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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)

Website: <http://www.melco.hk.cn>

Stock code: 200

DETAILS OF THE CONTINUING CONNECTED TRANSACTIONS

BACKGROUND

On 24 March 2004, the board of directors of Melco, together with the board of directors of VC, announced a conditional Group Reorganization, which involves the acquisition of, inter alia, 80% of the entire issued share capital of Mocha from Better Joy, Chang Wang and Chang Tan pursuant to the Mocha Acquisition Agreements.

CONTINUING CONNECTED TRANSACTIONS

Following the completion of the proposed Group Reorganization, members of the Mocha Group will become subsidiaries of Melco and Mocha's Equipment Leases with SJM (being a connected person of Melco) will constitute continuing connected transactions of Melco. The amounts receivable by Mocha from SJM under the Equipment Leases are not fixed, as they comprise fixed monthly rentals and a percentage rent based on a pre-agreed percentage of the net win from each machine leased thereunder.

The Equipment Leases constitute non-exempt continuing connected transactions for Melco under Rule 14.26 of the Main Board Listing Rules and are subject to approval by the Melco Independent Shareholders at the Melco EGM.

GENERAL

An independent financial adviser will be appointed to advise the Melco Independent Board Committee as to whether the Continuing Connected Transactions are fair and reasonable as far as the shareholders of Melco as a whole are concerned. Details of the Continuing Connected Transactions will also be contained in the circular of Melco in relation to the proposed Group Reorganization to be dispatched as soon as practicable.

Reference is made to the announcement of Melco and VC dated 23 March 2003 (the "Joint Announcement"). Unless otherwise defined herein or the context otherwise requires, capitalized terms and expressions used herein shall have the same meanings ascribed to them in the Joint Announcement.

A. EQUIPMENT LEASES

Following the completion of the proposed Group Reorganization, members of the Mocha Group will become subsidiaries of Melco. The principal business of the Mocha Group is the leasing of gaming machines under the Equipment Leases with SJM. Dr. Stanley Ho, who is the chairman and executive director of Melco, has an equity interest in, as well as being a director of, SJM. Accordingly, SJM is a connected person of Melco, and the Equipment Leases will constitute non-exempt continuing connected transactions of Melco.

Based on the audited consolidated financial information of the Mocha Group, the audited consolidated net assets value of the Mocha Group as at 31 December 2003 was approximately HK\$1.25 million and the audited consolidated net profit before tax and after tax for the period from 20 March 2003 to 31 December 2003 were approximately HK\$1.47 million and HK\$1.25 million respectively. SJM is a connected person of Melco, and the Equipment Leases will constitute continuing connected transactions (the "**Continuing Connected Transactions**") of Melco.

Mocha (as lessor) has entered into the Equipment Leases (dated 24 July 2003 and 3 March 2004, as the case may be) with SJM (as lessee) for a period of ten years from the date of the commencement of operation of the relevant gaming machines at the three different sites under the respective Equipment Leases in Macau, or ending on the expiry of SJM's gambling license or the expiry of the tenancy agreement of the relevant gaming lounge, whichever is the earliest. Pursuant to the Equipment Leases, Mocha will receive a service fee being the aggregate amount of a fixed monthly rent and a pre-agreed percentage of the net win from each machine leased thereunder. The Continuing Connected Transactions have been, and will continue to be, entered into in the ordinary and usual course of business of the Mocha Group.

The directors of Melco are informed by Mocha that the Macau Government has indicated to SJM that the Macau Government is considering the implementation of a review procedure whereby gaming machine leases of this type will be subject to review once every five years. If the Macau Government decides to implement such a review procedure, the term of the Equipment Leases will be shortened accordingly; however the directors of Melco do not foresee any reason that may prejudice the review of Mocha's Equipment Leases at the relevant time.

