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**THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION**

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

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

The Stock Exchange 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.

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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)*

**CONNECTED TRANSACTION**

with

**SOCIEDADE DE JOGOS DE MACAU, S.A.**

and

**REFRESHER OF SCHEME MANDATE LIMIT  
OF SHARE OPTION SCHEME**

and

**GENERAL MANDATES TO ISSUE  
AND REPURCHASE SHARES**

**Financial Adviser to Melco International Development Limited**



**Independent Financial Adviser to the Independent Board Committee**



**Hantec Capital Limited**

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A letter from the Independent Board Committee containing its advice and recommendation to the Independent Shareholders concerning the Connected Transaction is set out on page 14 of this circular. A letter from Hantec Capital Limited, the independent financial adviser to the Independent Board Committee, is set out on pages 15 to 20 of this circular.

A notice convening an extraordinary general meeting (“EGM”) of the Company to be held at 3:00 p.m. on Wednesday, 19 November 2003, at 38th Floor, The Centrium, 60 Wyndham Street, Central, Hong Kong, is set out on pages 31 to 34 of this circular. A proxy form is also enclosed. Whether or not you intend to attend and vote at the EGM, please complete and return the enclosed proxy form in accordance with the instructions printed thereon to the Company’s registered office, 38th 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 of the EGM. Completion and return of the proxy form will not preclude you from attending and voting in person at the EGM or any adjourned meeting should you so wish.

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## DEFINITIONS

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

“associate”	has the same meaning as defined in the Main Board Listing Rules and/or the GEM Listing Rules
“Board”	the board of Directors
“CCASS”	the Central Clearing and Settlement System established and operated by HKSCC
“Company”	Melco International Development Limited, a company incorporated in Hong Kong, the securities of which are listed on Main Board
“connected person”	has the same meaning as defined in the Main Board Listing Rules and/or the GEM Listing Rules
“Connected Transaction”	the connected transaction between Elixir and SJM under or pursuant to the Service Arrangement, details of which are set out in the section headed “The Connected Transaction” of this circular
“Director(s)”	the director(s) of the Company
“Dr. Stanley Ho”	Dr. Ho Hung Sun, Stanley, the Chairman and an Executive Director of the Company and Value Convergence
“EGM”	an extraordinary general meeting of the Company to be convened to approve the Connected Transaction, the refresher of the Scheme Mandate Limit and the grant of the General Mandates
“Eligible Person(s)”	any person(s) who satisfies the eligibility criteria under the Share Option Scheme
“Elixir”	Elixir Group Limited, a company incorporated in Hong Kong with limited liability on 2 July 2002 which is owned as to about 77.5% by Value Convergence and as to about 22.5% by two independent third parties who are not connected with the directors, chief executive, substantial shareholders of the Company 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
“General Mandates”	the Issue Mandate and the Repurchase Mandate

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## DEFINITIONS

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“Group”	the Company and its subsidiaries from time to time including Value Convergence Group
“Hantec”	Hantec Capital Limited, the independent financial adviser to advise the Independent Board Committee in connection with the Connected Transaction
“HKSCC”	Hong Kong Securities Clearing Company Limited
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Independent Board Committee”	the independent board committee of the Company comprising the independent non-executive Directors, namely Sir Roger Lobo, Mr. Robert Kwan and Mr. Ng Ching Wo
“Independent Shareholders”	Shareholders other than Dr. Stanley Ho and his associate, Madam Lucina Laam King Ying
“Issue Mandate”	the proposed general mandate to be sought at the EGM to authorize the Directors to allot and issue securities in the manner as set out in the notice of EGM included in this circular
“Latest Practicable Date”	27 October 2003, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained herein
“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
“Maintenance Services”	after sales services to be provided by Elixir including rectification of any error and provision of spare parts, if necessary, for the relevant technical systems provided under the Service Arrangement
“Mr. Lawrence Ho”	Mr. Ho Yau Lung, Lawrence, the Managing Director of the Company and the president and executive director of Value Convergence

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## DEFINITIONS

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“Phase”	the provision of System Integration Services under the Service Arrangement by Elixir to particular Target Site in accordance with the relevant timetable as agreed between Elixir and SJM
“Previous Arrangements”	the two service arrangements entered into between Elixir and SJM on 20 January 2003 and 16 July 2003 respectively, in respect of the provision of information technology related services to SJM, details of which had been disclosed in the announcements of Value Convergence dated 21 January 2003 and 17 July 2003 respectively
“Repurchase Mandate”	the proposed general mandate to be sought at the EGM to authorize the Directors to exercise the powers of the Company to repurchase shares of the Company on the terms set out in the notice of EGM included in this circular
“Rights Issue”	the rights issue of 72,643,567 rights shares of HK\$1.00 each of the Company at HK\$1.45 per rights share on the basis of one rights share for every two Shares then in issue which has been completed on 24 September 2003
“Rights Issue Prospectus”	the prospectus issued by the Company in relation to the Rights Issue on 29 August 2003
“Scheme Mandate Limit”	the maximum number of Shares which may be issued upon exercise of all Share Options granted or to be granted under the Share Option Scheme as at 8 March 2002, being the adoption date of the Share Option Scheme
“Services”	the System Integration Services and the Maintenance Services
“Service Arrangement”	the Service Arrangement comprising two agreements in respect of the monitoring security system and the fibre optic cable and transmission system respectively, entered into between Elixir and SJM on 6 October 2003 pursuant to which Elixir will provide information technology related services, including the System Integration Services and Maintenance Services to SJM
“Share(s)”	share(s) of HK\$1.00 each in the share capital of the Company
“Share Option(s)”	a right to subscribe for Share(s) granted by the Company under the Share Option Scheme
“Share Option Scheme”	the share option scheme adopted by the Company on 8 March 2002

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## DEFINITIONS

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“Shareholder(s)”	holder(s) of the Share(s)
“SJM”	Sociedade de Jogos de Macau, S.A., a company incorporated under the laws of Macau
“STDM”	Sociedade de Turismo e Diversoes de Macau, S.A.R.L. a company incorporated under the laws of Macau
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“System Integration Services”	services to be provided by Elixir pursuant to the Service Arrangement including the liaison with, and procurement of other hardware and software suppliers to develop and provide the real-time on-line transmission and monitoring security system and the design and provision of information technology expertise to ameliorate the computer facilities and equipments of SJM
“Target Site(s)”	ten casinos and one technical control center owned and operated by SJM in Macau
“Value Convergence”	Value Convergence Holdings Limited, a company incorporated in Hong Kong, the securities of which are listed on GEM and a 67.57% owned subsidiary of the Company
“Value Convergence Group”	Value Convergence and its subsidiaries from time to time
“Value Convergence Independent Shareholders”	shareholders of Value Convergence other than Bailey Development Limited, a company which owns 3.10% shareholding interest in Value Convergence and beneficially owned as to 65% by Dr. Stanley Ho
“US\$”	United States dollars, the lawful currency of the United States of America
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“%”	per cent.

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

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## LETTER FROM THE BOARD

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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)*

*Executive Directors:*

Dr. Stanley Ho, *Chairman*  
Mr. Lawrence Ho, *Managing Director*  
Mr. Tsui Che Yin, *Frank*

*Non-executive Directors:*

Mr. So Wing Hung, *Peter*  
Mr. Ho Cheuk Yuet

*Independent non-executive Directors:*

Sir Roger Lobo  
Mr. Robert Kwan  
Mr. Ng Ching Wo

*Registered office, head office and  
principal place of business:*

Penthouse  
38th Floor, The Centrium  
60 Wyndham Street  
Central  
Hong Kong

31 October 2003

*To Shareholders and to holders of the Share Options,  
for information only*

Dear Sir or Madam,

**CONNECTED TRANSACTION  
with  
SOCIEDADE DE JOGOS DE MACAU, S.A.  
and  
REFRESHER OF SCHEME MANDATE LIMIT  
OF SHARE OPTION SCHEME  
and  
GENERAL MANDATES TO ISSUE  
AND REPURCHASE SHARES**

#### **INTRODUCTION**

By the joint announcement of the Company and Value Convergence dated 9 October 2003, the Board announced that on 6 October 2003, Elixir, a 77.5% owned subsidiary of Value Convergence and an indirect subsidiary of the Company, has entered into the Service Arrangement, on a conditional basis, with SJM, a subsidiary of STDM, for the provision of information technology related services to SJM. Such services comprise of System Integration Services for an aggregate value of about US\$6.53 million

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## LETTER FROM THE BOARD

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(HK\$50.80 million) and Maintenance Services for the aggregate value (measured up to the financial year ending 31 December 2005) of about US\$0.61 million (HK\$4.75 million).

