr. Lee Sing Man, the father of Dr. Lee, and the remaining 5% by two independent persons. Golden Mate is wholly beneficially owned by Mr. Lawrence Ho, son of Dr. Ho, and holds 6.22% of the issued share capital of iAsia. Bailey Development and Golden Mate (both of which would be acting in concert with the Company should the Company subscribe shares in iAsia under the Underwriting Agreement) are connected with Dr. Ho and Mr. Lawrence Ho within the meaning of the GEM Listing Rules.

Taking up of the Rights Shares by the Company under the Underwriting Agreement may result in the Company and its concert parties obtaining the statutory control (i.e. 50% or above) of iAsia. Assuming the Whitewash Waiver is being granted by the Executive and according to the Takeovers Code, in the event that the Company and its concert parties own 50% or more of the shareholding in iAsia after the Rights Issue, they will not be obliged under Rule 26 of the Takeovers Code to make a mandatory general offer if they further increase their shareholding in iAsia or if the Company and its concert parties holding in the range of 30% to 50% after completion of the Rights Issue, they will be subject to the 2% creeper for any 12-month period as set out in the Takeovers Code.

The Underwriting Agreement is conditional, among other things, upon the granting of the Whitewash Waiver by the Executive. The Whitewash Waiver is subject to the approval of the Independent Shareholders of iAsia by poll at the extraordinary general meeting of iAsia. Following the execution of the supplemental agreement entered into between iAsia and the Company dated 9th October, 2002, there is no provision in the Underwriting Agreement permitting unilateral waiver of the Whitewash Waiver condition and therefore, the Company will not proceed with the Rights Issue in the event that the Whitewash Waiver is not granted by the Executive unless otherwise agreed by the Company and iAsia.

The possible investment in iAsia as a result of the underwriting of the Rights Issue is in line with the principal activity of the Company

As stated in the Letter, the Company is an investment holding company and its subsidiaries are principally engaged in the operation of floating restaurants, property investment, investment in a travel services website and investments in listed and unlisted companies. Accordingly, we are of the view that the underwriting of the Rights Issue, which may result in an investment in a company listed on GEM by the Group, is in line with the principal activity of the Company.

LETTER FROM JS CRESVALE AND MASTERLINK

The possible investment in iAsia as a result of the underwriting of the Rights Issue is in line with the Group's strategy

As stated in the interim report of the Company for the six months ended 30th June, 2002, it has always been the Company's investment strategy to diversify its business into other segments and locations prudently. The proposed acquisition of a majority stake in Tongda Energy Corporation Limited by the Company as stated in an announcement of the Company dated 10th July, 2002 is a step in that direction. It is further stated in the interim report of the Company for the six months ended 30th June, 2002 that the Group will continue to search for investment opportunities in Hong Kong and overseas in order to attain growth and capture the benefits arising from China's admission to the World Trade Organisation. Accordingly, we are of the view that the underwriting of the Rights Issue as a whole, which may result in an investment in the enlarged iAsia Group after the Acquisition, which will create synergy effects on the existing iAsia Group and will provide financial services including online financial trading systems and traditional full-fledged investment banking services such as securities brokerage, commodity trading and corporate finance services to customers in both Hong Kong and the PRC, is in line with the business strategy of the Group.

Possible financial and cashflow impact on the Group

1. *Net tangible assets*

Based on the pro forma adjusted unaudited consolidated net tangible assets of the Group as at 30th June, 2002 as adjusted by a share placement of 24,200,000 Shares at HK\$1.45 per Share in August 2002 of approximately HK\$401.9 million and 145,287,134 Shares in issue, the pro forma adjusted unaudited consolidated net tangible asset value per Share before entering into the Underwriting Agreement was approximately HK\$2.77.

Upon completion of the Rights Issue and the Acquisition, based on the pro forma adjusted unaudited consolidated net tangible assets of the Group as mentioned above and taking into account the pro forma adjusted unaudited net tangible assets of the enlarged iAsia Group as at 30th June, 2002 after adjustment for the Rights Issue and the Bonus Issue and the proposed Acquisition, the pro forma adjusted unaudited consolidated net tangible assets per Share immediately following the completion of the Rights Issue and the Acquisition would be approximately HK\$2.79, on the assumption that the Rights Issue is fully taken up by the Company with the minimum number of the Rights Shares and the Bonus Shares to be issued by iAsia. Detailed calculations are contained in the Letter under the paragraph headed "Net tangible assets" in the section headed "Possible financial and cashflow impact on the Group". This represents an increase of approximately 0.72% to the pro forma adjusted unaudited consolidated net tangible asset value per Share prior to the completion of the Rights Issue. Accordingly, we are of the view that the possible impact on the consolidated net tangible assets value of the Group as a result of the Underwriting Agreement is insignificant.