B. PROPOSED ANNUAL CAPS

The Continuing Connected Transactions will extend over a period of time and will take place on a continuing basis. The amount receivable by Mocha from SJM under each Equipment Lease is not fixed, as it comprises a fixed monthly rental and a percentage rent based on a pre-agreed percentage of the net win from each machine leased thereunder. It is not practicable to ascertain the net win from each machine. Accordingly, for the purpose of complying with the relevant requirements of the Main Board Listing Rules in this regard, the directors of Melco have estimated (based on the projected annual revenue of the Mocha Group underlying the appraisal of the fair market value of business enterprise of Mocha as set out in the appraisal report on Mocha as at 29 February 2004 prepared by American Appraisal China Limited) (the "Valuation Report") that the estimated revenue receivable by the Mocha Group from SJM under the Equipment Leases will not exceed the following annual cap for each of the three relevant financial years ending 31 December 2004, 2005 and 2006 respectively (respectively, the "Annual Cap"):

	Proposed annual cap for each of the three financial years ending 31 December		
	2004	2005	2006
	<i>HK\$ million</i>	<i>HK\$ million</i>	<i>HK\$ million</i>
	<i>(approximately)</i>	<i>(approximately)</i>	<i>(approximately)</i>
Continuing Connected Transactions			
Estimated revenue of the Mocha Group from SJM under the Equipment Leases based on the underlying revenue projection of the Valuation Report	79.89	133.02	139.67
Cushion (<i>Note</i>)	11.98	19.95	20.95
Total	<u>91.87</u>	<u>152.97</u>	<u>160.62</u>
Rounded up to the nearest HK\$1 million			
Annual Cap proposed	<u><u>92.00</u></u>	<u><u>153.00</u></u>	<u><u>161.00</u></u>

Note: This represents 15% of the above estimated revenue under the Equipment Leases throughout the relevant period. The directors of Melco consider this to be an appropriate buffer for the purposes of seeking the Stock Exchange's waiver as set out in the following section of this announcement.

C. COMPLIANCE WITH THE MAIN BOARD LISTING RULES

In view of the fact that the amounts receivable by Mocha from SJM under the Equipment Leases are not fixed, it would be impracticable for Melco to comply strictly with the disclosure and shareholders' approval requirements of the Main Board Listing Rules as and when the relevant obligation arises. Accordingly, in order to allow the Melco Group to take advantage of the growth opportunities of the Mocha Group's business, Melco will apply to the Stock Exchange for a waiver from strict compliance with the connected transaction requirements of the Main Board Listing Rules in relation to the Equipment Leases subject to the following conditions:

- (1) the Continuing Connected Transactions will be:
 - (i) entered into in the ordinary and usual course of business of the Mocha Group;
 - (ii) conducted either (A) on normal commercial terms (which expression will be applied by reference to transactions of a similar nature and to be made by similar entities) or (B) (where there is no available comparison) on terms that are fair and reasonable so far as the shareholders of Melco are concerned; and
 - (iii) entered into either (A) in accordance with the terms of the agreements governing such Continuing Connected Transactions or (B) (where there are no such agreements) on terms no less favorable than those available to or from independent third parties;
- (2) the Continuing Connected Transactions will be approved by the Melco Independent Shareholders at the Melco EGM to be convened;
- (3) the aggregate value of the consideration receivable by the Mocha Group from SJM under the Continuing Connected Transactions for each of the three financial years ending 31 December 2004, 2005 and 2006 will not exceed the relevant Annual Cap;
- (4) details of the Continuing Connected Transactions in each financial year shall be disclosed as required under Rule 14.25(1)(A) to (D) of the Main Board Listing Rules in the annual report of Melco for that financial year together with a statement of the opinion of the independent non-executive directors of Melco referred to in paragraph 5 below;

- (5) the independent non-executive directors of Melco shall review the Continuing Connected Transactions annually and confirm in Melco's next annual report that these were conducted in the manner as stated in paragraphs (1) and (3) above; and
- (6) Melco's auditors shall review the Continuing Connected Transactions annually and confirm in the letter (the "Letter") to the directors of Melco (a copy of which shall be provided to the Listing Division of the Stock Exchange) stating that:
 - (i) the Continuing Connected Transactions have received the approval of Melco's board of directors;
 - (ii) the Continuing Connected Transactions are, where applicable, in accordance with the pricing policies, if applicable;
 - (iii) the Continuing Connected Transactions have been entered into in accordance with the terms of the agreements governing the Continuing Connected Transactions or, if there are no such agreements, on terms no less favorable than those available to or from independent third parties; and
 - (iv) the relevant Annual Cap has not been exceeded.