SJM is a connected person for the purpose of the Main Board Listing Rules by virtue of the fact that Dr. Stanley Ho, who is the Chairman and Executive Director of the Company, has an equity interest in, as well as being a director of, SJM and STDM respectively. Accordingly, the Service Arrangement and all transactions contemplated thereunder constitute non-exempt connected transaction for the Company under Rule 14.26 of the Main Board Listing Rules (by virtue of the fact that the total consideration for the Service Arrangement exceeds the higher of HK\$10,000,000 or 3% of the proforma unaudited consolidated net tangible assets of the Group as disclosed in the Rights Issue Prospectus) and are subject to, inter alia, the approval by the Independent Shareholders to be given at the EGM.

In addition, the Board proposes to seek Shareholders' approval at the EGM to refresh the Scheme Mandate Limit since the Scheme Mandate Limit has been fully utilized by the Company as a result of granting of certain Share Options under the Share Option Scheme to such Eligible Persons on 8 March 2002 and 13 September 2002 respectively.

The Board also proposes to seek Shareholders' approval at the EGM for the grant of the General Mandates following the completion of the Rights Issue.

This circular includes, amongst other things, further information on the Connected Transaction, the refresher of the Scheme Mandate Limit and the grant of the General Mandates together with the notice convening the EGM at which resolutions will be proposed to the Independent Shareholders (regarding the Connected Transaction) and to the Shareholders (regarding the refresher of the Scheme Mandate Limit and the grant of the General Mandates) to consider, and if thought fit, approve these matters.

### **BACKGROUND OF THE CONNECTED TRANSACTION**

On 20 January 2003 and 16 July 2003, Elixir had entered into two separate services arrangements with SJM for the provision of information technology related services, including but not limited to, system integration and system network services to SJM for a value of about US\$570,000 (HK\$4.43 million) and US\$285,000 (HK\$2.22 million) respectively. Details of these Previous Arrangements had been disclosed in the announcements of Value Convergence dated 21 January 2003 and 17 July 2003 respectively.

In view of the quality of works and services that had been provided by Elixir to SJM, Elixir has entered into another Service Arrangement with SJM on 6 October 2003 for the provision of System Integration Services and the Maintenance Services for the respective aggregate values of about US\$6.53 million (HK\$50.80 million) and US\$0.61 million (HK\$4.75 million) (measured up to the financial year ending 31 December 2005).



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## LETTER FROM THE BOARD

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### THE CONNECTED TRANSACTION

**Date:** 6 October 2003

**Parties:**

- i. Elixir
- ii. SJM

### Information technology related services to be provided under the Service Arrangement

Pursuant to the Service Arrangement, Elixir will provide the following information technology related services to eleven Target Sites, namely, ten casinos and one technical control center owned and operated by SJM in Macau:

1. System Integration Services including the liaison with, and procurement of other hardware and software suppliers to develop and provide the real-time on-line transmission and monitoring security system and the design and provision of information technology expertise to ameliorate the computer facilities and equipments of SJM; and
2. Maintenance Services including the continuing maintenance and support services, such as rectification of any error and provision of spare parts, if necessary, for the relevant technical systems provided under the Service Arrangement.

### Term of Services

As the Service Arrangement involves the provision of Services to the Target Sites, the System Integration Services will be carried out by eleven Phases one after the other. According to the Service Arrangement, the first and the second Phases are expected to be completed during the financial year ending 31 December 2003 and the third to tenth Phases are expected to be completed during the financial year ending 31 December 2004. The expected completion date of the eleventh Phase of the provision of System Integration Services to the relevant Target Site of SJM, including testing of all the relevant technical systems and services to the satisfaction of SJM, is around the first quarter of 2005. After the completion of all System Integration Services to the individual Target Site under the Service Arrangement, Elixir will continue to provide the Maintenance Services to such Target Site for an initial one year period subject to renewal (at the option of SJM) of the same terms thereof on a yearly basis upon the payment of the relevant annual maintenance fees by SJM each year.

### Consideration

The consideration payable by SJM under the Service Arrangement is determined by arm's length negotiations between both parties. Different amounts of service charge shall be payable by SJM for Services provided to different Target Sites depending upon, inter alia, the size of the relevant Target Site and the costs of relevant technical systems required by it.

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## LETTER FROM THE BOARD

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The consideration for the System Integration Services is determined with reference to the estimated costs of (i) the relevant hardware and software necessary for the relevant technical systems for all Target Sites; and (ii) the resources to be incurred by Elixir for installing the same and provision of related training services and documentation to SJM. The consideration of the Maintenance Services is determined with reference to (i) the estimated cost for the estimated number of spare parts that are required for maintaining the relevant technical systems in all Target Sites, and (ii) the resources to be incurred by Elixir during the relevant agreed service hours per day.

### **Payment terms**

Subject to the fulfillment of the condition precedent mentioned below and the terms and conditions of the Service Arrangement, SJM shall pay an initial amount representing 50% of the relevant service charge agreed for the relevant Target Site to Elixir upon commencement of the relevant Phase. The balance of the relevant service charge will be payable by three installments of amounts equivalent to 30%, 10% and 10% of the relevant service charge respectively. The final installment of the relevant service charge for the System Integration Services provided to the relevant Target Site and the relevant charge for the Maintenance Services to be provided to such Target Site will be paid within approximately 3 months after the completion of the relevant Phase.

### **Condition Precedent**

The Service Arrangement shall only become effective upon obtaining of the approval of the Connected Transaction on or before 30 November 2003 (or such other date as the parties to the Service Arrangement may subsequently agree) by the Independent Shareholders at the EGM in compliance with the Main Board Listing Rules and by the Value Convergence Independent Shareholders (by way of poll) at the extraordinary general meeting of Value Convergence in compliance with the GEM Listing Rules including (without limitation) the requirement that any Shareholder(s) or Value Convergence's shareholders interested in the Service Arrangement having abstained from voting at the relevant general meetings.

Unless the parties to the Service Arrangement otherwise agree (but nevertheless subject to the relevant requirements under the Main Board Listing Rules and the GEM Listing Rules, as the case may be), the above condition cannot be waived by such parties. In the event that the condition cannot be fulfilled on or before 30 November 2003 (or such other date as the said parties may subsequently agree), SJM, may by notice to Elixir, terminate the Service Arrangement. Upon any such termination, none of the parties to the Service Arrangement will have any obligations and liabilities save to any antecedent breach of the terms thereof.

### **CONNECTED PERSON AND INDEPENDENT SHAREHOLDERS' APPROVAL**

#### **Relationship with SJM**

SJM is a company incorporated under the laws of Macau and is majority owned by STDM with Dr. Stanley Ho as its managing director. SJM has been selected by the Macau Government as one of the three concessionaires to engage in casino gaming operations in Macau from 1 April 2002 to 31 March 2020.

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## LETTER FROM THE BOARD

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By virtue of the fact that Dr. Stanley Ho, who is the Chairman and Executive Director of the Company and Value Convergence, has an equity interest in, as well as being a director of, SJM and STDM respectively, SJM is considered as an associate of connected person under both the Main Board Listing Rules and the GEM Listing Rules. Accordingly, the Service Arrangement and all transactions contemplated thereunder constitute non-exempt connected transaction for the Company under Rule 14.26 of the Main Board Listing Rules (by virtue of the fact that the total consideration for the Service Arrangement exceeds the higher of HK\$10,000,000 or 3% of the proforma unaudited consolidated net tangible assets of the Group as disclosed in the Rights Issue Prospectus) and are subject to the requirements of reporting, announcement and approval by the Independent Shareholders at the EGM. Dr. Stanley Ho, who beneficially owns 6.89% shareholding interest in the Company, and his associate, Madam Lucina Laam King Ying, will abstain from voting at the EGM. Also, the Service Arrangement and all transactions contemplated thereunder constitute non-exempt continuing connected transactions for Value Convergence under the GEM Listing Rules and are subject to the approval by the Value Convergence Independent Shareholders at the extraordinary general meeting of Value Convergence to be convened on the same date of the EGM.

