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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 or other registered dealer in securities, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in Melco International Development Limited (the “Company”), you should at once hand this circular, together with the enclosed form of proxy, 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.

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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 under the Companies Ordinance)

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

(Stock Code: 200)

CONNECTED TRANSACTION REGARDING SERVICE ARRANGEMENT WITH SOCIEDADE DE JOGOS DE MACAU, S.A.

Financial Adviser to Melco International Development Limited



VC CAPITAL LIMITED

滙盈融資有限公司

(A wholly-owned subsidiary of Value Convergence Holdings Limited)

Independent Financial Adviser to the Independent Board Committee



Hantec Capital Limited

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 11 of this circular. A letter from Hantec Capital Limited, the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders of the Company is set out on pages 12 to 19 of this circular.

A notice convening an extraordinary general meeting (“EGM”) of the Company to be held at 3:30 p.m. on Wednesday, 15 September 2004 at 38th Floor, The Centrium, 60 Wyndham Street, Central, Hong Kong, is set out on page 28 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 or any adjournment thereof. 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.

27 August 2004

CONTENTS

	<i>Page</i>
Definitions	1
Letter from the Board	4
Introduction	4
Background of the Service Arrangement	5
The Service Arrangement	6
Connected person and Independent Shareholders' approval	8
Reasons for entering into the Service Arrangement	8
Extraordinary general meeting	9
Recommendation	9
General	10
Letter from the Independent Board Committee	11
Letter from Hantec	12
Appendix – General Information	20
Notice of Extraordinary General Meeting	28

DEFINITIONS

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

“associate”	has the same meaning as ascribed to it in the Listing Rules
“Board”	the board of Directors
“Company”	Melco International Development Limited, a company incorporated in Hong Kong, the securities of which are listed on the Stock Exchange
“connected person”	has the same meaning as ascribed to it in the Listing Rules
“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
“EGM”	an extraordinary general meeting of the Company to be convened on Wednesday, 15 September 2004 for the purpose of considering and approving the Service Arrangement and all transactions contemplated thereunder
“Elixir”	Elixir Group Limited, a company incorporated in Hong Kong with limited liability on 2 July 2002 and an indirectly owned subsidiary of the Company
“Group”	the Company and its subsidiaries
“Group Reorganization”	Reorganization of the Group involving a number of transactions concerning, inter alia, assets acquisition and assets disposal by the Group, details of which are disclosed in the announcements and the circular of the Company respectively dated 23 March 2004, 2 April 2004 and 23 April 2004
“Hantec” or “Independent Financial Adviser”	Hantec Capital Limited, the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders of the Company in connection with the Service Arrangement and the transactions contemplated thereunder
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“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

DEFINITIONS

“Independent Shareholders”	Shareholders other than Dr. Stanley Ho and his associates, namely Madam Lucina Laam King Ying, Mr. Lawrence Ho, Lasting Legend Limited and Better Joy Overseas Limited
“Latest Practicable Date”	26 August 2004, 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 PRC
“Listing Rules”	The Rules Governing the Listing of Securities on the Stock Exchange
“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 hardware systems and equipment provided under the Service Arrangement
“Mr. Lawrence Ho”	Mr. Ho Yau Lung, Lawrence, the Managing Director and Executive Director of the Company and son of Dr. Stanley Ho
“PRC”	The People’s Republic of China
“Services”	the System Integration Services and the Maintenance Services
“Service Arrangement”	the Service Arrangement comprising four separate agreements entered into between Elixir and SJM, all dated 30 July 2004, regarding the respective provisions of (i) System Integration Services and Maintenance Services for the digital surveillance camera system; (ii) System Integration Services for the finger print access control system; (iii) System Integration Services and Maintenance Services for the facial recognition system; and (iv) System Integration Services for the electronic gaming machines, by Elixir to SJM. Details of the Service Arrangement are set out in the section headed “The Service Arrangement” of this circular
“SFO”	Securities and Futures Ordinance (Chapter 571, the Laws of Hong Kong)
“Share(s)”	ordinary share(s) of HK\$1.00 each in the share capital of the Company
“Shareholder(s)”	holder(s) of Share(s)

DEFINITIONS

“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 including the liaison with, and procurement of other hardware and software suppliers to develop, provide and install the real-time on-line transmission and monitoring security systems, such as the digital surveillance camera system, the finger print access control system and the facial recognition system as well as the gaming systems such as the electronic gaming machines together with the design and provision of information technology expertise to ameliorate the computer facilities and equipment of SJM
“US\$”	United States dollars, the lawful currency of the United States of America
“Value Convergence”	Value Convergence Holdings Limited, a company incorporated in Hong Kong, the securities of which are listed on the Growth Enterprise Market operated by the Stock Exchange (Stock Code: 8101) and a 67.57% owned subsidiary of the Company
“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 the exchange rate of US\$1.00 to HK\$7.78.

LETTER FROM THE BOARD



Melco International Development Limited

新 濠 國 際 發 展 有 限 公 司

(incorporated in Hong Kong with limited liability under the Companies Ordinance)

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

(Stock Code: 200)

Executive Directors:

Dr. Stanley Ho (*Chairman*)

Mr. Lawrence Ho (*Managing Director*)

Mr. Tsui Che Yin, Frank

Non-executive Director:

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

27 August 2004

To the Shareholders

Dear Sir or Madam,

CONNECTED TRANSACTION REGARDING SERVICE ARRANGEMENT WITH SOCIEDADE DE JOGOS DE MACAU, S.A.

