

The Stock Exchange of Hong Kong Limited takes no responsibility for the contents of this announcement, 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 announcement.



Melco International Development Limited

新 濠 國 際 發 展 有 限 公 司

(Incorporated in Hong Kong with limited liability)

(Stock Code: 200)

DESPATCH OF CIRCULAR RELATING TO DISCLOSEABLE AND CONNECTED TRANSACTION PRINCIPAL TERMS OF THE CONVERTIBLE BOND

The Directors are pleased to inform the Shareholders that the circular regarding the Agreement, which constitutes a discloseable and connected transaction, will be despatched on 11th October, 2004.

More detailed terms of the Convertible Bond, which have been disclosed in the Circular, are set out in the following section headed “More detailed terms of the Convertible Bond” for information purposes.

Reference is made to the announcement of the Company dated 13th September, 2004 in relation to the discloseable and connected transaction regarding the entering into of the Agreement for the investment in a 50% equity interest in the Joint Venture Company (the “Announcement”). Capitalized terms used in this announcement have the same meanings as those defined in the Announcement, unless the context otherwise requires.

DESPATCH OF THE CIRCULAR

The Directors are pleased to inform the Shareholders that the circular (the “Circular”) regarding the Agreement, which constitutes a discloseable and connected transaction, will be despatched on 11th October, 2004.

MORE DETAILED TERMS OF THE CONVERTIBLE BOND

Further to the disclosure made in the Announcement, more detailed terms of the Convertible Bond which have been disclosed in the Circular are set out below for information purposes.

PRINCIPAL TERMS OF THE CONVERTIBLE BOND

Principal amount:	HK\$100,000,000
Tenor:	5 years from the date of issue
Coupon:	4% per annum from 1st March, 2005
Commencement date of interest payment:	Subject to the previous principal term, date on which the concession of the Land is granted to the Joint Venture Company, and thereafter to be paid on a six-month basis
Conversion price:	HK\$4.00 per Share.

The initial conversion price is subject to adjustments in the event of, among others, consolidation, sub-division or re-classification, capitalization of profits or reserves, capital distribution, rights issue and other dilutive events.

This initial conversion price is determined after arm's length negotiation taking into account the 5-year tenor of the Convertible Bond and the potential dilution effect on the shareholding structure of Melco. This initial conversion price represents:

- (i) a premium of approximately 50.9% over the closing price of the Shares of HK\$2.65 on 8th September, 2004;
- (ii) a premium of approximately 62.6% over the average closing price of the Shares on the Stock Exchange for the 5 trading days immediately before the date of the Announcement;

- (iii) a discount of approximately 29.82% to the closing price of the Shares of HK\$5.7 on 8th October, 2004, the Latest Practicable Date; and
- (iv) a premium of approximately 92.7% over the net asset value per Share of approximately HK\$2.08, based on the audited consolidated net assets Melco as at 31st December, 2003 and the then Shares in issue.

Exercise period:

The period commencing 3 years from the date of issue of the Convertible Bond up to and including the maturity date of the Convertible Bond.

The holder of the Convertible Bond will have the right at any time during the exercise period to convert in whole or, subject to prior written approval by the issuer of the Convertible Bond, in part the Convertible Bond into new Shares at the initial conversion price of HK\$4.00 per Share (subject to adjustments). Shares to be issued under the Convertible Bond will rank pari passu in all respects with the Shares in issue as at the conversion date.

Based on the initial conversion price of HK\$4.00 per Share, a maximum amount of 25,000,000 new Shares will fall to be allotted and issued upon full conversion of the whole of HK\$100 million Convertible Bond, representing approximately 6.62% of the existing issued share capital of Melco or approximately 6.21% of the enlarged issued share capital of Melco upon full exercise of the Convertible Bond. No fraction of a Share shall be issued on conversion and in lieu thereof Melco shall pay such amount in Hong Kong dollar equal to such amount of the Convertible Bond that is not converted.

The Shares to be issued upon conversion of the Convertible Bond will be subject to the approval by the Independent Shareholders in the EGM.

Early redemption: Melco has the option to redeem the whole Convertible Bond commencing 2 years from the date of its issue till the maturity date of the Convertible Bond.

Forced conversion: Melco has the option to require STDM to convert the Convertible Bond into new Shares if the 60-day average price of the Shares is over the initial conversion price of HK\$4.00 per Share (subject to adjustments) as quoted on the Stock Exchange provided that the option may not be exercised unless the concession of the Land has been granted to the Joint Venture Company.

Put option: If the concession of the Land is not granted to the Joint Venture Company on or before 1st September, 2005, Melco shall have the right to terminate the Convertible Bond. In such event, any and all liabilities of Melco to pay the consideration under the Agreement shall cease and all sums of money due under the Convertible Bond (including the principal and interest thereon) shall cease to be payable immediately, and Melco shall forthwith transfer the 50% equity interest in the Joint Venture Company back to STDM.

Voting: The holder of the Convertible Bond shall not be entitled to attend or vote at any meeting of Melco by reason only of its being the holder of the Convertible Bond

Transferability: The Convertible Bond is not transferable

Application for listing: Application will be made to the Listing Committee of the Stock Exchange for

the listing of, and permission to deal in, the new Shares which may be issued under the Convertible Bond. However, no application will be made for the listing of the Convertible Bond on any stock exchange.

There is no termination clause of the Convertible Bond. Melco will, subject to the conditions of the Agreement as stated in the Announcement, issue the Convertible Bond to STDM.

As at the date of this announcement, the Board comprises three Executive Directors, namely, Dr. Stanley Ho (Chairman), Mr. Lawrence Ho (Managing Director) and Mr. Frank Tsui, two Non-executive Directors, namely, Mr. Ho Cheuk Yuet and Mr. Ng Ching Wo and three Independent Non-executive Directors, namely, Sir Roger Lobo, Mr. Robert Kwan and Dr. Lo Ka Shui.

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

Hong Kong, 8th October, 2004

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