### REASONS FOR ENTERING INTO THE CONNECTED TRANSACTION

Elixir, a 77.5% owned subsidiary of Value Convergence and an indirect subsidiary of the Company, is one of the leading system integrators and supplies computer hardware equipment, intelligent surveillance system, enterprise portal solutions, business process workflow re-engineering, information technology consultancy services and ecommerce infrastructure to clients in Macau and the Pearl River Delta Area of the PRC. Elixir offers a full range information technology expertise ranging from entry-level workstations to enterprise-class servers, e-business solutions, office automation application, hosting and outsourcing service and related information technology consultancy services. Its experienced professional staffs specialize in network planning and high availability architecture. Elixir has demonstrated its quality of works and services provided to SJM in the Previous Arrangements. The Directors are confident that Elixir is able to meet the stringent requirements for quality technical and support expertise advice and services required by SJM. Entering into the Service Arrangement is consistent with the objectives of the Group to continue the exploration of technology related business opportunities in other regions of the PRC and is another encouraging horizontal expansion of its business activities in information technology industry as it will present an opportunity for Value Convergence Group to provide unique tailor made information technology related systems and services to other gaming companies and a wide range of other industries, such as retail, entertainment and hospitality, enabling the Value Convergence Group to generate steady and recurring income. The Directors are of the view that this kind of organic growth is in the best interests of the Group and the Shareholders as a whole. The Directors confirm that the entering of the Service Arrangement by Elixir will not constitute any material change to the business nature of either the Company or Value Convergence.

The Board considers that the terms of the Connected Transaction are fair and reasonable and that they are arrived at after arm's length negotiations and are upon normal commercial terms, in the ordinary and usual course of business of the Group and in the interest of the Shareholders as a whole. The Board also confirms that the basis to determine the consideration of the Services to SJM is by reference to and be comparable with market rates and the terms and conditions for the provision of substantially the same services to independent third parties.

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## LETTER FROM THE BOARD

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### REFRESHER OF SCHEME MANDATE LIMIT OF SHARE OPTION SCHEME

Pursuant to the Main Board Listing Rules, the maximum number of Shares which may be issued upon exercise of all outstanding Share Options granted and yet to be exercised under the Share Option Scheme and any other share option schemes, must not exceed 30% of the Shares in issue from time to time.

The Shares which may be issued upon exercise of all Share Options to be granted under the Share Option Scheme and any other share option schemes of the Company shall not exceed the Scheme Mandate Limit, being 10% of the Shares in issue as at 8 March 2002, which was the date of adoption of the Share Option Scheme, subject to the refresher of the Scheme Mandate Limit by Shareholders in general meeting from time to time provided that the Scheme Mandate Limit as refreshed must not exceed 10% of the Shares in issue as at the date of the relevant Shareholders' approval. In this connection, Share Options previously granted under the Share Option Scheme of the Company (including those outstanding, cancelled, lapsed in accordance with the Share Option Scheme or exercised Share Options) will not be counted for the purpose of calculating the Scheme Mandate Limit as refreshed.

As at the Latest Practicable Date and following adjustments of the Scheme Mandate Limit and Share Options granted under the Share Option Scheme made by the auditors of the Company after the Rights Issue, Share Options (exercisable into an aggregate of 18,163,069 Shares) granted pursuant to the Share Option Scheme at the exercise prices of HK\$1.00 (as to 8,015,226 Share Options) and HK\$1.1067 (as to 10,147,843 Share Options) respectively per Share were outstanding. Save for such outstanding Share Options, no other Share Options have been granted under the Share Option Scheme to the Directors and employees of the Group or other Eligible Persons as at the Latest Practicable Date.

As at 8 March 2002 (the date when the Share Option Scheme was adopted), the total number of issued Shares was 121,087,134 Shares and the Scheme Mandate Limit of the Share Option Scheme is 12,108,713 Shares accordingly.

Since the Company had granted an aggregate of 12,108,713 Share Options (equivalent to 18,163,069 Share Options after the adjustments mentioned above) under the Share Option Scheme to Eligible Persons on 8 March 2002 and 13 September 2002 respectively, the Scheme Mandate Limit has been fully utilized. The Board is of the view that, in order to encourage the relevant Eligible Persons to work towards enhancing the value of the Group and the Shares, further Share Options may need to be issued in future. As a result, it is necessary to refresh the Scheme Mandate Limit to enable this to happen. The Board considers that the refresher of the Scheme Limit is in the interests of the Company and the Shareholders as a whole.

Assuming no further allotment and issue of shares and repurchase of shares is made before the date of the EGM, upon granting of the refresher of the Scheme Mandate Limit by Shareholders in the EGM, the Scheme Mandate Limit as refreshed will allow the Company to grant Share Options entitling holders thereof to subscribe for 21,793,070 Shares, being 10% of 217,930,701 Shares in issue as at the date of approving the refresher of the Scheme Mandate Limit. On the assumption that the Scheme Mandate Limit as refreshed is fully utilized, the total number of Shares which may be issued upon exercise of all outstanding Share Options granted and yet to be exercised under the Share Option Scheme and any other schemes of the Company will not exceed 30% of the Shares in issue.

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## LETTER FROM THE BOARD

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### GENERAL MANDATES TO ISSUE AND REPURCHASE SHARES

Following the completion of the Rights Issue on 24 September 2003, the total number of issued Shares has been increased from 145,287,134 to 217,930,701 Shares. Consequently, at the EGM, ordinary resolutions will be proposed that the Directors be given the new General Mandates including (i) the Issue Mandate, being a general mandate to allot and issue securities up to a limit of 20% of the aggregate nominal amount of the share capital of the Company in issue as at the date of the passing of such resolution (and to issue further securities repurchased by the Company pursuant to the Repurchase Mandate) and (ii) the Repurchase Mandate, being a general mandate to repurchase shares in nominal amount of up to 10% of the nominal amount of the share capital of the Company in issue as at the date of the passing of such resolution.

With respect to the General Mandates, the Directors confirm that they have no present intention of exercising the Issue Mandate to allot and issue securities of the Company and the Repurchase Mandate to repurchase the shares of the Company.

A statement explaining the Repurchase Mandate in accordance with the Main Board Listing Rules is set out in appendix I to this circular.

### LISTING AND DEALING

Application has been made by the Company to the Listing Committee of the Stock Exchange for the approval of the listing of and permission to deal in such number of Shares, representing a maximum of 10% of the Shares in issue at the date of the EGM approving the refresher of the Scheme Mandate Limit, which may fall to be allotted and issued upon the exercise of the Share Options which may be granted under the Share Option Scheme. No part of the share capital of the Company is listed or dealt in on any other stock exchange or permission to deal is being or is planned to be sought with such exchange.

Subject to the granting of the above approval by the Stock Exchange, the relevant number of Shares which may fall to be allotted and issued upon the exercise of the Share Options granted under the Share Option Scheme will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the commencement date of dealings on the Stock Exchange in the Shares which may fall to be allotted and issued upon the exercise of the Share Options granted under the Share Option Scheme or such other date as determined by HKSCC. Settlement of transactions between participants of the Stock Exchange on any trading day is required to take place in CCASS on the second trading day thereafter. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

### GENERAL INFORMATION OF THE GROUP

As disclosed in the Rights Issue Prospectus, the 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, and Value Convergence Group is the flagship of the Group in the investment banking and financial services division and the technology division.

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## LETTER FROM THE BOARD

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### EXTRAORDINARY GENERAL MEETING

A notice convening the EGM to be held at 3:00 p.m. on Wednesday, 19 November 2003 at 38th Floor, The Centrium, 60 Wyndham Street, Central, Hong Kong is set out on pages 31 to 34 of this circular at which ordinary resolutions will be proposed and, if thought fit, passed by the Independent Shareholders, to approve the Connected Transaction and by the Shareholders, to approve the refresher of the Scheme Mandate Limit and the grant of General Mandates.

Dr. Stanley Ho, who beneficially owns 6.89% shareholding interest in the Company, and his associate, Madam Lucina Laam King Ying, will abstain from voting at the EGM in respect of the ordinary resolution concerning the Connected Transaction. The issued shares in the Company are held as to 25.47% by Lasting Legend Limited, which is wholly owned by Mr. Lawrence Ho, 17.93% by Shun Tak Shipping Company Limited, a company in which Dr. Stanley Ho holds 27.78% shareholding interest and is a director, 6.89% by Dr. Stanley Ho and 0.1% by Dr. Stanley Ho's associate, Madam Lucina Laam King Ying. Based on the interest of Dr. Stanley Ho in Shun Tak Shipping Company Limited, Shun Tak Shipping Company Limited is not an associate of Dr. Stanley Ho under the Main Board Listing Rules. Accordingly, Shun Tak Shipping Company Limited is not required to abstain from voting on the relevant resolution regarding the Connected Transaction at the EGM. All Shareholders are entitled to vote at the EGM on the resolutions regarding the refresher of the Scheme Mandate Limit and the grant of the General Mandates.