INTRODUCTION

By the announcement of the Company dated 30 July 2004, the Board announced that on that day, Elixir, an indirectly owned subsidiary of the Company, has entered into the Service Arrangement, on a conditional basis, with SJM, a subsidiary of STDM, for the provision of certain information technology related services to SJM. Pursuant to the Service Arrangement, Elixir shall provide to SJM such Services comprising System Integration Services for an aggregate value of about US\$3,950,000 (equivalent to approximately HK\$30,730,000) and Maintenance Services for the aggregate value of about US\$206,000 (equivalent to approximately HK\$1,600,000).

SJM, being a subsidiary of STDM, is a connected person for the purpose of the Listing Rules by reason 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. As a result, the Service Arrangement and the transactions contemplated thereunder constitute a non-exempt connected transaction of the Company under Rule 14A.16(5) of the Listing Rules (by virtue of the fact that the respective

LETTER FROM THE BOARD

assets ratio, consideration ratio and/or revenue ratio is more than 2.5% but less than 25% and the total amount payable by SJM for the Services exceeds HK\$10,000,000) and are subject to the requirements of reporting, announcement and approval by the Independent Shareholders (by way of poll) at the EGM as set out in Chapter 14A of the Listing Rules.

The purpose of this circular is to set out (i) further information on the Service Arrangement; (ii) the recommendation from the Independent Board Committee; (iii) the advice from the Independent Financial Adviser; as well as (iv) the notice convening the EGM at which necessary resolution will be proposed to the Independent Shareholders to consider and if thought fit, approve the Service Arrangement and the transactions contemplated thereunder.

BACKGROUND OF THE SERVICE ARRANGEMENT

Elixir is formerly owned as to 77.5% by Value Convergence, a company whose securities are listed on the Growth Enterprise Market operated by the Stock Exchange (Stock code: 8101) and a 67.57% owned subsidiary of the Company. Pursuant to the Group Reorganization, the Company has acquired, inter alia, the 77.5% shareholding interest in Elixir from Value Convergence.

Since its inception in July 2002 and prior to the said Group Reorganization, Elixir has been engaged in the business of system integration and supply and provision of various software systems and hardware equipment as well as information technology services to clients predominately in Macau and the Pearl River Delta Area of the PRC. Its clients include companies and enterprises from a wide range of industries such as gaming, retail, entertainment, hospitality as well as banking and finance. The business relationship between Elixir and SJM commenced in January 2003 and during the year 2003, Elixir has altogether entered into three separate service arrangements with SJM for the provision of information technology related services to SJM for the respective considerations of about US\$570,000, US\$285,000 and US\$7,140,000 (equivalent to approximately HK\$4,430,000, HK\$2,220,000 and HK\$55,550,000 respectively). Details of the first two service arrangements are disclosed in the announcements of Value Convergence respectively dated 21 January 2003 and 17 July 2003, while information on the last service arrangement is disclosed in the joint announcement of the Company and Value Convergence dated 9 October 2003 and the respective circulars of the Company and Value Convergence both dated 31 October 2003. As certain services under the said last service arrangement are scheduled to be completed by the first quarter of 2005, such previous service arrangement between Elixir and SJM remains valid and subsisting after the Group Reorganization.

Given that Elixir has demonstrated its quality of works and services provided under the said previous service arrangements and established a good business relationship with SJM, on 30 July 2004, Elixir has entered into another Service Arrangement with SJM for the provision of System Integration Services and Maintenance Services for the respective aggregate values of about US\$3,950,000 and US\$206,000 respectively (equivalent to approximately HK\$30,730,000 and HK\$1,600,000 respectively).

LETTER FROM THE BOARD

THE SERVICE ARRANGEMENT

The Service Arrangement comprises four separate agreements, entered into between Elixir and SJM, all dated 30 July 2004, regarding the respective provisions of (i) System Integration Services and Maintenance Services for the digital surveillance camera system; (ii) System Integration Services for the finger print access control system; (iii) System Integration Services and Maintenance Services for the facial recognition system; and (iv) System Integration Services for the electronic gaming machines, by Elixir to SJM.

Services to be provided under the Service Arrangement

Pursuant to the Service Arrangement, Elixir will provide to SJM such Services comprising:

1. System Integration Services including the liaison with, and procurement of other hardware and software suppliers to develop, provide and install the real-time on-line transmission and monitoring security systems, such as the digital surveillance camera system, the finger print access control system and the facial recognition system as well as the gaming systems such as the electronic gaming machines together with 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 a number of hardware systems and equipment provided under the Service Arrangement. The Maintenance Services are for a term of one year commencing from the expiration of the three month free warranty period provided by Elixir after completion of installation and the acceptance test on the relevant systems and equipment.

Consideration

The consideration payable by SJM under the Service Arrangement is determined by arm's length negotiations between both parties. Pursuant to the terms of the Service Arrangement, the aggregate service charge for the System Integration Services is about US\$3,950,000 (equivalent to approximately HK\$30,730,000 million) (as to about US\$2,660,000 for digital surveillance camera system, as to about US\$16,000 for the finger print access control system, as to about US\$430,000 for the facial recognition system and as to about US\$840,000 for the electronic gaming machines). Such aggregate service charge is determined with reference to the estimated costs of (i) the relevant hardware systems and equipment; and (ii) the resources to be incurred by Elixir for installing the same and provision of the related technical services to SJM. As for the Maintenance Services, the aggregate service charge of about US\$206,000 (equivalent to approximately HK\$1,600,000) is determined with reference to (i) the estimated costs for the estimated number of spare parts that requires for maintaining the relevant hardware systems and equipment and (ii) the resources to be incurred by Elixir during the relevant agreed service period.