2. *Profit and loss accounts*

As stated in the 2002 interim report of the Company, the unaudited consolidated net loss per Share for the six months ended 30th June, 2002 was 6.0 cents based on 121,087,134 Shares in issue throughout the six months period ended 30th June, 2002. Assuming none of the Rights Share is required to be taken

LETTER FROM JS CRESVALE AND MASTERLINK

up by the Company and the minimum number of the Rights Shares are to be issued by iAsia under the Rights Issue, the Group will earn an underwriting commission before expenses of approximately HK\$3.6 million, which will be treated as "other income" in the consolidated profit and loss account of the Group. With the contribution of such underwriting commission, the pro forma adjusted unaudited consolidated net loss per Share for the six months ended 30th June, 2002 would be reduced to approximately 3.1 cents based on 121,087,134 Shares in issue throughout the same period. This represents an improvement of approximately 48.3%.

Assuming the Rights Issue is to be fully taken up by the Company and the minimum number of the Rights Shares are to be issued by iAsia under the Rights Issue, the Company will own an equity interest of approximately 71.43% in the enlarged iAsia Group. Accordingly, iAsia will be treated as a new subsidiary company of the Company and the post acquisition results of the enlarged iAsia Group will be incorporated into the consolidated profit and loss account of the Group.

3. *Cashflow*

As mentioned in the Letter, the underwriting obligation of the Company under the Underwriting Agreement, with the maximum amount of such underwriting commitment of approximately HK\$113.8 million, will be financed by its internal resources. Based on the unaudited consolidated balance sheet of the Group as at 30th June, 2002, the Group had cash and cash equivalents of approximately HK\$202.4 million. As such, in the event that the Rights Shares are fully taken up by the Company in its capacity as the underwriter, the Directors have confirmed that the Group has sufficient working capital to finance such subscription of the Rights Shares. On the same basis, we concur with the view of the Directors in this respect. In addition, the Directors have also confirmed that the Group has sufficient working capital for its present requirements taking into account the completion of the subscription of the Rights Shares pursuant to the Underwriting Agreement.

Information of iAsia

iAsia currently provides online financial trading systems and services to a broad range of customers including securities and commodities dealer, banks, asset management companies, insurance companies and other financial intermediaries. In addition, iAsia and its subsidiaries also provide selected financial services including transactions routing services through its subsidiaries, namely CFN Hongkong Limited and CFN (UK) Limited which are registered as securities dealers with the SFC and Securities and Futures Authority of United Kingdom, respectively. Following completion of the Sale and Purchase Agreement, iAsia will expand its business to securities brokerage, commodity trading and corporate finance advisory services in Hong Kong and the PRC and will carry on comprehensive online and off-line investment banking and securities services.

The Sale and Purchase Agreement

1. *Information on companies being acquired*

As stated in the Announcement, CEF Brokerage and CEF Futures provide primarily retail broking services in Hong Kong. CEF Brokerage commenced its equity broking business in February 1996 and CEF Futures commenced its futures broking business in February 1997. CEF Brokerage currently holds four trading right certificates, one participant certificate and two branch certificates issued by the Stock

LETTER FROM JS CRESVALE AND MASTERLINK

Exchange and CEF Futures holds one trading right certificate, one participant certificate issued by the Hong Kong Futures Exchange Limited and one participant certificate issued by HKFE Clearing Corporation Limited.

As stated in the Announcement, CEF Capital was established in Hong Kong in 1986. Its primary business is to provide dealings and advisory services relating to corporate finance matters. The company is also an approved GEM sponsor under the Stock Exchange.