The Independent Board Committee, comprising the three independent non-executive Directors, namely, Sir Roger Lobo, Mr. Robert Kwan and Mr. Ng Ching Wo has been appointed to advise the Independent Shareholders on whether or not the terms of the Connected Transaction are fair and reasonable and in the interests of the Independent Shareholders as a whole. Hantec has been appointed as the independent financial adviser to advise the Independent Board Committee in respect of the terms of the Connected Transaction.

A proxy form for use by the Shareholders at the EGM is enclosed. Whether or not you are available to attend the EGM in person, you are requested to complete the accompanying proxy form in accordance with the instructions printed thereon and return the same to the Company's registered office, 38th 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 of the EGM. Completion and return of a proxy form will not preclude you from attending and voting in person at the EGM or any adjourned meeting should you so wish.

### RECOMMENDATIONS

Your attention is drawn to (i) the letter from the Independent Board Committee set out on page 14 of this circular which contains the recommendations of the Independent Board Committee to the Independent Shareholders concerning the Connected Transaction; and (ii) the letter from Hantec to the Independent Board Committee set out on pages 15 to 20 of this circular containing its advice to the Independent Board Committee in connection with the Connected Transaction.

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## LETTER FROM THE BOARD

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The Independent Board Committee, having taking into account the advice from Hantec in relation to the Connected Transaction, considers that the terms of the Connected Transaction are fair and reasonable so far as the Independent Shareholders are concerned and that the Connected Transaction is in the interests of the Company and the Independent Shareholders as a whole. Accordingly, the Independent Board Committee recommends the Independent Shareholders to vote in favour of the ordinary resolution to be proposed at the EGM to approve the Connected Transaction.

The Board considers that the refresher of the Scheme Mandate Limit and the grant of General Mandates are in the best interests of the Company and the Shareholders as a whole, and accordingly, recommends the Shareholders to vote in favour of the relevant resolutions to be proposed at the EGM.

### FURTHER INFORMATION

Your attention is drawn to the additional information set out in the appendices to this circular.

Yours faithfully,  
For and on behalf of  
**Melco International Development Limited**  
**Ho Yau Lung, Lawrence**  
*Managing Director*



**Melco International Development Limited**

**新濠國際發展有限公司**

*(Incorporated in Hong Kong with limited liability)*

Penthouse  
38th Floor, The Centrium  
60 Wyndham Street  
Central  
Hong Kong

31 October 2003

*To the Independent Shareholders*

Dear Sir or Madam,

**CONNECTED TRANSACTION**  
**with**  
**SOCIEDADE DE JOGOS DE MACAU, S.A.**

We have been appointed as members of the Independent Board Committee to advise you in connection with the Connected Transaction, details of which are set out in the “Letter from the Board” in the circular dated 31 October 2003, of which this letter forms part. Terms used in this letter have the same meanings as defined in the said circular unless the context otherwise requires.

We wish to draw your attention to the letter of advice from Hantec as set out on pages 15 to 20 of this circular, which contains its advice and recommendation to us as to whether or not the Connected Transaction is fair and reasonable and in the interests of the Independent Shareholders as a whole, as well as the principal factors and reasons for its advice and recommendation.

Having considered, amongst other matters, the factors and reasons considered by, and the opinion of, Hantec as stated in its aforementioned letter of advice, we are of the opinion that the terms of the Connected Transaction are fair and reasonable so far as the Independent Shareholders are concerned and the Connected Transaction is in the interests of the Company and the Independent Shareholders as a whole. We therefore recommend the Independent Shareholders to vote in favour of the ordinary resolution to be proposed at the EGM to approve the Connected Transaction.

Yours faithfully,

For and on behalf of

**the Independent Board Committee**

**Sir Roger Lobo**

**Robert Kwan**

**Ng Ching Wo**

*Independent non-executive Directors*



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## LETTER FROM HANTEC

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*The following is the text of a letter from Hantec in connection with the Connected Transaction which letter has been prepared for the purpose of inclusion in this circular:*



**Hantec Capital Limited**  
45th Floor, COSCO Tower  
183 Queen's Road Central  
Hong Kong

31 October 2003

*To the Independent Board Committee of  
Melco International Development Limited*

Dear Sirs,

### **CONNECTED TRANSACTION**

We refer to our appointment as the independent financial adviser to the Independent Board Committee in respect of the Service Arrangement, under which Elixir will provide the System Integration Services and the Maintenance Services to SJM. Details of the Service Arrangement are set out in the letter from the Board (the "Board's Letter") contained in the circular of the Company dated 31 October 2003 (the "Circular"), of which this letter forms part. Capitalised terms used herein without definition shall have the same meanings in the Circular unless the context otherwise requires.

SJM is a connected person of the Company under the Main Board Listing Rules since Dr. Stanley Ho, the chairman and an executive director of the Company, has an equity interest in and is a director of both SJM and STD. The aggregate consideration under the Service Arrangement is expected to exceed the higher of HK\$10,000,000 or 3% of the proforma unaudited consolidated net tangible assets of the Group as disclosed in the rights issue prospectus of the Company dated 29 August 2003, being the latest published consolidated accounts of the Group reflecting the Rights Issue. Therefore, the Service Arrangement and the transactions contemplated thereunder constitute non-exempt connected transactions of the Company under Rule 14.26 of the Main Board Listing Rules and are subject to the approval of the Independent Shareholders at the EGM, in which Dr. Stanley Ho and his associate, namely Madam Lucina Laam King Ying, will abstain from voting in the resolution concerning the Connected Transaction. The Independent Board Committee, comprising Sir Roger Lobo, Mr. Robert Kwan and Mr. Ng Ching Wo, has been formed to consider the Connected Transaction and to make recommendations to the Independent Shareholders at the EGM.

### **BASIS OF OUR OPINION**

In arriving at our recommendation, we have relied on the statements, information and representations contained in the Circular and the information and representations provided to us by the Directors and management of the Company. We have assumed that all information and representations contained or

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## LETTER FROM HANTEC

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referred to in the Circular and all information and representations which have been provided by the Directors and management of the Company for which they are solely responsible, are true and accurate at the time they were made and will continue to be accurate at the date of the despatch of the Circular. We have no reason to doubt the truth, accuracy and completeness of the information and presentation provided to us by the Directors.

We consider that we have been provided with sufficient information on which to form a reasonable basis for our opinion. We have no reason to suspect that any relevant information has been withheld, nor are we aware of any fact or circumstance which would render the information provided and representations made to us untrue, inaccurate or misleading. Having made all reasonable enquiries, the Directors have further confirmed that, to the best of their knowledge, they believe there are no other facts or representations the omission of which would make any statement in the Circular, including this letter, misleading. We have not, however, carried out any independent verification of the information provided by the Directors and management of the Company, nor have we conducted an independent investigation into the business and affairs of the Company, the Group, SJM and STDM.

### **PRINCIPAL FACTORS AND REASONS TAKEN INTO ACCOUNT**

In arriving at our opinion in respect of the Connected Transaction, we have taken the following principal factors and reasons into consideration:

#### **I. Reasons for entering into the Connected Transaction**

##### *Information of the Group*

The Group's businesses include (i) investment banking and financial services; and (ii) technology; (iii) fine-dining, leisure and tourism; (iv) property investment; and (v) investment and energy.

##### *Information of the Value Convergence Group and Elixir*

Value Convergence is a subsidiary of the Company and Value Convergence is listed on the Growth Enterprise Market of the Stock Exchange. Following the acquisition of a financial services group by Value Convergence in December 2002 (the "Acquisition"), the Value Convergence Group's principal businesses have diversified to include (i) provision of full-fledged investment banking and financial services; and (ii) provision of comprehensive online trading and related systems.

As mentioned in the circular of Value Convergence regarding the Acquisition dated 16 November 2002, the business objectives of the Value Convergence Group during the period commencing from the Acquisition to 30 September 2003 had been revised to focus on, inter alia, the exploration of business opportunities for market entry by the Value Convergence Group in the PRC and the strengthening of strategic alliances with other third party business partners. The interim report of Value Convergence for the six months ended 31 March 2003 indicated that, during the period under review, Elixir had successfully developed and expanded the technology business in Macau and the PRC and the Value Convergence Group has also formed strategic alliances with certain world-famous hardware suppliers with a view to offering hardware solution services to the existing and potential clients.

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## LETTER FROM HANTEC

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Elixir was incorporated in July 2002 for the purposes of promoting not only financial trading systems but also system integration services and other software and hardware solutions including computer hardware equipment, intelligent surveillance system, enterprise portal solutions, business process workflow re-engineering, information technology consultancy services and ecommerce infrastructure to clients in Macau and the PRC. Elixir has provided a series of information technology related services to SJM since January 2003, details of which are published in the announcements of Value Convergence dated 21 January 2003 and 17 July 2003 respectively.