LETTER FROM THE BOARD

Payment terms

Subject to the terms and conditions of the Service Arrangement, SJM shall pay:

- (i) an initial amount of about US\$1,330,000 (equivalent to approximately HK\$10,350,000) representing 50% of the relevant service charge in relation to the System Integration Services for the digital surveillance camera system upon entering into the Service Arrangement. The balance of the relevant service charge will be payable by three installments of amounts equivalent to 30%, 10% and 10% thereof upon (a) the date of delivery of the relevant system, (b) the date of completion of installation and acceptance test on such system and (c) the expiry date of the three month free warranty period after completion of the acceptance test respectively. According to the terms and conditions of the Service Arrangement, these three milestone dates are expected to take place in around mid September 2004, early October 2004 and early January 2005 respectively;
- (ii) the full amount of about US\$16,000 (equivalent to approximately HK\$130,000) in respect of the System Integration Services for the finger print access control system upon the date of delivery of the relevant system, which is expected to be around mid September 2004;
- (iii) an initial amount of about US\$215,000 (equivalent to approximately HK\$1,670,000) representing 50% of the relevant service charge in relation to the System Integration Services for the facial recognition system upon entering into the Service Arrangement with the remaining 50% thereof to be paid upon the date of completion of installation and acceptance test on such systems and equipment, which is expected to be around early October 2004;
- (iv) an initial amount of about US\$420,000 (equivalent to approximately HK\$3,280,000) representing 50% of the relevant service charge in relation to the System Integration Services for the electronic gaming machines upon entering into the Service Arrangement with the remaining 50% thereof to be paid upon the date of delivery, which is expected to be around mid September 2004; and
- (v) the full amount of about US\$206,000 (equivalent to approximately HK\$1,600,000) for the Maintenance Services upon the expiration of the three month free warranty period, which is expected to be around early January 2005.

The different payment schedules that apply to the different hardware systems and equipment are consistent with the relevant terms offered by different suppliers to Elixir.

Condition Precedent

The Service Arrangement is conditional upon the approval by the Independent Shareholders (by way of poll) at the EGM in compliance with the Listing Rules including (without limitation to) the requirement that any Shareholder(s) and their associates interested in the Service Arrangement having abstained from voting at the EGM.

LETTER FROM THE BOARD

Unless the parties thereto otherwise agree (but nevertheless subject to the relevant requirements under the Listing Rules), the above condition cannot be waived by parties to the Service Arrangement. In the event that the condition cannot be fulfilled on or before 30 September 2004 (or such other date as the parties may subsequently agree), SJM, may by notice to Elixir, terminate the Service Arrangement. Upon any such termination, Elixir shall return to SJM any payment made under the Service Arrangement (without interest) and subject to that 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

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.

By reason 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, SJM is considered as a connected person under the Listing Rules. As a result, the Service Arrangement and the transactions contemplated thereunder constitute a non-exempt connected transaction of the Company under Rule 14A.16(5) of the Listing Rules (by virtue of the fact that the respective assets ratio, consideration ratio and/ or revenue ratio is more than 2.5% but less than 25% and the total amount payable by SJM for the Services exceeds HK\$10,000,000) and are subject to the requirements of reporting, announcement and approval by the Independent Shareholders (by way of poll) at the EGM as set out in Chapter 14A of the Listing Rules. Dr. Stanley Ho, who beneficially owns 3.98% shareholding interest in the Company, and his associates will abstain from voting on the resolution regarding the Service Arrangement and the transactions contemplated thereunder at the EGM.

REASONS FOR ENTERING INTO THE SERVICE ARRANGEMENT

Currently, the Group's business is broadly divided into three divisions, namely, (i) leisure and entertainment division; (ii) investment banking and financial services division; and (iii) technology division. Elixir, an indirectly owned subsidiary of the Company, belongs to the technology arm of the Group and is principally engaged in the business of system integration and supply and provision of various software systems and hardware equipment as well as information technology services to clients predominately in Macau and the Pearl River Delta Area of the PRC. The provision of the Services to SJM forms part of the normal business activities of Elixir and generates income for the Group. Besides, by leveraging on the established track record of providing technology systems and services to SJM, the Group would be able to further promote its products and services to other potential customers in the gaming and entertainment industries in Macau.

The Board is of the view that the terms of the Service Arrangement 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 Elixir and the Group and in the interests of the Shareholders as a whole.

LETTER FROM THE BOARD

EXTRAORDINARY GENERAL MEETING

A notice convening the EGM to be held at 3:30 p.m. on Wednesday, 15 September 2004 at 38th Floor, The Centrium, 60 Wyndham Street, Central, Hong Kong is set out on page 28 of this circular at which ordinary resolution will be proposed and, if thought fit, passed by the Independent Shareholders (by way of poll), to approve the Service Arrangement and the transactions contemplated thereunder.

Dr. Stanley Ho and his associates, namely, Madam Lucina Laam King Ying, Mr. Lawrence Ho (son of Dr. Stanley Ho), Lasting Legend Limited (a company controlled by Mr. Lawrence Ho) and Better Joy Overseas Limited (a company owned as to 77% by Mr. Lawrence Ho and as to 23% by Dr. Stanley Ho) will abstain from voting on the resolution regarding the Service Arrangement and the transactions contemplated thereunder at the EGM.

As at the Latest Practicable Date, the total number of issued shares of the Company are 377,516,574 shares and are held as to 3.98% by Dr. Stanley Ho, 0.06% by Madam Lucina Laam King Ying, 0.48% by Mr. Lawrence Ho, 15.30% by Lasting Legend Limited, 33.03% by Better Joy Overseas Limited and 10.35% by Shun Tak Shipping Company Limited (a company in which Dr. Stanley Ho holds 27.78% shareholding interest and is a director). 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 definitions of the Listing Rules. Accordingly Shun Tak Shipping Company Limited is not required to abstain from voting on the relevant resolution regarding the Service Arrangement and the transactions contemplated thereunder at the EGM.

