
THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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

If you have sold all your shares in Melco International Development Limited, you should at once hand this circular to the purchaser or to the bank, the licensed securities dealer or other agent through whom the sale was effected for transmission to the purchaser.

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**GENERAL MANDATES TO ISSUE AND REPURCHASE SHARES
RE-ELECTION OF DIRECTORS,
APPOINTMENT OF NEW AUDITORS,
REFRESHER OF SCHEME MANDATE LIMIT OF SHARE OPTION SCHEME
AND
SHARES SUBDIVISION AND CHANGE OF BOARD LOT SIZE**

A notice convening the annual general meeting (“Annual General Meeting”) of Melco International Development Limited (the “Company”) to be held at 38th Floor, The Centrium, 60 Wyndham Street, Central, Hong Kong on Wednesday, 18th May, 2005 at 3:30 p.m. is contained in the 2004 annual report of the Company (the “Annual Report”). Shareholders are advised to read the notice and to complete and return the form of proxy enclosed with the Annual Report as soon as possible and in any event not less than 48 hours before the time for holding the meeting. The completion and return of the form of proxy will not prevent you from attending and voting in person at the Annual General Meeting should you so wish.

18th April, 2005

CONTENTS

	<i>Page</i>
Definitions	1
 Letter from the Chairman	
1. Introduction	4
2. Re-election of Directors	5
3. Appointment of New Auditors	6
4. General Mandates to Issue and Repurchase Shares	6
5. Refresher of Scheme Mandate Limit of Share Option Scheme	6
6. Share Subdivision and Change of Board Lot Size	7
7. Annual General Meeting	8
8. Procedures for Demanding a Poll by Shareholders	8
9. Recommendation	8
10. Responsibility Statement	9
 Appendix I – Explanatory Statement Regarding Repurchase Mandate	 10
 Appendix II – Details of Directors Proposed to be Re-elected	 13
 Appendix III – Explanatory Statement Regarding Share Subdivision and Change of Board Lot Size	 16

DEFINITIONS

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

“AGM”	the annual general meeting of the Company to be held on Wednesday, 18th May, 2005 at 3:30 p.m. at 38th Floor, The Centrium, 60 Wyndham Street, Central, Hong Kong
“Annual Report”	the annual report of the Company for the year ended 31st December 2004
“Appointment of New Auditors”	the proposed appointment of Messrs. Deloitte Touche Tohmatsu as new auditors of the Company following the retirement of Messrs. PricewaterhouseCoopers at the AGM
“Better Joy First Convertible Note”	the convertible note issued by the Company to Better Joy Overseas Ltd. on 9th June, 2004, details of which are disclosed in the announcement and circular of the Company respectively dated 23rd March, 2004 and 23rd April, 2004
“Better Joy Second Convertible Note”	the other convertible note issued by the Company to Better Joy Overseas Ltd. on 9th June, 2004, details of which are disclosed in the announcement and circular of the Company respectively dated 23rd March, 2004 and 23rd April, 2004
“Board”	the board of Directors
“CCASS”	Central Clearing and Settlement System established and operated by HKSCC
“Companies Ordinance”	the Companies Ordinance (Chapter 32) of the Laws of Hong Kong
“Company”	Melco International Development Limited, a company incorporated in Hong Kong with limited liability under the Companies Ordinance whose shares are listed on the Stock Exchange
“Convertible Notes”	the STDM First Convertible Note and the STDM Second Convertible Note
“Directors”	the directors of the Company
“Eligible Person(s)”	any person(s) who satisfies the eligibility criteria under the Share Option Scheme
“Group”	the Company and its subsidiaries from time to time

DEFINITIONS

“HKSCC”	Hong Kong Securities Clearing Company Limited
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Latest Practicable Date”	13th April, 2005, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained herein
“Listing Rules”	The Rules Governing the Listing of Securities on the Stock Exchange
“Re-election of Directors”	the re-election of Mr. Lawrence Ho (as Executive Director), Mr. Frank Tsui (as Executive Director), Mr. Ng Ching Wo (as Non-executive Director) and Dr. Lo Ka Shui (as Independent Non-Executive Director) immediately following their respective retirements at the AGM
“Scheme Mandate Limit”	the maximum number of Shares which may be issued upon exercise of all Share Options granted or to be granted under the Share Option Scheme as at 19th November, 2003, being the date when the scheme mandate limit of the Share Option Scheme was last refreshed
“SFC”	the Securities and Futures Commission
“Share(s)”	the ordinary share(s) of HK\$1.00 each in the share capital of the Company
“Shareholder(s)”	holder(s) of the Shares
“Share Option(s)”	a right to subscribe for Share(s) granted by the Company under the Share Option Scheme
“Share Option Scheme”	the share option scheme adopted by the Company on 8th March, 2002
“Share Subdivision”	the subdivision of each of the existing issued and unissued Shares into two Subdivided Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“STDM”	Sociedade de Turismo e Diversoes de Macau, S.A.R.L., a company incorporated under the laws of Macau