### *Information technology in Macau*

The Directors consider the Service Arrangement an encouraging horizontal expansion of the Group's business in information technology industry and, as stated in the interim report of the Company for the six months ended 30 June 2003, the Group's technology business in Macau would become a major contributor in the second half of 2003 and subsequent periods.

According to a statistic report issued by the Macau Government in January 2003, there were a total of 11,087 establishments of industrial, construction, travel agency, hotel, restaurant, transportation and warehouse, wholesale and retail for the year 2001. Among these establishments, 3,313 have adopted information technologies, representing a penetration rate of approximately 30% in Macau for the year. In view of this penetration rate of information technology services in Macau, the Directors believe there remains growth potential in information technology services in Macau.

### *Benefits of entering into the Connected Transaction*

SJM is a company incorporated under the laws of Macau and has been selected by the Macau Government as one of the three concessionaires to engage in casino gaming operations in Macau from 1 April 2002 to 31 March 2020. In view of the tailor-made information technology related systems and services to be provided by Elixir to SJM under the Service Arrangement, the Directors consider the Service Arrangement an encouraging horizontal expansion of the Group's business in information technology industry by applying the Group's information technology related services to other gaming companies as well as other companies in related industries, such as entertainment and hospitality.

The Group commenced technology business since its subscription of the shares of Value Convergence on 29 January 2003. According to the Company's 2003 interim report, technology business has been among the Group's major businesses, contributing approximately HK\$10.0 million to the Group's unaudited turnover of approximately HK\$58.4 million, or approximately 17.2%, for the six months ended 30 June 2003. The Group's technology division is mainly carried out through the Value Convergence Group and, according to the 2003 interim report and third quarterly report of Value Convergence, Elixir and its subsidiaries contributed approximately 54.5% and 42.9% respectively of Value Convergence Group's unaudited turnover for the six months ended 31 March 2003 and nine months ended 30 June 2003 by their great efforts in promoting and selling software and hardware systems and related services. In addition, Elixir has been engaged by SJM to provide similar information technology related services to SJM in January and July 2003 respectively. We are therefore of the view that entering into the Service Arrangement is in line with the Group's existing businesses and is in the ordinary and usual course of business of the Group.

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## LETTER FROM HANTEC

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We also concur with the Directors that entering into the Connected Transaction is in the interest of the Company and the Independent Shareholders as a whole given that (i) the Group's reputation in information technology services can be enhanced by providing quality services to a well-known company in Macau; (ii) the Group's earning base can be expanded by providing the Services to ten casinos and one technical control center; and (iii) it is viable to leverage on the Group's reputation and experiences at the Target Sites to tap the growth potential in information technology services in Macau.

### **II. Consideration**

The consideration payable by SJM to Elixir under the Connected Transaction includes approximately US\$6.53 million (equivalent to approximately HK\$50.80 million) for the System Integration Services and another US\$0.61 million (equivalent to approximately HK\$4.75 million) for the Maintenance Services. The System Integration Services and the Maintenance Services will be provided by Elixir at eleven Target Sites, which include ten casinos and one technical control center owned and operated by SJM in Macau.

The Directors confirmed the consideration for the System Integration Services was arrived at after arm's length negotiations between Elixir and SJM with reference to the estimated costs of (i) relevant hardware and software necessary for the relevant technical systems for all the Target Sites; and (ii) the resources to be incurred by Elixir for installing the same and providing related training services and documentation to SJM. The consideration for the Maintenance Services is determined with reference to (i) the estimated costs for spare parts required for maintaining the relevant technical systems in all the Target Sites; and (ii) the resources involving human capital and administration works to be incurred by Elixir during the relevant agreed service hours per day. The Directors considered terms of the Service Arrangement are normal commercial terms, in the ordinary and usual course of business of the Group, in line with the industry practice, and fair and reasonable to the Shareholders as a whole.

To reach our conclusion on the consideration under the Service Arrangement, we have reviewed (i) four transactions (the "Independent Comparable Transactions") under which Elixir provided similar information technology related services to companies who are not connected persons under the Main Board Listing Rules, (ii) the two agreements for the Previous Arrangements; and (iii) the schedules of the estimated costs of the Services.

As confirmed by the Directors, Elixir under the Independent Comparable Transactions provided system integration services for surveillance recorders and networks and related hardware equipments, and since the maintenance services are at the option of the relevant customers, it provided maintenance services only in one of the Independent Comparable Transactions. The maintenance services under the relevant Independent Comparable Transaction involved supporting services during normal business hours of the weekdays only. On the other hand, due to the complexity and the amount and size of the technical systems involved, the Maintenance Services required by SJM under the Service Arrangement involve supporting services throughout 24 hours every day (including weekends and public holidays). Save for the Independent Comparable Transactions and the Previous Arrangements, the Directors confirmed that there is no other transaction under which the Group provided comparable services during the period from 1 January 2003 to the Latest Practicable Date.

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## LETTER FROM HANTEC

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Based on the documents and information provided to us, we consider it fair and reasonable to form our opinion on the consideration for the System Integration Services by making reference to both the Independent Comparable Transactions and the Previous Arrangements, and to form our opinion on the consideration for the Maintenance Services merely by making reference to the estimated costs for requisite spare parts and the resources to be incurred by Elixir as confirmed by the Company.

We found the pricing basis and profit margin for the System Integration Services are in line with those for the Independent Comparable Transactions and the Previous Arrangements, and we consider the consideration for the System Integration Services is fair and reasonable so far as the Independent Shareholders are concerned. We also found the pricing basis and profit margin for the Maintenance Services are with reference to the estimated costs for requisite spare parts and the resources, and we consider the consideration for the Maintenance Services is fair and reasonable so far as the Independent Shareholders are concerned.

### **III. Payment schedules**

The consideration will be payable to Elixir in accordance with the Phases in which Elixir provides the Services at the relevant Target Sites.

Pursuant to the Service Arrangement, Elixir will provide System Integration Services in eleven Phases, the first and second of which are expected to complete during the financial year ending 31 December 2003, the third to tenth during the year ending 31 December 2004, and the eleventh to be completed around the first quarter of 2005. After completion of the relevant Phase of the System Integration Services, Elixir will commence the Maintenance Services on the Target Sites for an initial one year, subject to SJM's option to renew the terms on a yearly basis.

With respect to the System Integration Services, SJM will pay an initial amount representing 50% of the relevant service charge for the relevant Target Site upon commencement of the relevant Phase. The balance will be payable in three instalments of amounts equivalent to 30%, 10% and 10% of the relevant service charges upon completion of installation of equipment, passing the relevant testing, and expiry of the defect warranty period for the relevant Target Site respectively. With respect to the Maintenance Services, SJM will pay the relevant service charges for the relevant Target Site together with the payment of last installment for the System Integration Services.

We noted the payment schedules under the Service Arrangement are same to those under the Previous Arrangements, while slightly different from those under the Independent Comparable Transactions whereby the Group was entitled to receive the entire consideration thereof after it completed the installment of equipment. Given (i) the Service Arrangement includes eleven Target Sites with considerable monetary values involved rather than single surveillance system for the respective Independent Comparable Transactions, and the Directors' confirmation that payments after testing and defect warranty period for the individual Target Site are not uncommon requirements for such large scale technology services; and (ii) SJM is a well-known company and has fulfilled its payments obligations to the Group on a timely basis pursuant to the Previous Arrangements, we consider the payment schedules under the Service Arrangement are fair and reasonable so far as the Independent Shareholders are concerned.

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## LETTER FROM HANTEC

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### RECOMMENDATION

Taking into consideration of the above principal factors and reasons, we are of the view that terms of the Connected Transaction are fair and reasonable so far as the Independent Shareholders are concerned and are in the interests of the Company and the Independent Shareholders as a whole. Accordingly, we recommend the Independent Board Committee to advise the Independent Shareholders to vote in favour of the ordinary resolution to be proposed at the EGM to approve the Connected Transaction.