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 Service Arrangement and the transactions contemplated thereunder are fair and reasonable and in the interests of the Shareholders as a whole. Hantec has been appointed as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the terms of the Service Arrangement.

A proxy form for use by the Independent 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 registered office of the Company at 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 or any adjournment thereof. 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.

RECOMMENDATION

Your attention is drawn to (i) the letter from the Independent Board Committee set out on page 11 of this circular which contains the recommendations of the Independent Board Committee to the Independent Shareholders concerning the Service Arrangement and the transactions contemplated thereunder; and (ii) the letter from Hantec to the Independent Board Committee and the Independent Shareholders set out on pages 12 to 19 of this circular containing its advice to the Independent Board Committee and the Independent Shareholders in this regard.

LETTER FROM THE BOARD

The Independent Board Committee, having taking into account the advice from Hantec in relation to the Service Arrangement and the transactions contemplated thereunder, considers that the terms of the Service Arrangement are fair and reasonable so far as the Independent Shareholders are concerned and that the Service Arrangement is in the interest of the Company and the 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 Service Arrangement and the transactions contemplated thereunder.

GENERAL

As at the date of this circular, the Board comprises three Executive Directors, namely, Dr. Stanley Ho, Mr. Lawrence Ho and Mr. Frank Tsui, one Non-executive Director, namely, Mr. Ho Cheuk Yuet and three Independent Non-executive Directors, namely, Sir Roger Lobo, Mr. Robert Kwan and Mr. Ng Ching Wo.

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

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

LETTER FROM THE INDEPENDENT BOARD COMMITTEE



Melco International Development Limited

新 濠 國 際 發 展 有 限 公 司

(incorporated in Hong Kong with limited liability under the Companies Ordinance)

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

(Stock Code: 200)

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

27 August 2004

To the Independent Shareholders

Dear Sir or Madam,

CONNECTED TRANSACTION REGARDING SERVICE ARRANGEMENT 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 Service Arrangement and the transactions contemplated thereunder, details of which are set out in the "Letter from the Board" in the circular dated 27 August 2004, 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 12 to 19 of this circular, which contains its advice and recommendation to us as to whether or not the Service Arrangement and the transactions contemplated thereunder are 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 Service Arrangement and the transactions contemplated thereunder are fair and reasonable so far as the Independent Shareholders are concerned and 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 Service Arrangement and all transactions contemplated thereunder.

Yours faithfully,

For and on behalf of

the Independent Board Committee

Sir Roger Lobo Robert Kwan Ng Ching Wo

Independent Non-executive Directors

LETTER FROM HANTEC

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

27 August 2004

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

Dear Sir or Madam,

CONNECTED TRANSACTION REGARDING SERVICE ARRANGEMENT WITH SOCIEDADE DE JOGOS DE MACAU, S.A.

We refer to our appointment as the independent financial adviser to the Independent Board Committee and the Independent Shareholders 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 27 August 2004 (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 Listing Rules since Dr. Stanley Ho, the Chairman and Executive Director of the Company, has an equity interest in and is a director of both SJM and STD. As a result, the Service Arrangement and the transactions contemplated thereunder constitute a non-exempt connected transaction of the Company under Rule 14A.16(5) of the Listing Rules (by virtue of the fact that the respective assets ratio, consideration ratio and/or revenue ratio is more than 2.5% but less than 25% and the total amount payable by SJM for the Services exceeds HK\$10,000,000) and are subject to the requirements of reporting, announcement and approval by the Independent Shareholders (by way of poll) at the EGM as set out in Chapter 14A of the Listing Rules in which Dr. Stanley Ho and his associates will abstain from voting in the resolution(s) concerning the Service Arrangement and the transactions contemplated thereunder at the EGM. The Independent Board Committee, comprising Sir Roger Lobo, Mr. Robert Kwan and Mr. Ng Ching Wo, has been formed to consider the Service Arrangement and the transactions contemplated thereunder and to make recommendations to the Independent Shareholders at the EGM.

LETTER FROM HANTEC

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 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 Service Arrangement and the transactions contemplated thereunder, we have taken the following principal factors and reasons into consideration:

I. Reasons for entering into the Service Arrangement

Information of the Group

Currently, the Group's business is broadly divided into three divisions, namely, (i) leisure and entertainment division; (ii) investment banking and financial services division; and (iii) technology division.

Elixir, an indirectly owned subsidiary of the Company which was incorporated in July 2002, belongs to the technology arm of the Group and is principally engaged in the business of system integration and supply and provision of various software systems and hardware equipment as well as information technology services to clients predominately in Macau and the Pearl River Delta Area of the PRC.

LETTER FROM HANTEC

The clients of Elixir include companies and enterprises from a wide range of industries such as gaming, retail, entertainment, hospitality as well as banking and finance. The business relationship between Elixir and SJM commenced in January 2003 and during the year 2003, Elixir has altogether entered into three separate service arrangements (“Previous Arrangements”) with SJM for the provision of information technology related services to SJM for the respective considerations of about US\$570,000, US\$285,000 and US\$7,140,000 (equivalent to approximately HK\$4,430,000, HK\$2,220,000 and HK\$55,550,000 respectively). The entering into of the Previous Arrangements and the Service Arrangement with SJM forms part of the normal business activities of Elixir and generates income for the Group.

Information of SJM

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 that the Group would be able to further promote its products and services to other potential customers in the gaming and entertainment industries in Macau.

Benefits of entering into the Service Arrangement

As stated in the annual report of the Company for the year ended 31 December 2003, the turnover contribution from 5 February 2003 to 31 December 2003 for the technology segment to the Group was approximately HK\$29,200,000. By entering into the Service Arrangement, the revenue contribution from the technology segment to the Group will be enhanced which is in the interests of the Company and the Independent Shareholders as a whole.