As stated in the Announcement, the respective audited financial results and net tangible assets of CEF Brokerage, CEF Futures and CEF Capital are summarised below:

	CEF Brokerage		CEF Futures		CEF Capital	
	Year ended 31st December,					
	2001	2000	2001	2000	2001	2000
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Net profit/(loss)						
after tax from ordinary						
activities for the year (<i>Note</i>)	(33,662)	32,201	(323)	(574)	(7,506)	467
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Net tangible assets	59,192		30,437		117,856	
	<u> </u>		<u> </u>		<u> </u>	

Note: Where the Rights Shares are fully taken up by the Company, the pre-acquisition results of CEF Brokerage, CEF Futures and CEF Capital will not be incorporated into the results of the Group.

2. *Reasons for the Acquisition*

As stated in the Announcement, the directors of iAsia believe that iAsia and its subsidiaries have already established a solid technology infrastructure in the provision of online financial trading systems and iAsia has become one of the prominent market players in the industry. Its competitive advantage will be further strengthened if the technology based financial trading solutions services currently provided by iAsia and the existing financial services offered by CFN Hongkong Limited and CFN (UK) Limited can be combined with the newly acquired off-line securities brokerage, commodity trading and corporate finance services and the Acquisition will serve to achieve this goal.

As stated in the Announcement, one of the synergies of the Acquisition is to allow iAsia to provide clients with a more comprehensive range of financial services covering online trading services and traditional full-fledged investment banking securities services. Also, with the strong technology background, the directors of iAsia believe that the operating efficiency of the businesses brought in by CEF Brokerage, CEF Futures and CEF Capital will be significantly enhanced and certain new technology products and services relating to such businesses may also be developed and provided by iAsia, such as the development and provision of a gateway for application, subscription or underwriting of new shares under the initial public offers or placing by listed companies in Hong Kong through the Internet. With the combination of the technology know-how and the securities brokerage, commodity trading and corporate finance services, which are in line with the existing business of the iAsia Group, including CFN Hongkong Limited and CFN (UK) Limited, the directors of iAsia are confident that it will position iAsia to become a prominent

LETTER FROM JS CRESVALE AND MASTERLINK

player in the regional financial services industry. Furthermore, it is expected that the revenue stream and the client bases will be further enhanced as the needs of the clients, institutional and retail alike, will be better served.

3. Conditions of the Acquisition

As stated in the Announcement, the Acquisition is subject to, among other things, the following conditions:

- i. all relevant licences required to be held by each of CEF Capital, CEF Brokerage and CEF Futures and their dealing directors in connection with the respective business carried on by them shall remain valid and effective; and
- ii. all governmental and regulatory approvals and authorisation being obtained from the Stock Exchange, SFC, Hong Kong Futures Exchange Limited and, where relevant, China Securities Regulatory Commission necessary in connection with the Acquisition, or to maintain the continued validity and existence of the licences required to be held by each of CEF Capital, CEF Brokerage and CEF Futures and its dealing directors in connection with the respective businesses.

The Directors are of the view that the underwriting of the Rights Issue as a whole, which may result in an investment in the enlarged iAsia Group after the Acquisition, which will create synergy effects on the existing iAsia Group, is in line with the business strategy of the Group and will provide an opportunity to the Group for business diversification. We concur with the view of the Directors in this respect.

RECOMMENDATION

Having taken into account the information and representations provided to us and the abovementioned principal factors and reasons, we consider that, from a financial point of view, the terms of the Underwriting Agreement are fair and reasonable so far as the Independent Shareholders of the Company generally are concerned. Accordingly, we advise the Independent Board Committee to recommend the Independent Shareholders of the Company to vote in favour of the resolution to approve the Underwriting Agreement.

Yours faithfully,
For and on behalf of
JS Cresvale Securities International Limited
Raymond Tang
Executive Director

Yours faithfully,
For and on behalf of
MasterLink Securities (H.K.) Corp. Ltd.
Jimmy Chan
Director

1. RESPONSIBILITY STATEMENTS

This circular includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Group.

All the Directors jointly and severally accept full responsibility for the accuracy of the information contained in this circular and confirm, having made all reasonable inquiries, that to the best of their knowledge and belief, opinions expressed in this circular have been arrived at after due and careful consideration and there are no other facts not contained in this circular the omission of which would make any statement in this circular misleading.