Yours faithfully,  
For and on behalf of  
**Hantec Capital Limited**  
**Thomas Lai**  
*Director*

*This appendix serves as an explanatory statement, as required by the Main Board Listing Rules, to provide requisite information to you for your consideration of the Repurchase Mandate and also constitutes the memorandum as required under Section 49BA(3) of the Hong Kong Companies Ordinance.*

## **1. MAIN BOARD LISTING RULES**

The Main Board Listing Rules permit companies whose primary listings are on the Stock Exchange to repurchase their shares on the Stock Exchange or on any other stock exchange on which the shares of the companies may be listed and recognized by the Securities and Futures Commission of Hong Kong and the Stock Exchange for this purpose, subject to certain restrictions, the most important of which are summarized below:

- (a) The shares to be repurchased by a company must be fully-paid up.
- (b) The Company has previously sent to its shareholders an explanatory statement complying with the Main Board Listing Rules.
- (c) All on-market repurchase of shares by a company with its primary listing on the Stock Exchange must be approved in advance by an ordinary resolution, either by way of a specific approval in relation to specific transactions or by a general mandate to the directors of the company to make such repurchase and a copy of such resolution together with the necessary documentation, have been delivered to the Stock Exchange in accordance with the Main Board Listing Rules.

## **2. SHARE CAPITAL**

As at the Latest Practicable Date, the issued share capital of the Company comprised 217,930,701 Shares. Subject to the passing of the ordinary resolution and on the basis that no further Shares are issued or repurchased prior to the EGM, the Company would be allowed under the Repurchase Mandate to repurchase a maximum of 21,793,070 Shares.

## **3. REASON FOR REPURCHASES**

The Directors believe that the flexibility afforded by the Repurchase Mandate would be beneficial to the Company and the Shareholders. Trading conditions on the Stock Exchange have sometimes been volatile in recent years and if there are occasions in future when depressed market conditions arise, repurchases of Shares may support the share prices and lead to an enhancement of the net asset value of the Company and/or its earnings per Share. It will then be beneficial to those Shareholders who retain their investment in the Company since their percentage interest in the assets of the Company would increase in proportion to the number of Shares repurchased by the Company.

#### 4. FUNDING OF REPURCHASES

Repurchase would be funded entirely from the Company's available cash flow or working capital facilities which will be funds legally available for the purpose and in accordance with the Hong Kong Companies Ordinance and the memorandum and articles of association of the Company.

The Hong Kong Companies Ordinance provides that the amount of capital repaid in connection with a share repurchase may only be paid from the distributable profits of the company or from the proceeds of a new issue of shares made for the purpose. The Hong Kong Companies Ordinance further provides that the amount of premium payable on repurchase may only be paid out of the distributable profits of the company. Where the repurchased shares were issued at a premium, any premium payable on repurchase may be paid out of the proceeds of a fresh issue of shares made for the purposes of the share repurchase up to certain limits specified by the Hong Kong Companies Ordinance.

There might be material adverse impact on the working capital or gearing position of the Company (as compared with the position disclosed in the audited accounts contained in the annual report for the year ended 31 December, 2002) in the event that the Repurchase Mandate was to be exercised in full at any time during the proposed repurchase period. However, the Directors do not propose to exercise the Repurchase Mandate to such extent as would, in the circumstances, have a material adverse effect on the working capital requirements of the Company or the gearing levels which in the opinion of the Directors are from time to time appropriate for the Company.

#### 5. SHARE PRICES

The highest and lowest prices at which the Shares have traded on the Stock Exchange during each of the twelve months preceding the Latest Practicable Date were as follows:—

	<b>Highest</b> <i>HK\$</i>	<b>Lowest</b> <i>HK\$</i>
<b>2002</b>		
November	1.559	1.474
December	1.593	1.466
<b>2003</b>		
January	1.551	1.457
February	1.559	1.474
March	1.559	1.449
April	1.424	1.246
May	1.525	1.271
June	1.534	1.474
July	1.534	1.500
August	2.500	1.424
September	2.200	1.800
October (from 1 October 2003 to the Latest Practicable Date)	2.350	1.990

Source: Bloomberg



**6. GENERAL**

The Directors have undertaken to the Stock Exchange that, so far as the same may be applicable, they will exercise the powers of the Company to make repurchases pursuant to the Repurchase Mandate in accordance with the Main Board Listing Rules and the Hong Kong Companies Ordinance.

If as a result of a share repurchase, a shareholder's proportionate interest in the voting rights of the Company increases, such increase will be treated as an acquisition for the purposes of the Hong Kong Code on Takeovers and Mergers (the "Takeovers Code"). Accordingly, a shareholder or a group of shareholders acting in concert could obtain or consolidate control of the Company and become obliged to make a mandatory offer in accordance with Rule 26 of the Takeovers Code.

As at the Latest Practicable Date, (a) Shun Tak Shipping Company Limited, Dr. Stanley Ho and his associates were together beneficially interested in 24.93% of the issued share capital of the Company and (b) Lasting Legend Limited, a company wholly owned by Mr. Lawrence Ho, was beneficially interested in 25.47% of the issued share capital of the Company. Based on these shareholdings and in the event that the Directors exercised in full the power to repurchase Shares under the Repurchase Mandate, (a) the shareholdings of Shun Tak Shipping Company Limited, Dr. Stanley Ho and his associates would be increased to 27.70% and (b) the shareholding of Lasting Legend Limited would be increased to 28.30% of the issued share capital of the Company. As Lasting Legend Limited, Shun Tak Shipping Company Limited, Dr. Stanley Ho and his associates are deemed to be acting in concert under the Takeovers Code and together they control more than 50% of the outstanding voting rights of the Company, there are no implications under the Takeovers Code which would require a mandatory offer to be made by any of the parties referred to in the event that the Repurchase Mandate was exercised in part or in full. The number of shares held by the public would remain in excess of 25% of the issued share capital of the Company on exercise in full of the power to repurchase shares under the Repurchase Mandate.

None of the Directors nor, to the best of their knowledge having made all reasonable enquiries, their associates has any present intention to sell any Shares to the Company under the Repurchase Mandate if such Repurchase Mandate is approved by the Shareholders.

No other connected persons (as defined in the Main Board Listing Rules) have notified the Company that they have a present intention to sell Shares to the Company, or have undertaken not to do so, in the event that the Repurchase Mandate is approved by the Shareholders.

**7. SHARE PURCHASE MADE BY THE COMPANY**

The Company had not purchased any of its Shares (whether on the Stock Exchange or otherwise) in the six months preceding the date of this circular.

## 1. RESPONSIBILITY STATEMENT

This circular includes particulars given in compliance with the Main Board Listing Rules for the purpose of giving information with regard to the Company. The Directors collectively and individually accept full responsibility for the accuracy of the information contained in this circular and confirm, having made all reasonable enquires, 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. DIRECTORS' AND CHIEF EXECUTIVE'S INTEREST IN THE COMPANY AND ITS ASSOCIATED CORPORATIONS

As at the Latest Practicable Date, the interests and short positions of the Directors and chief executive of the Company in the Shares, underlying Shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Future Ordinance (Chapter 571, the Laws of Hong Kong ("SFO")) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they have taken or deemed to have under such provisions of the SFO); or which were required, pursuant to section 352 of the SFO, to be entered in the register maintained by the Company referred to therein; or which were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Companies contained in the Main Board Listing Rules to be notified to the Company and the Stock Exchange were as follows:

### (a) Interests in Shares

Name of Director	Nature of interest	Notes	Number and approximate percentage of Shares interested
Dr. Stanley Ho	Corporate	1	2,377,500 (1.09%)
	Personal	1	12,324,276 (5.66%)
	Family	1	322,090 (0.15%)
Mr. Lawrence Ho	Corporate	2	55,504,512 (25.47%)

Notes:–

- Dr. Stanley Ho is taken to be interested in 2,377,500 Shares as a result of him being beneficially interested in the entire issued share capital of each of Sharikat Investments Limited and Dareset Limited which in turn hold an aggregate of approximately 1.09% of the issued share capital of the Company. Apart from that, Dr. Ho and his spouse personally hold 12,324,276 and 322,090 Shares respectively.
- Mr. Lawrence Ho is taken to be interested in 55,504,512 Shares as a result of him being beneficially interested in the entire issued share capital of Lasting Legend Limited which in turn holds approximately 25.47% of the issued share capital of the Company.