Given the business nature of Elixir and SJM, we are of the view that the entering into of the Service Arrangement not only falls within the ordinary course of business for Elixir to provide the System Integration Services and the Maintenance Services to SJM but also provides the Group with a source of revenue which is essential to the business operation and development of the Group. Accordingly, we are of the view that the Service Arrangement is in the interest of the Company and the Independent Shareholders as a whole.

We understand from the Company that the Service Arrangement is the first transaction regarding the provision of System Integration Services for the finger print access control system and facial recognition system by the Group. We also discussed with the Company and the Company confirmed that based on its past experience and know-how in providing other real-time on-line transmission and monitoring security system, such as the digital surveillance camera system, Elixir has sufficient expertise in the provision of System Integration Services for the finger print access control system and facial recognition system.

LETTER FROM HANTEC

II. Consideration and payment schedules

The consideration payable by SJM to the Group under the Service Arrangement is determined by arm's length negotiations between both parties. The Service Arrangement includes (i) System Integration Services for digital surveillance camera system, finger print access control system, facial recognition system and electronic gaming machines; and (ii) Maintenance Services for digital surveillance camera system and facial recognition system.

Pursuant to the terms of the Service Arrangement, the aggregate service charge for the System Integration Services is about US\$3,950,000 (equivalent to approximately HK\$30,730,000). The charge of US\$3,950,000 includes about US\$2,660,000 (equivalent to approximately HK\$20,700,000) for digital surveillance camera system, as to about US\$16,000 (equivalent to approximately HK\$130,000) for the finger print access control system, as to US\$430,000 (equivalent to approximately HK\$3,340,000) for the facial recognition system and as to about US\$840,000 (equivalent to approximately HK\$6,560,000) for the electronic gaming machines. Such aggregate service charge is determined with reference to the estimated costs of (i) the relevant hardware systems and equipment; and (ii) the resources to be incurred by Elixir for installing the same and provision of the related technical services to SJM.

As for the Maintenance Services pursuant to the terms of the Service Arrangement, the aggregate service charge of US\$206,000 (equivalent to approximately HK\$1,600,000) is determined with reference to (i) the estimated costs for the estimated number of spare parts that requires for maintaining the relevant hardware systems and equipment; and (ii) the resources to be incurred by Elixir during the relevant agreed service period.

The Board is of the view that the terms of the Service Arrangement 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 Elixir and the Group and in the interests of the Shareholders as a whole.

To reach our conclusion on the fairness and reasonableness of the consideration under the Service Arrangement, we have reviewed all the available information provided by the Group regarding the Service Arrangement and its relevant comparisons which include (i) one transaction (the "Independent Comparable Transaction") under which Elixir provided similar information technology services in respect of the digital surveillance camera system to a company who is not connected person under the Listing Rules; (ii) the three agreements for the Previous Arrangements; (iii) the transaction with Mocha Slot Group Limited (a 80% owned subsidiary of the Company with the remaining 20% interest owned by Dr. Stanley Ho) regarding the electronic gaming machines in December 2003; and (iv) the schedules of the estimated costs of the Service Arrangement. As the finger print access control system and the facial recognition system are new products introduced by Elixir and the fact that Elixir has only previously provided technology services regarding the electronic gaming machines to Mocha Slot Group Limited, there is no comparable transaction regarding the provision of these systems to independent third party who is not connected person under the Listing Rules.

LETTER FROM HANTEC

System Integration Services for the digital surveillance camera system

As confirmed by the Directors, Elixir under the Independent Comparable Transaction provided digital surveillance camera system and networks and related hardware equipment to the customer. Save for the Independent Comparable Transaction 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. We consider reasonable to cover only the comparable services for the period from 1 January 2003 to the Latest Practicable Date as the market condition of system integration industry changes rapidly. As we have reviewed all the available comparisons from 1 January 2003 to the Latest Practicable Date, we consider it fair and reasonable to base on the Independent Comparable Transaction and the Previous Arrangements to form our view on the fairness of the terms of System Integration Services for the digital surveillance camera system.

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 for the digital surveillance camera system by making reference to both the Independent Comparable Transaction and the Previous Arrangements. We note that the pricing basis for the System Integration Services for the digital surveillance camera system refers to its costs payable to its suppliers and other costs of the Group incurred for the Service Arrangement and the Group will record gross profit for the provision of the System Integration Services for the digital surveillance camera system. We also found the pricing basis and profit margin for the System Integration Services for the digital surveillance camera system are in line with those for the Independent Comparable Transaction and the Previous Arrangements, and we consider the consideration for the System Integration Services for the digital surveillance camera system is fair and reasonable so far as the Independent Shareholders are concerned.

Pursuant to the Service Arrangement, SJM will pay an initial amount of US\$1,330,000 (equivalent to approximately HK\$10,350,000), representing 50% of the relevant service charge in relation to the System Integration Services for the digital surveillance camera system upon entering into the Service Arrangement. The balance of the relevant service charge will be payable by three installments of amounts equivalent to 30%, 10% and 10% thereof upon (a) the date of delivery of the relevant system, (b) the date of completion of installation and acceptance test on such system and (c) the expiry date of the three month free warranty period after completion of the acceptance test respectively. According to the terms and conditions of the Service Arrangement, these three milestone dates are expected to take place in around mid September 2004, early October 2004 and early January 2005 respectively.

We noted the payment schedules under the System Integration Services for the digital surveillance camera system are same to those under the Previous Arrangements, while slightly different from those under the Independent Comparable Transaction whereby the Group was entitled to receive the entire consideration thereof after it completed the installment of equipment. Given (i) the Service Arrangement has considerable monetary values involved rather than single surveillance system for the Independent Comparable Transaction; and (ii) SJM is a well-known company and has fulfilled its payment obligations to the Group on a timely basis pursuant to the

LETTER FROM HANTEC

Previous Arrangements, we consider the payment schedules of the System Integration Services for the digital surveillance camera system under the Service Arrangement are fair and reasonable so far as the Independent Shareholders are concerned.