DEFINITIONS

“STDM First Convertible Note”	the convertible note issued by the Company to Sociedade de Turismo e Diversoes de Macau, S.A.R.L. on 9th November, 2004, details of which are disclosed in the announcement and circular of the Company respectively dated 13th September, 2004 and 11th October, 2004
“STDM Second Convertible Note”	the other convertible note issued by the Company to Sociedade de Turismo e Diversoes de Macau, S.A.R.L. on 8th February, 2005, details of which are disclosed in the announcement and circular of the Company respectively dated 23rd November, 2004 and 5th January, 2005
“Subdivided Shares”	share(s) of HK\$0.5 each in the share capital of the Company to be created by the Share Subdivision
“Takeovers Code”	the Hong Kong Code on Takeovers and Mergers
“HK\$”	Hong Kong dollars

LETTER FROM THE CHAIRMAN



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)

Directors:

Dr. Stanley Ho (*Chairman*)

Mr. Lawrence Ho (*Managing Director*)

Mr. Frank Tsui

Sir Roger Lobo*

Mr. Robert Kwan*

Dr. Lo Ka Shui*

Mr. Ng Ching Wo**

Mr. Ho Cheuk Yuet**

Registered Office:

38th Floor, The Centrium

60 Wyndham Street

Central

Hong Kong

* *Independent Non-executive Directors*

** *Non-executive Director*

18th April, 2005

To the shareholders of the Company,

Dear Sir or Madam,

**GENERAL MANDATES TO ISSUE AND REPURCHASE SHARES,
RE-ELECTION OF DIRECTORS,
APPOINTMENT OF NEW AUDITORS,
REFRESHER OF SCHEME MANDATE LIMIT OF SHARE OPTION SCHEME
AND
SHARE SUBDIVISION AND CHANGE OF BOARD LOT SIZE**

1. INTRODUCTION

Pursuant to the Listing Rules and the Hong Kong Companies Ordinance, listed companies incorporated in Hong Kong may in certain circumstances, if authorised by their Articles of Association, purchase their own shares.

On 20th May, 2004, general mandates were given to the Directors to exercise the powers of the Company to issue and repurchase Shares. The general mandate to issue Shares granted on 20th May, 2004 was not utilized and was revoked and replaced by a general mandate to issue Shares granted to the Directors on 15th October, 2004, which was subsequently fully utilized. On 20th January, 2005, a fresh general mandate was given to the Directors to issue Shares, which has to date not been utilized. Under the Hong Kong Companies Ordinance and the Listing Rules, the general mandate to repurchase Shares

LETTER FROM THE CHAIRMAN

granted on 20th May, 2004 and the general mandate to issue Shares granted on 20th January 2005 will lapse at the conclusion of the AGM. Ordinary resolutions will therefore be proposed at the AGM for a renewal of these general mandates.

As announced on 7th April, 2005, the Company's existing auditors, Messrs. PricewaterhouseCoopers, would not seek re-election as the Company's auditors at the AGM and the Company proposes to appoint Messrs. Deloitte Touche Tohmatsu as the Company's auditors to replace Messrs. PricewaterhouseCoopers at the AGM. As further announced on 7th April, 2005, the Company proposes to subdivide each Share into two Subdivided Shares and change its board lot size from 2,000 Shares to 1,000 Subdivided Shares.

The aforesaid matters and certain other matters including the grant of general mandates to issue and repurchase Shares to Directors, the Re-election of Directors, and the refresher of Scheme Mandate Limit of the Share Option Scheme will be dealt with at the AGM. For the resolutions on these matters, you are referred to the notice of the AGM on pages 102 to 106 of the Annual Report. The purpose of this circular is to provide you with information in connection with the aforementioned matters in order to enable you to make an informed decision on whether to vote for or against the resolutions to be proposed at the AGM.

2. RE-ELECTION OF DIRECTORS

The Board currently consists of eight Directors including three Executive Directors, namely, Dr. Ho Hung Sun, Stanley (*Chairman*), Mr. Ho, Lawrence Yau Lung (*Managing Director*), Mr. Tsui Che Yin, Frank, two Non-executive directors, namely, Mr. Ng Ching Wo and Mr. Ho Cheuk Yuet and three Independent Non-executive Directors, namely, Sir Roger Lobo, Mr. Kwan Chiu Yin, Robert and Dr. Lo Ka Shui.

Under Article 94 of the Company's Articles of Association, any Director who is appointed as an addition to the Board in between the Company's annual general meetings shall hold office until the next following annual general meeting, and shall then be eligible for re-election. Dr. Lo Ka Shui was appointed as a Director on 10th September, 2004 after the Company's last annual general meeting. Pursuant to Article 94, Dr. Lo Ka Shui is required to retire but is eligible for re-election at the AGM.

Under Article 103(A) of the Company's Articles of Association, one third of the Directors for the time being, who have been longest in office since their last election, shall retire at the Company's annual general meeting each year. Mr. Ho, Lawrence Yau Lung, Mr. Tsui Che Yin, Frank and Mr. Ng Ching Wo, being one third of the Directors who have been longest in office since their last election, shall retire and are eligible for re-election at the AGM.

The aforementioned retiring Directors have confirmed to the Company their willingness to be re-elected as the Company's directors and have offered themselves for re-election at the AGM. Brief biographical details of these Directors are set out in Appendix II of this circular.

The resolution set out in item 3 of the notice of the AGM, if passed, will re-elect Dr. Lo Ka Shui, Mr. Ho, Lawrence Yau Lung, Mr. Tsui Che Yin, Frank and Mr. Ng Ching Wo as Directors.