Where, for whatever reason, the auditors decline to accept the engagement or are unable to provide the Letter, the directors of Melco shall contact the Listing Division immediately.

The directors of Melco will seek the approval of the Melco Independent Shareholders for the Continuing Connected Transactions subject to the respective Annual Caps for each of the three financial years ending 31 December 2004, 2005 and 2006.

Melco will issue a circular to its shareholders as soon as practicable from the date of publication of this announcement, containing, among other things, (i) information on the Continuing Connected Transactions; (ii) the recommendation of the Melco Independent Board Committee; (iii) the advice from the independent financial adviser appointed to advise the Melco Independent Board Committee; (iv) the proposed Group Reorganization; and (v) notice of the Melco EGM.

D. ELIXIR

Elixir (a non-wholly owned subsidiary of iAsia) is currently a non-wholly owned subsidiary of Melco, indirectly held by Melco through VC. After the completion of the iAsia Group Disposal Agreement which forms part of the conditional Group Reorganization, Elixir will continue to be a non-wholly owned subsidiary of Melco and will continue to provide information technology services to SJM under the Service Arrangements. The Services Arrangements remain valid and are continuing. The provision of these services has previously been approved by the independent shareholders of Melco at an extraordinary general meeting of Melco held on 19 November 2003. Details of the Service Arrangements were set out in Melco's shareholder circular dated 31 October 2003.

E. DEFINITIONS

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

"Equipment Leases"	the Hotel Royal Equipment Lease, the Kingsway Equipment Lease and the SKY Equipment Lease
"Hotel Royal Equipment Lease"	the equipment lease dated 24 July 2003 and entered into between Mocha and SJM in relation to the leasing of gaming machines by Mocha to SJM for its gaming machine lounge located at Lobby Level, Hotel Royal Macau, Estrada da Vitoria, No. 2-4, Macau SAR. This lease is for a period of ten years from the date of the commencement of operation of the relevant gaming machines at the said gaming lounge (being 12 September 2003), or ending on the expiry of SJM's gambling license or the expiry of the tenancy agreement of the relevant gaming lounge, whichever is the earliest
"Kingsway Equipment Lease"	the equipment lease dated 3 March 2004 and entered into between Mocha and SJM in relation to the leasing of gaming machines by Mocha to SJM for its gaming machine lounge to be opened at Rua De Luis Gonzaga Gomes, No.176 – Franccoes CR/C, DR/C, ER/C, Kingsway Hotel in Macau. This lease is for a period of ten years from the date of the commencement of operation of the relevant gaming machines at the said gaming lounge (which is expected to be April 2004), or ending on the expiry of SJM's gambling license or the expiry of the tenancy agreement of the relevant gaming lounge, whichever is the earliest

“SKY Equipment Lease”

the equipment lease dated 3 March 2004 and entered into between Mocha and SJM in relation to the leasing of gaming machines by Mocha to SJM for its gaming machine lounge to be opened at Units A-E, 3rd Floor, San Kin Yip Building in Macau. This lease is for a period of ten years from the date of the commencement of operation of the relevant gaming machines at the said gaming lounge (which is expected to be June 2004), or ending on the expiry of SJM’s gambling license or the expiry of the tenancy agreement of the relevant gaming lounge, whichever is the earliest

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

Hong Kong, 1 April 2004

As at the date hereof, the executive directors of Melco are Dr. Stanley Ho (Chairman), Mr. Lawrence Ho (Managing Director) and Mr. Frank Tsui. Mr. Ho Cheuk Yuet is the non-executive director. The independent non-executive directors are Sir Roger Lobo, Mr. Robert Kwan and Mr. Ng Ching Wo.

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