System Integration Services for the finger print access control system

Pursuant to the Service Arrangement, SJM will pay the full amount of US\$16,000 (equivalent to approximately HK\$130,000) in respect of the System Integration Services for the finger print access control system upon the date of delivery of the relevant system, which is expected to be around mid September 2004.

We understand from the Company that the Service Arrangement is the first transaction regarding the provision of System Integration Services for the finger print access control system by the Group. We therefore review the quotations of the relevant finger print access control system provided by its suppliers to the Group. We note that the pricing basis for the System Integration Services for the finger print access control system refers to its costs payable to its suppliers and other costs of the Group incurred for the Service Arrangement and the Group will record gross profit for the provision of the System Integration Services for the finger print access control system. Based on the aforesaid, we are of the view that the terms of the System Integration Services for the finger print access control system are fair and reasonable so far as the Company and the Independent Shareholders are concerned.

System Integration Services for the facial recognition system

Pursuant to the Service Arrangement, SJM will pay an initial amount of about US\$215,000 (equivalent to approximately HK\$1,670,000) representing 50% of the relevant service charge in relation to the System Integration Services for the facial recognition system upon entering into the Service Arrangement with the remaining 50% thereof to be paid upon the date of completion of installation and acceptance test on such systems and equipment, which is expected to be around early October 2004.

Similar to finger print access control system, we understand from the Company that the Service Arrangement is the first transaction regarding the provision of System Integration Services for the facial recognition system by the Group. We therefore review the quotations of the relevant facial recognition system provided by its supplier to the Group. We note that the pricing basis for the System Integration Services for the facial recognition system refers to its costs payable to its supplier and other costs of the Group incurred for the Service Arrangement and the Group will record gross profit for the provision of the System Integration Services for the facial recognition system. Based on the aforesaid, we are of the view that the terms of the System Integration Services for the facial recognition system are fair and reasonable so far as the Company and the Independent Shareholders are concerned.

LETTER FROM HANTEC

System Integration Services for the electronic gaming machines

Pursuant to the Service Arrangement, SJM will pay an initial amount of about US\$420,000 (equivalent to approximately HK\$3,280,000) representing 50% of the relevant service charge in relation to the System Integration Services for the electronic gaming machines upon entering into the Service Arrangement with the remaining 50% thereof to be paid upon the date of delivery, which is expected to be around mid September 2004.

We understand from the Company that prior to the Service Arrangement, the Group only provided system integration services for the electronic gaming machines to Mocha Slot Group Limited (a 80% owned subsidiary of the Company after the Group Reorganization and with the remaining 20% interest owned by Dr. Stanley Ho, details of this previous transaction are contained in the joint announcement of the Company and Value Convergence dated 17 December 2003 (“Mocha Comparison”). As the Group provided System Integration Services for the electronic gaming machines once only, we can just use Mocha Comparison for comparison purpose. Based on the documents and information provided to us by the Company in relation to Mocha Comparison, we found the pricing basis and profit margin for the System Integration Services for electronic gaming machines are reasonable, and we therefore consider the consideration for the System Integration Services for electronic gaming machines is fair and reasonable so far as the Independent Shareholders are concerned. We also note that the pricing basis for the System Integration Services for the electronic gaming machines refers to its costs payable to its suppliers and other costs of the Group incurred for the Service Arrangement and the Group will record gross profit for the provision of the System Integration Services for the electronic gaming machines. We further noted the payment schedules under the System Integration Services for electronic gaming machines are in line with the payment schedules of the Group to its suppliers. We therefore consider the payment schedules under the System Integration Services for electronic gaming machines are fair and reasonable so far as the Independent Shareholders are concerned.

Maintenance Services

As confirmed by the Directors, there was no maintenance service under the relevant Independent Comparable Transaction. As such, we base on the maintenance services provided by the Group under the Previous Arrangements to form our opinion.

Based on the documents and information provided to us, we consider it fair and reasonable 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 Maintenance Services are in reference to the estimated costs for the requisite spare parts and the resources to be incurred by Elixir and comparable with the Previous Arrangements. Hence, we consider the consideration for the Maintenance Services is fair and reasonable so far as the Independent Shareholders are concerned.

LETTER FROM HANTEC

Pursuant to the Service Arrangement, SJM will pay the full amount of US\$206,000 (equivalent to approximately HK\$1,600,000) for the Maintenance Services upon the expiration of the three month free warranty period, which is expected to be around early January 2005. Comparing with the payment schedule with the Previous Arrangements, we are of the view that the payment schedules for the Maintenance Services under the Services Arrangement are fair and reasonable so far as the Independent Shareholders are concerned.

RECOMMENDATION

Taking into consideration of the above principal factors and reasons, we are of the view that terms of the Service Arrangement and the transactions contemplated thereunder 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 Shareholders, as well as 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 Service Arrangement and the transactions contemplated thereunder.

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

1. RESPONSIBILITY STATEMENT

This circular includes particulars given in compliance with the 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 the omission of which would make any statement in this circular misleading.