LETTER FROM THE CHAIRMAN

3. APPOINTMENT OF NEW AUDITORS

The resolution set out in item 4 of the notice of the AGM, if passed, will appoint Messrs. Deloitte Touche Tohmatsu as the auditors of the Company in place of the retiring auditors, Messrs. PricewaterhouseCoopers, who will hold office until holding of the AGM and who do not seek re-election at the AGM. The retirement of Messrs. PricewaterhouseCoopers is due to the Company's policy in respect of cost control. Messrs. PricewaterhouseCoopers has advised the Company that there is no representation regarding its retirement that needs to be brought to the attention of the Company.

4. GENERAL MANDATES TO ISSUE AND REPURCHASE SHARES

The resolution set out in item 5 of the notice of the AGM, if passed, will give the Directors a general and unconditional mandate to exercise the powers of the Company to repurchase Shares up to 10% of the aggregate nominal amount of the Company's issued share capital (the "Repurchase Mandate") before the Company's next annual general meeting. A statement explaining the Repurchase Mandate in accordance with the Listing Rules is set out in Appendix I to this circular.

At the AGM, resolutions set out in item 6 of the notice of the AGM will be proposed which, if passed, will give the Directors a general mandate to issue new Shares representing up to (i) 20% of the aggregate nominal amount of the Company's issued share capital at the date of passing the resolution and (ii) the nominal amount of the share capital of the Company repurchased by the Company subsequent to the passing of such resolution (the "Issue Mandate").

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

5. REFRESHER OF SCHEME MANDATE LIMIT OF SHARE OPTION SCHEME

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

The Shares which may be issued upon exercise of all Share Options to be granted under the Share Option Scheme and any other share option schemes of the Company shall not exceed the Scheme Mandate Limit, being 10% of the Shares in issue on 19th November, 2003, which was the date when scheme mandate limit of the Share Option Scheme was last refreshed. The total number of the Company's issued shares was 221,997,007 Shares on 19th November, 2003 and the Scheme Mandate Limit is therefore 22,199,700 Shares. The Scheme Mandate Limit can be refreshed by Shareholders in general meeting provided that the Scheme Mandate Limit as refreshed must not exceed 10% of the Shares in issue on the date of the Shareholders' approval. In this connection, Share Options previously granted under the Share Option Scheme of the Company (including those outstanding, cancelled or lapsed in accordance with the Share Option Scheme or exercised Share Options) will not be counted for the purpose of calculating the Scheme Mandate Limit as refreshed.

LETTER FROM THE CHAIRMAN

As at the Latest Practicable Date, Share Options (giving rise to an aggregate of 20,289,676 Shares) granted pursuant to the Share Option Scheme at the exercise prices of HK\$1.00 (as to 16,306 Share Options), HK\$1.1067 (as to 2,227,670 Share Options), HK\$2.405 (as to 7,032,000 Share Options), HK\$3.375 (as to 6,034,000 Share Options) and HK\$14.8 (as to 1,029,700 Share Options) respectively per Share were outstanding. Save for such outstanding Share Options, no other Share Options have been granted under the Share Option Scheme to the Directors and employees of the Group or other Eligible Persons as at the Latest Practicable Date.

As at the Latest Practicable Date, STDM First Convertible Note (giving rise to 25,000,000 Shares) and STDM Second Convertible Note (giving rise to 6,829,268 Shares) issued to STDM at the exercise prices of HK\$4.00 (25,000,000 Shares) and HK\$8.20 (6,829,268 Shares) respectively per Share were outstanding. Save for such outstanding convertible notes, no other convertibles have been issued at the Latest Practicable Date.

Since the Company had granted a total of 22,199,700 Share Options after 19th November, 2003 to Eligible Persons, the Scheme Mandate Limit has been fully utilized. The Board is of the view that, in order to encourage the relevant Eligible Persons to work towards enhancing the value of the Group and the Shares, further Share Options may need to be issued in future. As a result, it is necessary to refresh the Scheme Mandate Limit to enable this to happen. The Board considers that the refresher of the Scheme Mandate Limit is in the interests of the Company and the Shareholders as a whole.

The resolution set out in item 7 of the notice of the AGM, if passed, will refresh the Scheme Mandate Limit. Assuming no further issue and repurchase of shares takes place before the AGM, upon refresher of the Scheme Mandate Limit by Shareholders at the AGM, the Scheme Mandate Limit as refreshed will allow the Company to grant Share Options entitling holders thereof to subscribe for 48,706,927 Shares, being 10% of 487,069,270 Shares in issue as at the date of approving the refresher of the Scheme Mandate Limit. On the assumption that the Scheme Mandate Limit as refreshed is fully utilized, the total number of Shares which may be issued upon exercise of all outstanding Share Options granted and yet to be exercised under the Share Option Scheme and any other schemes of the Company will not exceed 30% of the Shares in issue.

6. SHARE SUBDIVISION AND CHANGE OF BOARD LOT SIZE

As disclosed in the announcement dated 7th April, 2005, the Board proposed that each of the existing issued and unissued Shares of HK\$1.00 each in the share capital of the Company be subdivided into two Subdivided Shares of HK\$0.5 each. The Share Subdivision will become effective upon the fulfillment of the conditions set out in Appendix III to this circular. As at the Latest Practicable Date, Shares are traded on the Stock Exchange in board lots of 2,000 Shares. Upon the Share Subdivision becoming effective, the board lot size of the Subdivided Shares for trading will be changed to 1,000 Subdivided Shares.