**(b) Interests in equity derivatives of the Company**

Name of Director	Date of grant of the Share Options	Expiry date	Exercise price per Share in HK\$ (Note)	Number of underlying Shares comprised in the Share Options outstanding (Note)
Mr. Lawrence Ho	8 March 2002	7 March 2012	1.00	1,816,306
Mr. Tsui Che Yin, Frank	8 March 2002	7 March 2012	1.00	1,816,306
Mr. So Wing Hung, Peter	8 March 2002	7 March 2012	1.00	1,816,306
Mr. Ho Cheuk Yuet	8 March 2002	7 March 2012	1.00	1,816,306

*Note:* As disclosed on page 96 of the Rights Issue Prospectus, the exercise price and the number of Shares issuable on the exercise of the outstanding Share Options granted pursuant to the Share Option Scheme have been adjusted as a result of the Rights Issue which was completed on 24 September 2003

**(c) Interests in shares of Value Convergence**

Name of Director	Nature of interest	Notes	Number and approximate percentage of shares of Value Convergence interested
Dr. Stanley Ho	Corporate	1	7,384,651 (3.10%)
Mr. Lawrence Ho	Corporate	2	4,232,627 (1.78%)
Mr. So Wing Hung, Peter	Personal	3	305,772 (0.13%)

*Notes:*—

- Dr. Stanley Ho is taken to be interested in 7,384,651 shares of Value Convergence as a result of him being beneficially interested in 65% of the issued share capital of Bailey Development Limited which in turn holds approximately 3.10% of the issued share capital of Value Convergence.
- Mr. Lawrence Ho is taken to be interested in 4,232,627 shares of Value Convergence as a result of him being beneficially interested in the entire issued share capital of Golden Mate Co., Ltd. which in turn holds approximately 1.78% of the issued share capital of Value Convergence.
- Mr. So Wing Hung, Peter, personally holds 305,772 shares of Value Convergence.

**(d) Interests in equity derivatives of Value Convergence**

<b>Name of Director</b>	<b>Nature of interest</b>	<b>Notes</b>	<b>Number and approximate percentage interest</b>
Dr. Stanley Ho	Personal	1	735,000 (0.31%)
Mr. Lawrence Ho	Personal	2	1,226,057 (0.51%)
Mr. Tsui Che Yin, Frank	Personal	3	491,057 (0.21%)
Mr. So Wing Hung, Peter	Personal	4	147,317 (0.06%)

Notes:–

1. The personal interest of Dr. Stanley Ho represents his derivative interest in Value Convergence comprising the physically settled options which were granted on 6 April 2001 and may be exercised during the period from 6 April 2001 to 8 October 2005 at an exercise price of HK\$3.60 per Value Convergence's share.
2. The personal interest of Mr. Lawrence Ho represents his derivative interest in Value Convergence comprising the physically settled options as follows:–
  - (i) 735,000 physically settled options which were granted on 6 April 2001 and may be exercised during the period from 6 April 2001 to 8 October 2005 at an exercise price of HK\$3.60 per Value Convergence's share; and
  - (ii) 491,057 physically settled options which were granted on 9 July 2002 and may be exercised during the period from 9 July 2002 to 8 July 2012 at an exercise price of HK\$1.00 per Value Convergence's share.
3. The personal interest of Mr. Tsui Che Yin, Frank, represents his derivative interest in Value Convergence comprising the physically settled options which were granted on 9 July 2002 and may be exercised during the period from 9 July 2002 to 8 July 2012 at an exercise price of HK\$1.00 per Value Convergence's share.
4. The personal interest of Mr. So Wing Hung, Peter, represents his derivative interest in Value Convergence comprising 147,317 physically settled options which were granted on 9 July 2002 and may be exercised during the period from 9 July 2002 to 8 July 2012 at an exercise price of HK\$1.00 per Value Convergence's share.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors or chief executives of the Company or their respective Associates had any interests or short positions in the Shares, underlying Shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they have taken or deemed to have under such provisions of the SFO), or which were required, pursuant to section 352 of

the SFO, to be entered in the register maintained by the Company referred to therein, or which are required, pursuant to the Model Code for Securities Transactions by Directors of Listed Companies contained in the Main Board Listing Rules to be notified to the Company and the Stock Exchange.

### 3. DIRECTOR'S INTERESTS IN CONTRACTS

Mr. Lawrence Ho has entered into a service contract with Value Convergence. Particulars of this service contract are set out below:

- the service contract is of three years duration commencing on 1 April, 2001 and shall continue thereafter until terminated by either party giving to the other not less than three months' prior written notice, such notice to expire upon or after the initial term of three years;
- The original monthly salary of Mr. Lawrence Ho was HK\$50,000 throughout the period from 1 April 2001 to 30 September 2001 and subject to a review by the board of directors of Value Convergence on 1 October, 2001, the monthly salary of Mr. Lawrence Ho had been increased to HK\$85,000. However in support of the cost saving measures taken by Value Convergence, Mr. Lawrence Ho voluntarily proposed to the board of directors of Value Convergence to reduce his monthly salary to HK\$50,000 with effect from 1 February 2002. Under the terms of the service contract of Mr. Lawrence Ho, the monthly salary of him shall be reviewed annually by the board of directors of Value Convergence provided that the rate of increment shall not more than 70% of the then monthly salary of Mr. Lawrence Ho for the preceding period;
- Mr. Lawrence Ho is entitled to such management bonus by reference to the operating results of the Value Convergence Group and the performance of him as the board of directors of Value Convergence may approve;
- an end-of-year bonus in the sum equal to Mr. Lawrence Ho's then one month's salary to be payable on the last day of December of each year during the term of the service contract provided that if the appointment is terminated prior to the last day of December, Mr. Lawrence Ho shall only be entitled to a proportionate part of such end-of-year bonus in respect of the period of service during the relevant year up to the date of termination; and
- Mr. Lawrence Ho shall abstain from voting and not be counted in the quorum in respect of any resolution of the board of directors of Value Convergence regarding the amount of annual salary and management bonus payable to himself.

Save as disclosed herein, as at the Latest Practicable Date:

- (a) none of the Directors had any direct or indirect interest in any assets which had been, since 31 December 2002, being the date to which the latest published audited financial statements of the Group were made up, acquired or disposed of by or leased to any member of the Group or were proposed to be acquired or disposed of by or leased to any member of the Group;

- (b) none of the Directors was materially interested in any contract or arrangement entered into by any member of the Group subsisting at the date of this circular which was significant in relation to the business of the Group; and
- (c) none of the Directors had service contract with the Company or any of its subsidiaries not terminable by the employing company within one year without payment of compensation (other than statutory compensation).

#### 4. SHAREHOLDERS WITH NOTIFIABLE INTERESTS

As at the Latest Practicable Date, the interests and short positions of substantial shareholders of the Company and other persons in the Shares, underlying Shares and debentures of the Company which (a) were required to be notified to the Company and the Stock Exchange pursuant to Divisions 2 and 3 of Part XV of the SFO; or (b) were required, pursuant to section 336 of the SFO, to be entered in the register referred to therein; or (c) were directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of the Company were as follows:

Name	Number of Shares	Approximate percentage of the total issued share capital of the Company %
Lasting Legend Limited ( <i>Note</i> )	55,504,512	25.47
Mr. Lawrence Ho ( <i>Note</i> )	55,504,512	25.47
Shun Tak Shipping Company Limited	39,083,147	17.93
Dr. Stanley Ho	15,023,866	6.89

*Note:* Mr. Lawrence Ho is taken to be interested in these Shares by virtue of the fact that Lasting Legend Limited is wholly owned by him.

Save as disclosed herein, so far as the Directors were aware, as at the Latest Practicable Date, no other persons had interests or short positions in the Shares, underlying Shares and debentures of the Company which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 2 and 3 of Part XV of the SFO, nor were there any other persons, required, pursuant to section 336 of the SFO, to be entered in the register referred to therein, or directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of the Company.

**5. MATERIAL CHANGE**

The Directors are not aware of any material adverse change in the financial or trading position of the Group since 31 December 2002, being the date to which the latest published audited financial statements of the Group were made up, save and except (where appropriate) as disclosed in the Rights Issue Prospectus.

**6. QUALIFICATION AND CONSENT OF EXPERT**

The following is the qualification of the expert who has given opinion or advice which is contained in the circular.

<b>Name</b>	<b>Qualification</b>
Hantec	A deemed licensed corporation under transitional arrangement within the meaning of the SFO to carry out types 1 and 6 regulated activities under the SFO

As at the Latest Practicable Date, Hantec does not have any shareholding in any member of the Group or any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

As at the Latest Practicable Date, Hantec does not have any interest, direct or indirect, in any assets which have been, since 31 December 2002 (being the date to which the latest published audited accounts of the Group were made up), 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.

Hantec has given, and has not withdrawn, its written consent to the issue of this circular, with inclusion of its letter dated 31 October 2003 and the references to its name included herein in the form and context in which they respectively appear.