2. DISCLOSURE OF DIRECTORS' AND SHAREHOLDERS' INTERESTS

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 SFO) which were required (a) 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 were taken or deemed to have under such provisions of the SFO); or (b) were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (c) were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Companies contained in the Listing Rules to be notified to the Company and the Stock Exchange were as follows:

(i) *Interests in Shares and underlying Shares*

Name of Director	Nature of interest	Number of issued Shares interested	Number of underlying Shares interested	Approximate percentage of the total number of issued Shares (Note 1)
Dr. Stanley Ho	Corporate	2,377,500 (Note 2)	–	0.63%
	Personal	12,646,367	–	3.35%
Mr. Lawrence Ho	Corporate	182,455,599 (Note 3)	–	48.33%
	Corporate	–	19,565,216 (Note 4)	5.18%
	Personal	1,816,306	–	0.48%

Notes:

1. As at the Latest Practicable Date, the total number of issued shares of the Company is 377,516,574 Shares.
2. 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 0.60% of the issued share capital of the Company.
3. Mr. Lawrence Ho is taken to be interested in 57,754,512 Shares as a result of him being beneficially interested in the entire issued share capital of Lasting Legend Limited which in turn holds approximately 15.30% of the issued share capital of the Company. Mr. Lawrence Ho is also taken to be interested in 124,701,087 Shares as a result of him being beneficially interested in 77% of issued share capital of Better Joy Overseas Limited which in turn holds approximately 33.03% of the issued share capital of the Company.

Dr. Stanley Ho and Mr. Lawrence Ho are beneficially interested in 23% and 77% of issued share capital of Better Joy respectively. If their indirect shareholding interests in the Shares through Better Joy are taken into account, Dr. Stanley Ho and Mr. Lawrence Ho are effectively interested in 11.58% and 41.23% of the Shares.

4. Two convertible notes respectively due 2005 and 2006 were issued by the Company to Better Joy Overseas Limited on 9 June 2004 pursuant to the Mocha Acquisition Agreements as disclosed in the announcement and the circular of the Company respectively dated 19 March 2004 and 23 April 2004. As at the Latest Practicable Date, the total outstanding principal amount of the said convertible notes is HK\$45 million. If Better Joy Overseas Limited exercises the conversion rights attached to the said convertible notes in full at the conversion price of HK\$2.30 per Share, a total of 19,565,216 Shares will be issued to Better Joy Overseas Limited. As Mr. Lawrence Ho is beneficially interested in 77% of issued share capital of Better Joy Overseas Limited, under the SFO, he is deemed to be interested in these 19,565,216 underlying Shares.

As mentioned above, Dr. Stanley Ho and Mr. Lawrence Ho are beneficially interested in 23% and 77% of issued share capital of Better Joy Overseas Limited respectively. If this is taken into account, Dr. Stanley Ho and Mr. Lawrence Ho are effectively interested in 4,500,000 underlying Shares and 15,065,216 underlying Shares of the Company.

(ii) Interests in equity derivatives of the Company

Name of Director	Date of grant of the share options by the Company	Expiry date of the share options	Exercise Price per underlying Share (HK\$)	Number of underlying Shares comprised in the share options outstanding
Mr. Lawrence Ho	19 February 2004	7 March 2012	2.405	1,800,000
Mr. Tsui Che Yin, Frank	8 March 2002	7 March 2012	1.00	1,816,306
	19 February 2004	7 March 2012	2.405	1,800,000
Mr. Ho Cheuk Yuet	8 March 2002	7 March 2012	1.00	1,816,306

(iii) Interests in shares of Value Convergence

Name of Director	Nature of interest	Number of issued shares of Value Convergence interested	Approximate percentage of the total number of issued shares of Value Convergence
Dr. Stanley Ho	Corporate	7,384,651 (Note 1)	3.10%
Mr. Lawrence Ho	Corporate	4,232,627 (Note 2)	1.78%

Notes:

1. 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.
2. 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.

(iv) Interests in equity derivatives of Value Convergence

Name of Director	Nature of interest	Number of underlying shares of Value Convergence interested	Approximate percentage of the total number of issued shares of Value Convergence
Dr. Stanley Ho	Personal	735,000 (Note 1)	0.31%
Mr. Lawrence Ho	Personal	1,226,057 (Note 2)	0.51%

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:
 - (a) 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
 - (b) 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.

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

- (i) 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 (a) 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 were taken or deemed to have under such provisions of the SFO), or (b) were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or (c) were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Companies contained in the Listing Rules to be notified to the Company and the Stock Exchange.
- (ii) none of the Directors had any direct or indirect interest in any assets which had been, since 31 December 2003, 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;
- (iii) 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
- (iv) 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).

3. 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 were required (a) 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 ten per cent. 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	Nature of interest	Number of issued Shares interested	Number of underlying Shares interested	Approximate percentage of the total number of issued Shares (Note 1)
Better Joy Overseas Limited	Corporate	124,701,087 (Note 2)	–	33.03%
	Corporate	–	19,565,216 (Note 2 & 4)	5.18%
Lasting Legend Limited	Corporate	57,754,512 (Note 2)	–	15.30%
Mr. Lawrence Ho	Corporate	182,455,599 (Note 3)	–	48.33%
	Corporate	–	19,565,216 (Note 4)	5.18%
	Personal	1,816,306	–	0.48%
Shun Tak Shipping Company Limited	Corporate	39,083,147	–	10.35%

Notes:

- As at the Latest Practicable Date, the total number of issued shares of the Company is 377,516,574 Shares
- The Shares (and underlying Shares) held by Better Joy Overseas Limited and Lasting Legend Limited also represent the corporate interest of Mr. Lawrence Ho in the Company.
- Mr. Lawrence Ho is taken to be interested in 57,754,512 Shares as a result of him being beneficially interested in the entire issued share capital of Lasting Legend Limited which in turn holds approximately 15.30% of the issued share capital of the Company. Mr. Lawrence Ho is also taken to be interested in 124,701,087 Shares as a result of him being beneficially interested in 77% of issued share capital of Better Joy Overseas Limited which in turn holds approximately 33.03% of the issued share capital of the Company.