An explanatory statement providing the requisite information regarding the Share Subdivision and change of board lot size is set out in Appendix III to this circular.

The resolution set out in item 8 of the notice of the AGM, if passed, will give effect to the Share Subdivision and the change of board lot size.

LETTER FROM THE CHAIRMAN

7. ANNUAL GENERAL MEETING

The notice of the AGM, which contains resolutions on the aforementioned and other matters, is set out in the Annual Report accompanying this circular.

There is enclosed a form of proxy for use at the AGM. You are requested to complete the form of proxy and return it to the registered office of the Company in accordance with the instructions printed thereon not less than 48 hours before the time fixed for holding the AGM, whether or not you intend to be present at the meeting. The completion and return of the form of proxy will not prevent you from attending and voting in person at the AGM should you so wish.

8. PROCEDURE FOR DEMANDING A POLL BY SHAREHOLDERS

Article 74 of the Company's articles of association sets out the procedures by which shareholders of the Company may demand a poll:

At any general meeting a resolution put to the vote of the meeting shall be decided on a show of hands unless (before or on the declaration of the result of the show of hands or on the withdrawal of any other demand for a poll) a poll is duly demanded. A poll may be demanded by:

- (a) the Chairman of the meeting; or
- (b) at least three members present in person or by proxy for the time being entitled to vote at the meeting; or
- (c) 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
- (d) 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.

9. RECOMMENDATION

The Directors believe that the granting of the general mandates to the Directors to issue and repurchase Shares, the Re-election of Directors, the Appointment of New Auditors, the refresher of Scheme Mandate Limit, the Share Subdivision and the change of board lot size are in the best interests of the Company and the Shareholders, and, accordingly, the Directors recommend the Shareholders to vote in favour of the resolutions on the aforementioned matters at the AGM.

LETTER FROM THE CHAIRMAN

10. 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 enquiries, that to the best of their knowledge and belief, there are no other facts the omission of which would make any statement herein misleading.

Yours faithfully,
Dr. Stanley Ho
Chairman

APPENDIX I EXPLANATORY STATEMENT REGARDING REPURCHASE MANDATE

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

1. LISTING RULES

The Listing Rules permit companies whose primary listings are on the Stock Exchange to repurchase their shares on the Stock Exchange, subject to certain restrictions, the most important of which are summarized below:

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

2. SHARE CAPITAL

As at the Latest Practicable Date, the issued share capital of the Company comprised 487,069,270 Shares. Subject to the passing of the ordinary resolution and on the basis that no further Shares are issued or repurchased prior to the AGM, the Company would be allowed under the Repurchase Mandate to repurchase a maximum of 48,706,927 Shares, representing 10% of the issued capital of the Company at the date of passing of the said resolution.

3. REASON FOR REPURCHASES

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

4. FUNDING OF REPURCHASES

Repurchase would be funded entirely from the Company's available cash flow or working capital facilities which will be funds legally available for the purpose and in accordance with the Companies Ordinance and the Memorandum and Articles of Association of the Company.

APPENDIX I EXPLANATORY STATEMENT REGARDING REPURCHASE MANDATE

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

There might be material adverse impact on the working capital or gearing position of the Company (as compared with the position disclosed in the audited accounts contained in the annual report for the year ended 31st December, 2004) in the event that the Repurchase Mandate was to be exercised in full at any time during the proposed repurchase period. However, the Directors do not propose to exercise the Repurchase Mandate to such extent as would, in the circumstances, have a material adverse effect on the working capital requirements of the Company or the gearing levels which in the opinion of the Directors are from time to time appropriate for the Company.

5. SHARE PRICES

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

	Highest <i>HK\$</i>	Lowest <i>HK\$</i>
2004		
April	2.500	2.250
May	2.450	2.175
June	2.425	2.275
July	2.375	2.150
August	2.325	2.200
September	4.325	2.300
October	9.050	4.175
November	13.350	8.700
December	20.000	11.100
2005		
January	20.100	13.200
February	18.400	14.500
March	20.500	16.250

6. GENERAL

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

APPENDIX I EXPLANATORY STATEMENT REGARDING REPURCHASE MANDATE

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

As at the Latest Practicable Date, (a) Shun Tak Shipping Company, Limited, Dr. Stanley Ho and his associates were together beneficially interested in 11.15% of the issued share capital of the Company and (b) Better Joy Overseas Ltd. (a company owned as to 23% by Dr. Stanley Ho and 77% by Mr. Lawrence Ho), Lasting Legend Ltd. (a company wholly owned by Mr. Lawrence Ho) and Mr. Lawrence Ho were together beneficially interested in 41.85% of the issued share capital of the Company. Based on these shareholdings and in the event that the Directors exercised in full the power to repurchase Shares under the Repurchase Mandate, (a) the shareholdings of Shun Tak Shipping Company, Limited, Dr. Stanley Ho and his associates would be increased to 12.39% and (b) the shareholdings of Better Joy Overseas Ltd., Lasting Legend Ltd. and Mr. Lawrence Ho would be increased to 46.50% of the issued share capital of the Company. As Better Joy Overseas Ltd., Lasting Legend Ltd., Shun Tak Shipping Company, Limited, Mr. Lawrence Ho, Dr. Stanley Ho and his associates are deemed to be acting in concert under the Rules of the Takeovers Code and together they control more than 50% of the outstanding voting rights of the Company, there are no implications under the Takeovers Code which would require a mandatory offer to be made by any of the parties referred to in the event that the Repurchase Mandate was exercised in part or in full. The number of shares held by the public would remain in excess of 25% of the issued share capital of the Company on exercise in full of the power to repurchase shares under the Repurchase Mandate.