**7. GENERAL**

- (a) The registered office of the Company is 38th Floor, The Centrium, 60 Wyndham Street, Central, Hong Kong.
- (b) The secretary of the Company is Mr. Samuel Tsang, a solicitor admitted in Hong Kong, England and Wales and Australia.
- (c) The share registrars and transfer office of the Company in Hong Kong is Standard Registrars Limited of Ground Floor, Bank of East Asia Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong.
- (d) In the event of inconsistency, the English text of this circular shall prevail over the Chinese text.

**8. DOCUMENTS AVAILABLE FOR INSPECTION**

Copies of the following documents will be available for inspection at the Company's registered office, 38th Floor, The Centrium, 60 Wyndham Street, Central, Hong Kong, during normal business hours on any weekday, except Saturday, Sunday and public holidays, from the date hereof up to and including Wednesday, 19 November 2003:

- (a) the memorandum and articles of association of the Company;
- (b) the annual reports of the Group for the two years ended 31 December 2002;
- (c) the interim report of the Group for the six months ended 30 June 2003;
- (d) the rights issue prospectus of the Company dated 29 August 2003;
- (e) the Service Arrangement entered into between Elixir and SJM on 6 October 2003;
- (f) the two Previous Arrangements entered into between Elixir and SJM on 20 January 2003 and 16 July 2003 respectively;
- (g) the letter dated 31 October 2003 from the Independent Board Committee, the text of which is set out on page 14 of this circular;
- (h) the letter of advice dated 31 October 2003 from Hantec to the Independent Board Committee, the text of which is set out on pages 15 to 20 of this circular;
- (i) the written consent referred to in the paragraph headed "Qualification and consent of Expert" in this appendix; and
- (j) the service contract of Mr. Lawrence Ho referred to in the paragraph headed "Director's interests in contracts" in this appendix.



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## NOTICE OF EXTRAORDINARY GENERAL MEETING

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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)*

**NOTICE IS HEREBY GIVEN** (the “Notice”) that an extraordinary general meeting (the “Meeting”) of Melco International Development Limited (the “Company”) will be held at 3:00 p.m. on Wednesday, 19 November 2003, at 38th Floor, The Centrium, 60 Wyndham Street, Central, Hong Kong, for the purpose of considering and, if thought fit, passing (with or without amendments) the following as ordinary resolutions of the Company:–

#### ORDINARY RESOLUTIONS

1. “**THAT** the Connected Transaction (as defined in the circular dated 31 October 2003 dispatched to shareholders of the Company (“Circular”)) under or pursuant to the Service Arrangement (as defined in the Circular) between the Company’s indirect subsidiary, Elixir Group Limited and Sociedade de Jogos de Macau, S.A. be and is hereby approved, ratified and confirmed.”
2. “**THAT** conditional on the Listing Committee of The Stock Exchange of Hong Kong Limited (“Stock Exchange”) granting the listing of and permission to deal in the shares of the Company to be issued pursuant to the exercise of any options (“Options”) granted under the share option scheme of the Company adopted on 8 March 2002 (“Share Option Scheme”), the directors of the Company be and are hereby authorized, at their absolute discretion, to grant, in accordance with the terms of the Share Option Scheme, all applicable laws and the requirements of The Rules Governing the Listing of Securities on the Stock Exchange as may be amended from time to time, Options and to allot and issue shares pursuant to the exercise of such Options up to 10% of the issued share capital of the Company at the date of passing of this resolution.”
3. (I) “**THAT:**
  - (a) subject to paragraph (c) of this Resolution and pursuant to Section 57B of the Companies Ordinance, the exercise by the directors of the Company during the Relevant Period of all the powers of the Company to allot, issue and deal with additional shares in the capital of the Company and to make or grant offers, agreements and options (including warrants, bonds, debentures, notes and other securities which carry rights to subscribe for or are convertible into shares of the Company) which might require the exercise of such power be and it is hereby generally and unconditionally approved;

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## NOTICE OF EXTRAORDINARY GENERAL MEETING

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- (b) the approval in paragraph (a) of this Resolution shall authorise the directors of the Company during the Relevant Period to make or grant offers, agreements and options (including warrants, bonds, debentures, notes and other securities which carry rights to subscribe for or are convertible into shares of the Company) which might require the exercise of such power after the end of the Relevant Period;
- (c) the aggregate nominal amount of share capital allotted or agreed conditionally or unconditionally to be allotted (whether pursuant to an option or otherwise) by the directors of the Company pursuant to the approval in paragraph (a) of this Resolution, otherwise than pursuant to (i) a Rights Issue, (ii) the exercise of any rights of subscription or conversion under any existing warrants, bonds, debentures, notes and other securities issued by the Company which carry rights to subscribe for or are convertible into shares of the Company, (iii) any option scheme or similar arrangement for the time being adopted for the grant or issue to officers and/or employees of the Company and/or any of its subsidiaries of shares or rights to acquire shares of the Company or (iv) any scrip dividend or similar arrangement providing for the allotment of shares in lieu of the whole or part of a dividend on shares of the Company in accordance with the Articles of Association of the Company, shall not exceed the aggregate of :
- (aa) 20% of the aggregate nominal amount of the share capital of the Company in issue at the date of passing this Resolution plus;
- (bb) (if the directors of the Company are so authorised by a separate resolution of the shareholders of the Company) the nominal amount of share capital of the Company repurchased by the Company subsequent to the passing of this Resolution (up to a maximum equivalent to 10% of the aggregate nominal amount of the share capital of the Company in issue at the date of passing this Resolution), and the said approval shall be limited accordingly;
- (d) for the purposes of this Resolution:

“Relevant Period” means the period from the passing of this Resolution until whichever is the earlier of: –

- i. the conclusion of the next annual general meeting of the Company;
- ii. the expiration of the period within which the next annual general meeting of the Company is required by the Companies Ordinance to be held; and
- iii. the revocation or variation of the authority given under this Resolution by ordinary resolution of the shareholders in general meeting; and

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## NOTICE OF EXTRAORDINARY GENERAL MEETING

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

- (II) “**THAT** the directors of the Company be and they are hereby authorised to exercise the powers of the Company referred to in paragraph (a) of the resolution set out as Resolution (I) above in respect of the share capital of the Company referred to in subparagraph (bb) of paragraph (c) of such resolution.”

4. “**THAT:**

- (a) subject to paragraph (b) of this Resolution, the exercise by the directors of the Company during the Relevant Period of all the powers of the Company to repurchase shares of the Company be and it is hereby generally and unconditionally approved;
- (b) the aggregate nominal amount of shares of the Company which may be repurchased on The Stock Exchange of Hong Kong Limited or any other stock exchange recognised for this purpose by the Securities and Futures Commission of Hong Kong and The Stock Exchange of Hong Kong Limited under the Hong Kong Code on Share Repurchases pursuant to the approval in paragraph (a) of this Resolution shall not exceed 10% of the aggregate nominal amount of the share capital of the Company in issue at the date of passing this Resolution, and the said approval shall be limited accordingly;

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## NOTICE OF EXTRAORDINARY GENERAL MEETING

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(c) for the purposes of this Resolution:

“Relevant Period” means the period from the passing of this Resolution until whichever is the earlier of: –

- i. the conclusion of the next annual general meeting of the Company;
- ii. the expiration of the period within which the next annual general meeting of the Company is required by the Companies Ordinance to be held; and
- iii. the revocation or variation of the authority given under this Resolution by ordinary resolution of the shareholders in general meeting.”

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

Hong Kong, 31 October 2003

*Registered Office, head office and  
principal place of business:*

Penthouse  
38th Floor, The Centrium  
60 Wyndham Street  
Central  
Hong Kong

*Notes:–*

1. Any member of the Company entitled to attend and vote at the Meeting may appoint another person as his proxy to attend and to vote in his stead. A proxy need not be a member of the Company.
2. Where there are joint registered holders of any share, any one of such persons may vote at the Meeting, either personally or by proxy, in respect of such share of the Company 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 on the register of members of the Company in respect of such share shall alone be entitled to vote in respect thereof.
3. In order to be valid, the proxy form duly completed and signed in accordance with the instructions printed thereon together with the power of attorney or other authority, if any, under which it is signed or a notarially certified copy thereof must be delivered to the Company’s registered office, 38th Floor, The Centrium, 60 Wyndham Street, Central, Hong Kong, not less than 48 hours before the time appointed for holding the Meeting.
4. Whether or not you propose to attend the Meeting in person, you are strongly urged to complete and return the proxy form in accordance with the instructions printed thereon. Completion and return of the proxy form will not preclude you from attending the Meeting and voting in person if you so wish. In the event that you attend the Meeting after having lodged the proxy form, it will be deemed to have been revoked.