2. DISCLOSURE OF INTERESTS

As of the Latest Practicable Date, the interests of the Directors in the share capital of the Company or its associated corporations (within the meaning of the SDI Ordinance) which require notification to the Company and the Stock Exchange pursuant to Section 28 of the SDI Ordinance (including interests which any such Director is deemed or taken to have under Section 31 of or Part I of the Schedule to the SDI Ordinance) or which are required to be entered into the register maintained by the Company under Section 29 of the SDI Ordinance or which are required, pursuant to the Model Code for Securities Transactions by Directors of Listed Companies, to be notified to the Company and the Stock Exchange were as follows:

Director	Number of Shares held and nature of interest		
	Personal interests	Family interests	Corporate* interests
Dr. Ho	8,216,185	214,727	1,585,000
Mr. Lawrence Ho	–	–	36,525,675

* Dr. Ho has beneficial interests in Sharikat Investments Limited and Dareset Limited, which beneficially owned 500,000 and 1,085,000 shares, respectively.

Mr. Lawrence Ho has beneficial interests in Lasting Legend which beneficially owned 36,525,675 shares.

As at the Latest Practicable Date, the Directors had the following share options, exercisable at the price of HK\$1.38:

	Number of options	Vesting period	Exercise period
Mr. Lawrence Ho	605,435	8/3/2002-7/9/2002	8/9/2002-7/3/2012
	605,436	8/3/2002-7/3/2003	8/3/2003-7/3/2012
Mr. Frank Tsui	1,210,871	8/3/2002-7/9/2002	8/9/2002-7/3/2012
Mr. So Wing, Hung, Peter	1,210,871	8/3/2002-7/9/2002	8/9/2002-7/3/2012
Mr. Ho Cheuk Yuet	<u>1,210,871</u>	8/3/2002-7/9/2002	8/9/2002-7/3/2012
	<u><u>4,843,484</u></u>		

Save as disclosed above, as at the Latest Practicable Date, no Director had or was deemed to have any interests in the share capital of the Company or its associated corporations (within the meaning of the SDI Ordinance) which require notification to the Company and the Stock Exchange pursuant to Section 28 of the SDI Ordinance (including interests which any such Director is deemed or taken to have under Section 31 of or Part I of the Schedule to the SDI Ordinance) or which are required to be entered into the register maintained by the Company under Section 29 of the SDI Ordinance or which are required, pursuant to the Model Code for Securities Transactions by Directors of Listed Companies, to be notified to the Company and the Stock Exchange.

No Director has at any time since 31st December, 2001 (being the date to which the latest audited consolidated financial statements of the Group were prepared) been directly or indirectly interested in any assets which have been acquired or disposed of by or leased to any member of the Group, or are proposed to be acquired or disposed of by or leased to any member of the Group.

No Director was materially interested in any contract or arrangement subsisting at the Latest Practicable Date which is significant in relation to the business of the Group taken as a whole.

None of the Directors has received any commissions, discounts, brokerage or other special terms granted within the two years immediately preceding the date of this circular in connection with the issue or sale of any capital of any member of the Group.

The professional advisers named under the section headed "Consents" in this appendix has no shareholding in any member of the Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities and any member of the Group.

3. SUBSTANTIAL SHAREHOLDERS

As at the Latest Practicable Date, according to the register maintained pursuant to Section 16(1) of the SDI Ordinance, the following shareholders were interested in 10% or more of the issued share capital of the Company.

Name of shareholder	Number of shares held
Lasting Legend	36,525,675
Shun Tak Shipping	26,055,432

Save as disclosed herein and other than the interests of the Directors and companies controlled by them as set above, it is not known to the Directors and the chief executive of the Company that there is any person who, as at the Latest Practicable Date, was directly or indirectly interested in 10% or more of the issued share capital of the Company or in any interests which was required to be recorded under Section 16(1) of the SDI Ordinance.

4. SHARE CAPITAL

As at the close of business on the Latest Practicable Date, the authorised and issued share capital of the Company were as follows:

	<i>HK\$</i>
<i>Authorised:</i>	
<u>480,000,000</u> shares of HK\$1.00 each	<u>480,000,000</u>
<i>Issued and fully paid:</i>	
<u>145,287,134</u> shares of HK\$1.00 each	<u>145,287,134</u>

5. LITIGATION

Neither the Company nor any of its subsidiaries is engaged in any litigation or arbitration of material importance and no litigation or claim of material importance is known to the Directors to be pending or threatened against the Company or any of its subsidiaries.