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

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

7. SHARE PURCHASE MADE BY THE COMPANY

The Company had not purchased any of its Shares (whether on the Stock Exchange or otherwise) in the six months preceding the date of this circular. The Company will not purchase its Shares if less than 25% of its issued share capital is held by the public.

The following are particulars of the retiring Directors proposed to be re-elected at the AGM:

(1) Mr. Ho, Lawrence Yau Lung, aged 28, Executive Director

Mr. Ho joined the Group in November 2001 after he made and completed a General Offer for shares of the Company. Before heading the Company, Mr. Ho worked at Jardine Fleming and Citibank N.A. He is a graduate of the University of Toronto, Canada and holds a Bachelor of Arts degree, majoring in commerce.

Mr. Ho is a Member of The Chinese People's Political Consultative Conference, Shanghai Committee, Vice-Chairman of The Chamber of Hong Kong Listed Companies Limited, Member of All China Youth Federation, Member of Science and Technology Council of Macau Special Administrative Region, Macau Basic Law Promotional Association, Chairman of Macau International Volunteers Association, Member of Board of Governors of The Canadian Chamber of Commerce in Hong Kong, Chairman of The Centre for International Child Health (China Campaign) and Director of Aids Concern. Mr. Ho is also Vice Chairman of Macau Youth Federation the Year of Monkey Activities Organizer, Committee Member of Tianjin Chinese Overseas Friendship Association, Committee Member of Shanghai Chinese Overseas Friendship Association and Director of Guangzhou Luhu Golf Country Club.

In addition to being the Managing Director of the Company, Mr. Ho is currently the President and Vice Chairman of Value Convergence Holdings Limited, a subsidiary of the Company, whose securities are listed on the Growth Enterprises Market of The Stock Exchange of Hong Kong Limited.

Mr. Ho is the son of Dr. Stanley Ho. He owns 100% and 77% of the issued capital of Lasting Legend Ltd. and Better Joy Overseas Ltd. respectively, which are substantial shareholders of the Company. Save as disclosed herein, he does not have any relationship with any Directors, senior management, substantial shareholders or controlling shareholders of the Company.

Mr. Ho has a service contract with Melco Services Limited, a wholly-owned subsidiary of the Company, commencing from 1st January, 2005 which may be terminated by either party by written notice of not less than 3 months. Mr. Ho's annual emolument is HK\$1,729,008, and he may also receive a discretionary bonus in April each year. The amount of emoluments is determined by arm's length negotiation between the parties with reference to the prevailing market rate and the Company's policy.

As at the Latest Practicable Date, Mr. 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 Ltd. which in turn holds approximately 11.86% of the issued share capital of the Company. Mr. Ho is also taken to be interested in 144,266,303 shares as a result of him being beneficially interested in 77% of issued share capital of Better Joy Overseas Ltd. which in turn holds approximately 29.62% of the issued share capital of the Company. Apart from that, Mr. Ho is personally interested in 1,816,306 shares and 1,800,000 physically settled options, which were granted on 19th February, 2004 and which will expire on 7th March, 2012, at an exercise price of HK\$2.405 per share.

(2) Mr. Tsui Che Yin, Frank, aged 47, Executive Director

Mr. Tsui joined the Group in November 2001. Mr. Tsui has more than 20 years of experience in direct investment and investment banking, having held senior management positions at James Capel (Far East) Limited (Managing Director, China Fund), Citicorp International Limited (Vice President) and Canadian Imperial Bank of Commerce (Manager, China Operations Group). Prior to joining the Company, he was the president of China Assets Investment Management Limited which is the investment manager of China Assets (Holdings) Limited, a listed investment holding company in Hong Kong.

Mr. Tsui graduated with a bachelor's and a master's degree in business administration from the Chinese University of Hong Kong and with a law degree from the University of London. He is a member of the Certified General Accountants Association of Canada and the Hong Kong Securities Institute.

Mr. Tsui is currently an independent non-executive director of Jinhui Holdings Company Limited. He was a non-executive director of China Assets (Holdings) Limited for some time during the last 3 years. Apart from his position as Executive Director of the Company, he does not hold any other position in the Company or any subsidiary of the Company.

Mr. Tsui has a service contract with Melco Services Limited, a wholly-owned subsidiary of the Company, commencing from 1st January, 2005 which may be terminated by either party by written notice of not less than 3 months. Mr. Tsui's annual emolument is HK\$1,950,000, and he may also receive a discretionary bonus in April each year. The amount of emoluments is determined by arm's length negotiation between the parties with reference to the prevailing market rate and the Company's policy.