Dr. Stanley Ho and Mr. Lawrence Ho are beneficially interested in 23% and 77% of issued share capital of Better Joy Overseas Limited respectively. If their indirect shareholding interests in the Shares through Better Joy Overseas Limited are taken into account, Dr. Stanley Ho and Mr. Lawrence Ho are effectively interested in 11.58% and 41.23% of the Shares.

4. Two convertible notes respectively due 2005 and 2006 were issued by the Company to Better Joy Overseas Limited on 9 June 2004 pursuant to the Mocha Acquisition Agreements as disclosed in the announcement and the circular of the Company respectively dated 19 March 2004 and 23 April 2004. As at the Latest Practicable Date, the total outstanding principal amount of the said convertible notes is HK\$45 million. If Better Joy Overseas Limited exercises the conversion rights attached to the said convertible notes in full at the conversion price of HK\$2.30 per Share, a total of 19,565,216 Shares will be issued to Better Joy Overseas Limited. As Mr. Lawrence Ho is beneficially interested in 77% of issued share capital of Better Joy Overseas Limited, under the SFO, he is deemed to be interested in these 19,565,216 underlying Shares.

As mentioned above, Dr. Stanley Ho and Mr. Lawrence Ho are beneficially interested in 23% and 77% of issued share capital of Better Joy Overseas Limited respectively. If this is taken into account, Dr. Stanley Ho and Mr. Lawrence Ho are effectively interested in 4,500,000 underlying Shares and 15,065,216 underlying Shares of the Company.

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 ten per cent. 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.

4. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors were not aware of any material adverse change in the financial or trading position of the Group since 31 December 2003, being the date to which the latest published audited financial statements of the Group were made up.

5. QUALIFICATION AND CONSENT OF EXPERT

- (i) The following is the qualification of the experts who has given opinion or advice which is contained in the circular.

Name	Qualification
Hantec	A corporation licensed in respect of types 1 and 6 regulated activities under the SFO

- (ii) As at the Latest Practicable Date, Hantec did 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.
- (iii) As at the Latest Practicable Date, Hantec did not have any interest, direct or indirect, in any assets which have been, since 31 December 2003 (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.

- (iv) Hantec has given, and has not withdrawn, its written consent to the issue of this circular, with inclusion of its letter dated 27 August 2004 and the references to its name included herein in the form and context in which they respectively appear.

6. PROCEDURES FOR DEMANDING A POLL BY SHAREHOLDERS

Article 74 of the articles of association of the Company provides that at any general meeting a resolution put to the vote of the meeting shall be decided by a show of hands unless a poll is (before or on the declaration of the result of the show of hands or on the withdrawal of any other demand for a poll) demanded:

- (i) by the chairman of the meeting; or
- (ii) by at least three members present in person or by proxy for the time being entitled to vote at the meeting; or
- (iii) by any member or members present in person or by proxy and representing not less than one-tenth of the total voting rights of all the members having the right to vote at the meeting; or
- (iv) by a member or members present in person or by proxy and holding shares in the Company conferring a right to vote at the meeting being shares on which an aggregate sum has been paid up equal to not less than one-tenth of the total sum paid up on all the shares conferring that right.

7. GENERAL

- (i) The registered office of the Company is 38th Floor, The Centrium, 60 Wyndham Street, Central, Hong Kong.
- (ii) The secretary of the Company is Mr. Samuel Tsang, a solicitor admitted in Hong Kong, England and Wales and Australia.
- (iii) 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 registered office of the Company at 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 15 September 2004:

- (i) the four agreements constituting the Service Arrangement, entered into between Elixir and SJM, all dated 30 July 2004, regarding the respective provisions of (i) System Integration Services and Maintenance Services for the digital surveillance camera system; (ii) System Integration Services for the finger print access control system; (iii) System Integration Services and Maintenance Services for the facial recognition system; and (iv) System Integration Services for the electronic gaming machines, by Elixir to SJM;
- (ii) the letter dated 27 August 2004 from the Independent Board Committee, the text of which is set out on page 11 of this circular;
- (iii) the letter of advice dated 27 August 2004 from Hantec to the Independent Board Committee and the Independent Shareholders, the text of which is set out on pages 12 to 19 of this circular;
- (iv) the written consent referred to in the paragraph headed “Qualification and consent of Expert” in this appendix; and
- (v) the memorandum and articles of association of the Company.

NOTICE OF EXTRAORDINARY GENERAL MEETING



Melco International Development Limited

新 濠 國 際 發 展 有 限 公 司

(incorporated in Hong Kong with limited liability under the Companies Ordinance)

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

(Stock Code: 200)

NOTICE IS HEREBY GIVEN (the “Notice”) that an extraordinary general meeting (the “Meeting”) of Melco International Development Limited (the “Company”) will be held at 38th Floor, The Centrium, 60 Wyndham Street, Central, Hong Kong, on Wednesday, 15 September 2004 at 3:30 p.m. for the purpose of considering and, if thought fit, passing (with or without amendments) the following as an ordinary resolution of the Company:

ORDINARY RESOLUTION

“**THAT** the Service Arrangement (as defined in the circular dated 27 August 2004 dispatched to the shareholders of the Company) and all transactions contemplated thereby between the Company’s indirect subsidiary, Elixir Group Limited, and Sociedade de Jogos de Macau, S.A. be and are hereby approved, ratified and confirmed.”

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

Hong Kong, 27 August 2004

Registered Office:
38th Floor
The Centrium
60 Wyndham Street
Central
Hong Kong

NOTICE OF EXTRAORDINARY GENERAL MEETING

Notes:

1. Any member of the Company entitled to attend and vote at the Meeting may appoint one or more than one 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 registered office of the Company at 38th Floor, The Centrium, 60 Wyndham Street, Central, Hong Kong, not less than 48 hours before the time appointed for holding the Meeting or any adjournment thereof.
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.