6. SERVICE CONTRACTS

None of the Directors has entered or proposed to enter into a service contract with any member of the Group (excluding contracts expiring or determinable within one year without payment of compensation other than statutory compensation).

7. MATERIAL ADVERSE CHANGE

The Directors are not aware of any material adverse changes in the financial or trading position of the Group since 31st December, 2001, being the date to which the latest published audited accounts of the Company were made up.

8. CONSENTS

JS Cresvale and MasterLink, both being registered investment advisers, have given and have not withdrawn their written consents to the issue of this circular with the inclusion herein of their letter and references to their names in the form and context in which it appears.

9. THE COMPANY

The Company is an investment holding company and its subsidiaries are principally engaged in the operation of floating restaurants, property investment, investment in a travel services website and investments in listed and unlisted companies.

10. COMPANY SECRETARY

The company secretary of the Company is Mr. Samuel Tsang Yuen Wai, who is a solicitor with over 15 years' experience. Mr. Tsang is also the legal counsel of the Company.

11. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection during normal business hours at the head office and the principal place of business of the Company in Hong Kong at 28th Floor, The Centrium, 60 Wyndham Street, Central, Hong Kong up to and including 10th December, 2002:

- (i) the Underwriting Agreement dated 28th September, 2002 and a supplemental agreement to the Underwriting Agreement dated 9th October, 2002 entered into between the Company and iAsia;
- (ii) the letter from the Independent Board Committee set out in this circular;
- (iii) the letter from JS Cresvale and MasterLink set out in this circular; and
- (iv) the written consents referred to in the section headed "Consents" in this appendix.

NOTICE OF EXTRAORDINARY GENERAL MEETING



Melco International Development Limited

(incorporated in Hong Kong with limited liability)

NOTICE IS HEREBY GIVEN that an extraordinary general meeting (the “Meeting”) of the shareholders of Melco International Development Limited (the “Company”) will be held at 12:00 noon on 10th December, 2002 at 28th Floor, The Centrium, 60 Wyndham Street, Central, Hong Kong for the purpose of considering and, if thought fit, passing the following resolution, as an ordinary resolution of the Company, namely:

“**THAT** the underwriting agreement (as defined in the circular dated 16th November, 2002 dispatched to shareholders of the Company (“Circular”), a copy of which marked “A” has been signed by the Chairman of this Meeting for the purpose of identification) and the transactions contemplated thereby and the execution thereof be and are hereby approved and confirmed, and the directors of the Company be and are hereby authorized to do whatever they may consider necessary, desirable or expedient to carry the underwriting agreement into effect with such changes as the directors of the Company may consider necessary, desirable or expedient for the purpose of carrying into effect of the underwriting agreement.”

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

Dated 16th November, 2002

Head office and principal place of business

In Hong Kong:

28th Floor, The Centrium, 60 Wyndham Street, Central, Hong Kong

Notes:

1. Every member of the Company entitled to attend and vote at the Meeting is entitled to appoint another person as his proxy to attend and vote instead of him. On a poll votes may be given either personally or by proxy. A proxy need not be a member of the Company. A member may appoint more than one proxy to attend the Meeting.
2. Where there are joint registered holders of any Shares, any one of such persons may vote at the Meeting, either personally or by proxy, in respect of such Shares as if he were solely entitled thereto, but if more than one of such joint holders be present at the Meeting personally or by proxy, that one of the said persons so present whose name stands first in the register of members in respect of such Shares shall alone be entitled to vote in respect thereof.
3. A form of proxy for use at the Meeting is enclosed with this notice.
4. The form of proxy and power of attorney or other authority, if any, under which it is signed, or a notarially certified copy of such power of attorney must be delivered to the Company at its registered office at 28th Floor, The Centrium, 60 Wyndham Street, Central, Hong Kong, not less than 48 hours before the time appointed for holding the Meeting or adjourned meeting or poll (as the case may be) at which the person named in such instrument proposes to vote, and in default the proxy shall not be treated as valid. Delivery of an instrument appointing a proxy shall not preclude members from attending and voting in person at the Meeting or at any adjourned meeting or poll (as the case may be) concerned should they so wish. In such event, the instrument appointing a proxy shall be deemed to be revoked.