Mr. Tsui does not have any relationship with any Directors, senior management, substantial shareholders or controlling shareholders of the Company. As at the Latest Practicable Date, Mr. Tsui is personally interested in 1,800,000 shares and derivative interests in the Company in form of (a) 16,306 physically settled options, which were granted on 8th March, 2002 and will expire on 7th March, 2012, at an exercise price of HK\$1.00 per share, and (b) 1,800,000 physically settled options, which were granted on 19th February, 2004 and which will expire on 7th March, 2012, at an exercise price of HK\$2.405 per share.

(3) Mr. Ng Ching Wo, aged 54, Non-executive Director

Mr. Ng joined the Group in February 2003 as an Independent Non-Executive Director and has assumed his current position as a Non-Executive Director of the Company since September, 2004. Mr. Ng is a partner of Fong & Ng, Solicitors. Mr. Ng received his L.L.B. from the University of Alberta in Canada and was admitted to practise as a barrister and solicitor in Alberta in 1981. He is qualified as a solicitor in both the United Kingdom and Hong Kong. Mr. Ng's practice focused primarily in the area of cross-border corporate and commercial work and he has experience in mergers and acquisitions, take-overs of private and listed companies, cross-border initial public offerings, tax planning, large-scale international joint ventures and technology transfer.

During the last 3 years, Mr. Ng was an independent non-executive director of Oriental Metals (Holdings) Co. Ltd., IIN International Ltd. and Fushan Holdings Ltd. Mr. Ng is currently a non-executive director of a Hong Kong listed company, namely, United Pacific Industries Ltd., and an independent non-executive director of a Hong Kong listed company, namely, Finet Group Limited. Save for being the Non-executive Director of the Company, he does not hold any position in the Company or any subsidiary of the Company.

There is no service contract between the Company and Mr. Ng, but Mr. Ng is subject to rotation, retirement and re-election at annual general meeting pursuant to Articles of Association of the Company. The amount of emoluments for Mr. Ng is HK\$150,000 per annum, which is determined by arm's length negotiation between the parties with reference to the prevailing market rate. Save as disclosed herein, there are no other benefits provided to Mr. Ng for his directorship in the Company.

Mr. Ng does not have any relationship with any Directors, senior management, substantial shareholders or controlling shareholders of the Company. As at the Latest Practicable Date, Mr. Ng does not have any interest in shares of the Company within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong).

(4) Dr. Lo Ka Shui, aged 58, Independent Non-executive Director

Dr. Lo joined the Group in September 2004. Dr. Lo holds a Bachelor of Science (Biophysics) degree from the McGill University and a M.D. from the Cornell University, certified in Cardiology. He has more than 25 years' experience in the property, hotel and financial industries.

Dr. Lo is currently the Deputy Chairman and Managing Director of Great Eagle Holdings Limited and a director of eight listed companies, namely, Shanghai Industrial Holdings Limited, Phoenix Satellite Television Holdings Limited, China Mobile (Hong Kong) Limited, Hong Kong Exchanges and Clearing Limited, The HSBC China Fund Limited, Winsor Properties Holdings Limited, City e-Solutions Limited and Tom Online Inc.. He is also a Director of The Hongkong and Shanghai Banking Corporation Limited and a Board Member of the Hong Kong Airport Authority. He was a Director of Recruit Holdings Limited in last 3 years until 17th May, 2004. Save for being an Independent Non-executive Director of the Company, he does not hold any position in the Company or any subsidiary of the Company.

There is no service contract between the Company and Dr. Lo, but Dr. Lo is subject to rotation, retirement and re-election at annual general meeting pursuant to Articles of Association of the Company. The amount of emoluments for Dr. Lo is HK\$200,000 per annum, which is determined by arm's length negotiation between the parties with reference to the prevailing market rate. Save as disclosed herein, there are no other benefits provided to Dr. Lo for his directorship in the Company.

Dr. Lo does not have any relationship with any Directors, senior management, substantial shareholders or controlling shareholders of the Company. As at the Latest Practicable Date, Dr. Lo is personally interested in 1,000,000 shares of the Company.

This appendix serves as an explanatory statement, as required by the Listing Rules, to provide requisite information to you for your consideration of the Share Subdivision and change of board lot size.

1. EFFECTS OF THE SHARE SUBDIVISION

(A) Share capital

As at the Latest Practicable Date, the authorized share capital of the Company is HK\$700,000,000 divided into 700,000,000 Shares, of which 487,069,270 Shares are in issue and fully paid. Assuming that no further Shares will be issued after the Latest Practicable Date and before the effective date of the Share Subdivision, the effect of the Share Subdivision is set out as follows:

	Prior to the Share Subdivision	After the Share Subdivision
Par value of each share of the Company	HK\$1.00	HK\$0.50
Number of authorized shares of the Company	700,000,000	1,400,000,000
Authorised share capital	HK\$700,000,000	HK\$700,000,000
Number of shares of the Company in issue	487,069,270	974,138,540
Issued share capital	HK\$487,069,270	HK\$487,069,270
Number of unissued shares of the Company	212,930,730	425,861,460
Unissued share capital	HK\$212,930,730	HK\$212,930,730

The Subdivided Shares will be fully paid and will rank pari passu in all respects with each other and the Share Subdivision will not result in any change in the relevant rights of the Shareholders.

Save for the expenses incurred in relation to the Share Subdivision, which is estimated to be approximately HK\$150,000, implementation of the Share Subdivision will not alter the underlying assets, business operations, management or financial position of the Company or the interests of the Shareholders. The Directors consider that the Share Subdivision will not have any adverse effect on the financial position of the Group.

(B) Convertible securities

As at the Latest Practicable Date, there are no outstanding options, warrants or securities convertible or exchangeable into Shares other than the following:

- (i) 16,306 Share Options carrying rights to subscribe for 16,306 Shares at an exercise price of HK\$1.00 per Share;
- (ii) 2,227,670 Share Options carrying rights to subscribe for 2,227,670 Shares at an exercise price of HK\$1.1067 per Share;

- (iii) 7,032,000 Share Options carrying rights to subscribe for 7,032,000 Shares at an exercise price of HK\$2.405 per Share;
- (iv) 6,034,000 Share Options carrying rights to subscribe for 6,034,000 Shares at an exercise price of HK\$3.375 per Share;
- (v) 1,029,700 Share Options carrying rights to subscribe for 1,029,700 Shares at an exercise price of HK\$14.8 per Share;
- (vi) STDM First Convertible Note in the principal amount of HK\$100,000,000 carrying rights to subscribe for 25,000,000 Shares at a conversion price of HK\$4.00 per Share at any time from the third anniversary of the date of issue of the First STDM Convertible Note, namely, 9th November, 2004, to 8th November, 2009; and
- (vii) STDM Second Convertible Note in the principal amount of HK\$56,000,000 carrying rights to subscribe for 6,829,268 Shares at a conversion price of HK\$8.20 per Share at any time from the third anniversary of the date of issue of the Second STDM Convertible Note, namely, 8th February, 2005, to 7th February, 2010.

Subsequent to the publication of announcement dated 7 April 2005 of the Company, the following convertible securities were exercised:

- (i) 1,950,000 Share Options carrying rights to subscribe for 1,950,000 Shares at an exercise price of HK\$1.1067 per Share exercised on 8th April, 2005;
- (ii) 2,000,000 Share Options carrying rights to subscribe for 2,000,000 Shares at an exercise price of HK\$2.405 per Share exercised on 12th April, 2005;
- (iii) Better Joy First Convertible Note and Better Joy Second Convertible Note carrying rights to subscribe for an aggregate of 19,565,216 Shares were exercised by Better Joy Overseas Ltd. on 11th April, 2005;

The terms of the outstanding Share Options granted by the Company pursuant to the Share Option Scheme will be adjusted in such manner as the Company's auditors shall certify to the Board is, in their opinion, fair and reasonable to take account of the Share Subdivision. The Board anticipates that upon the Share Subdivision becoming effective, the terms of each such outstanding Options will be adjusted as follows:

Outstanding Share Options	Exercise price before the Share Subdivision (HK\$)	Number of Shares to be issued	Exercise price after the Share Subdivision (HK\$)	Number of Subdivided Shares to be issued
As mentioned in (i) above	1.00	16,306	0.50	32,612
As mentioned in (ii) above	1.1067	2,227,670	0.55335	4,455,340
As mentioned in (iii) above	2.405	7,032,000	1.2025	14,064,000
As mentioned in (iv) above	3.375	6,034,000	1.6875	12,068,000
As mentioned in (v) above	14.8	1,029,700	7.4	2,059,400

As at the Latest Practicable Date, no share option other than those disclosed above has been granted.

The Share Subdivision constitutes an event giving rise to an adjustment to the respective conversion prices of the Convertible Notes pursuant to the respective instruments constituting the Convertible Notes. Upon the Share Subdivision becoming effective, the terms of the respective Convertible Notes will be adjusted as follows:

Convertible Notes	Conversion price before the Share Subdivision (HK\$)	Number of Shares to be issued	Conversion price after the Share Subdivision (HK\$)	Number of Subdivided Shares to be issued
STDM First Convertible Note	4.00	25,000,000	2.00	50,000,000
STDM Second Convertible Note	8.20	6,829,268	4.10	13,658,536

2. CHANGE OF BOARD LOT SIZE

As at the Latest Practicable Date, Shares are traded on the Stock Exchange in board lots of 2,000 Shares. Upon the Share Subdivision becoming effective, the board lot size of the Subdivided Shares for trading will be changed to 1,000 Subdivided Shares.

The table below sets out the average daily trading volume of the Shares for the last six completed months quoted from the Stock Exchange:

Month	Average daily trading volume of the Shares
October 2004	21,343,886
November 2004	20,198,427
December 2004	11,825,617
January 2005	5,764,442
February 2005	2,169,885
March 2005	2,848,952

3. REASON FOR THE SHARE SUBDIVISION AND CHANGE OF BOARD LOT SIZE

The Directors believe that the reduced amount for investing in a board lot of the Subdivided Shares as a result of the Share Subdivision and the change in board lot size will improve the liquidity in the trading of the shares of the Company thereby enabling the Company to attract more investors and broaden its shareholders' base. The Board is of the opinion that the Share Subdivision and the change in board lot size are in the interests of the Company and the Shareholders as a whole.

4. CONDITIONS

The Share Subdivision is conditional upon:

- (a) the passing of an ordinary resolution by the Shareholders at the AGM; and
- (b) the Listing Committee of the Stock Exchange granting the listing of and permission to deal in the Subdivided Shares and any new Subdivided Shares which may fall to be issued pursuant to (i) the exercise of Share Options granted under the Share Option Scheme and (ii) the conversion of the Convertible Notes.

An application will be made to the Listing Committee of the Stock Exchange for the listing of and permission to deal in the Subdivided Shares and any new Subdivided Shares which may fall to be issued pursuant to the exercise of the Share Options and the conversion under the Convertible Notes.

Subject to the granting of listing of, and permission to deal in, the Subdivided Shares on the Stock Exchange, the Subdivided Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the commencement date of dealing in the Subdivided Shares on the Stock Exchange or such other date as determined by HKSCC. Settlement of transactions between participants of the Stock Exchange on any trading day is required to take place in CCASS on the second trading day thereafter. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

5. EXPECTED TIMETABLE

It is currently expected that the Share Subdivision will become effective on Thursday, 19th May, 2005. The expected timetable for the implementation of the Share Subdivision and the associated trading arrangements are set out as follows:

2005

Latest time for lodging forms of proxy for the AGM	3:30 p.m. on Monday, 16th May
AGM to approve, inter alia, the Share Subdivision	3:30 p.m. on Wednesday, 18th May
Effective date of the Share Subdivision	Thursday, 19th May
Dealings in Subdivided Shares commence	9:30 a.m. on Thursday, 19th May
Original counter for trading in existing Shares in board lots of 2,000 Shares temporarily closes	9:30 a.m. on Thursday, 19th May
Temporary counter for trading in Subdivided Shares in board lots of 4,000 Subdivided Shares (in the form of existing share certificates) opens	9:30 a.m. on Thursday, 19th May
First day for free exchange of certificates for existing Shares for new certificates for Subdivided Shares	Thursday, 19th May
Original counter for trading in Subdivided Shares in board lots of 1,000 Subdivided Shares (in the form of new certificates for Subdivided Shares) re-opens	9:30 a.m. on Thursday, 2nd June
Parallel trading in Subdivided Shares (in the form of new certificates for Subdivided Shares and certificates for existing Shares) commences	9:30 a.m. on Thursday, 2nd June
Temporary counter for trading in Subdivided Shares in board lots of 4,000 Subdivided Shares (in the form of existing share certificates) closes	4:00 p.m. on Thursday, 23rd June
Parallel trading in Subdivided Shares (in the form of new certificates for Subdivided Shares and certificates for existing Shares) ends	4:00 p.m. on Thursday, 23rd June
Last day for free exchange of certificates for existing Shares for new certificates for Subdivided Shares	4:00 p.m. on Thursday, 30th June

Upon the Share Subdivision becoming effective, the arrangement proposed for dealings in the Subdivided Shares are expected to be as follows:

From 19th May, 2005, the original counter for trading in the existing Shares in board lots of 2,000 Shares will be temporarily closed. A temporary counter will be established for trading in the Subdivided Shares in board lots of 4,000 Subdivided Shares. Certificates for the existing Shares in pink colour may only be traded at this temporary counter.

With effect from 2nd June, 2005, the original counter for trading in the Shares will be reopened for trading in the Subdivided Shares in board lots of 1,000 Subdivided Shares. Only new share certificates in blue colour can be traded at this counter.

From 2nd June, 2005 to 23rd June, 2005, both dates inclusive, there will be parallel trading at the above two counters.

The temporary counter for trading in the Subdivided Shares in board lots of 4,000 Subdivided Shares will be removed after the close of trading on 23rd June, 2005. After the removal of the said temporary counter on 23rd June, 2005, trading will be in Subdivided Shares only and the existing share certificates for Shares will cease to be marketable and will not be acceptable for dealing and settlement purposes. However, such share certificates will remain effective as documents of title on the basis of one existing Share for two Subdivided Shares.

Subject to the Share Subdivision becoming effective, Shareholders may, during business hours from Thursday, 19th May, 2005 to 4:00 p.m. on Thursday, 30th June, 2005 (both dates inclusive), submit their existing certificates for the Shares to the Company's share registrars, Standard Registrars Limited at Ground Floor, Bank of East Asia Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong in exchange for new certificates for the Subdivided Shares (on the basis of every one Share for two Subdivided Shares) free of charge. Thereafter, share certificates for Shares will be accepted for exchange only on payment of a fee of HK\$2.50 (or such amount as may from time to time be specified by the Stock Exchange) for each new certificate issued for the Subdivided Shares or each old share certificate submitted, whichever number of share certificate involved is higher. As the Subdivided Shares will be traded in board lots of 1,000 Subdivided Shares, the Share Subdivision will not result in trading of Shares in an odd lot for any whole board lot of 2,000 Shares held by the Shareholders. Therefore, no odd lot arrangement will be provided to the Shareholders by virtue of the Share Subdivision.

In order to distinguish between the existing and the new certificates, certificates for the Subdivided Shares will be blue in colour, which is different from the existing certificates for the Shares, which are pink in colour.

It is expected that new certificates for the Subdivided Shares will be available for collection on or after the tenth business day from the date of submission of the existing certificates for the Shares to share registrars of the Company at the abovementioned address. Unless otherwise instructed, new certificates will be issued in the board lot size of 1,000 Subdivided Shares.