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*Melco International Development Limited*

新 濠 國 際 發 展 有 限 公 司

*(Incorporated in Hong Kong with limited liability)*

Website: <http://www.melco-group.com>

(Stock Code: 200)

**INFORMATION ON PROPOSED SPIN-OFF  
AND SEPARATE LISTING OF  
MELCO PBL ENTERTAINMENT (MACAU) LIMITED  
ON NASDAQ  
AND DISPATCH OF CIRCULAR**

This announcement is made further to the Company's announcement dated 25 October 2006 in relation to the granting of permission, by the Listing (Review) Committee, for the Company to proceed with the Proposed Spin-off.

The Board also wishes to announce that the circular of the Company in respect of the Proposed Spin-off of Melco PBL Entertainment (Macau) has been dispatched to the Shareholders on or about 2 December 2006.

Melco PBL Entertainment (Macau) has on 1 December 2006 (US Time) and 2 December 2006 (Hong Kong Time) publicly filed a Registration Statement under the United States Securities Act of 1933, as amended, with the US SEC in connection with the Global Offering of ADSs by

Melco PBL Entertainment (Macau). The current intention is for Melco PBL Entertainment (Macau) to seek a listing of its ADSs on the NASDAQ.

The Registration Statement may contain certain information which the Company considers may be relevant for shareholders and other investors and which may not have been previously published in Hong Kong. The purpose of this announcement is to set out the details of such information.

**As the listing of the Melco PBL Shares pursuant to the Proposed Spin-off and Global Offering is subject to, amongst others, the Registration Statement in respect of the Melco PBL Shares being declared effective by the SEC and NASDAQ granting approval for the listing, the Proposed Spin-off and the Global Offering may not proceed. Accordingly, Shareholders and other investors are reminded to exercise caution when dealing in the securities of the Company.**

This announcement is made further to the Company's announcement dated 25 October 2006 ("**Announcement**") in relation to the approval, by the Listing (Review) Committee of the Proposed Spin-off and separate listing of Melco PBL Entertainment (Macau).

The Board wishes to announce that the circular of the Company in respect of the Proposed Spin-off as described in the Announcement has been dispatched to shareholders on or about 2 December 2006. Furthermore, Melco PBL Entertainment (Macau) has on 1 December 2006 (US Time) and 2 December 2006 (Hong Kong Time) publicly filed a Registration Statement with the US SEC in connection with the Global Offering of the ADSs. Melco PBL Entertainment (Macau) also plans to apply for a listing of its ADSs on the NASDAQ.

## **DISPATCH OF SHAREHOLDERS' CIRCULAR**

A circular including, among other information, (1) a letter from the Board containing further details of the Proposed Spin-off; (2) recommendations of the Independent Board Committee to the Shareholders; (3) a letter from an independent financial adviser containing its advice to the Shareholders in relation to the Proposed Spin-off; and (4) a notice of the EGM, has been dispatched to the Shareholders on or about 2 December 2006.

## **THE PROPOSED SPIN-OFF AND GLOBAL OFFERING**

Melco PBL Entertainment (Macau) is a joint venture company held as to 50% by the Company and as to 50% by PBL and is the principal holding company in respect of the gaming, entertainment and hospitality business conducted by the Joint Venture Companies in Macau.

The Proposed Spin-off contemplates a separate listing of Melco PBL Entertainment (Macau) on NASDAQ and a Global Offering of ADSs by Melco PBL Entertainment (Macau). It is currently anticipated that approximately 10% to 17.5% (exclusive of shares that may be issued on

the exercise of any over allotment option granted in connection with the Global Offering) of the enlarged issued share capital of Melco PBL Entertainment (Macau) will be offered under the Global Offering. Accordingly, it is currently anticipated that immediately following the Global Offering, the Company's percentage shareholding interest in Melco PBL Entertainment (Macau) will decrease from 50% to between approximately 41% to 45% (exclusive of shares that may be issued on the exercise of any over allotment option granted in connection with the Global Offering).

## **INFORMATION ON MELCO PBL ENTERTAINMENT (MACAU)**

The following information is extracted from the Registration Statement:–

### **CROWN MACAU**

Melco PBL Entertainment (Macau), being a joint venture company held as to 50% by the Company and as to 50% by PBL, through its subsidiary Great Wonders, is developing the Crown Macau Hotel with casino facilities, with total project costs up to opening (inclusive of land, land premium costs, and construction costs, furniture, fixtures and equipment, pre-opening expenses, capitalized fees and finance costs, cage cash and initial working capital requirements) currently budgeted at approximately US\$512.6 million. The topping out of Crown Macau Hotel was completed in November 2006 and it is expected to be opened in the second quarter of 2007. As of 30 September 2006, Melco PBL Entertainment (Macau) had paid approximately US\$260.3 million of the budgeted project costs, most of which represented payments due to its contractors as well as the payment of land costs and land premium. With equity contributions from the Company and PBL, part of the proceeds of the Global Offering and the HK\$1,280 million syndicated term loan facility granted by a syndicate led by Bank of China Limited, Macau Branch, and Banco Nacional Ultramarino, S.A. to finance the construction of the Crown Macau entered into by Great Wonders to finance the construction of the Crown Macau, it is anticipated that Melco PBL Entertainment (Macau) will have sufficient funding to complete construction of the project.

### **THE CITY OF DREAMS**

Melco PBL Entertainment (Macau), through its subsidiary Melco Hotels, is developing the City of Dreams, with total project costs up to opening (inclusive of land and construction costs, land premium, furniture, fixtures and equipment, pre-opening expenses, capitalized fees and finance costs and initial working capital requirements) currently budgeted at approximately US\$2.1 billion. The site preparation of the City of Dreams began in the second quarter of 2006 and substantial piling work has commenced at the site. It is expected that the initial phase of City of Dreams will be opened in late 2008, which is currently targeted to include substantial completion of casino, retail space and two of the four hotels currently planned. In addition, a performance hall for world-class performance shows is expected to be completed in the second half of 2008. The second phase of the project is targeted to be completed in the second

half of 2009, principally comprising the remaining two hotels. It is also intended that one block of luxury serviced apartment units will be completed during the second phase of the project, and a second block may be developed thereafter depending on the market conditions. These developments may be subject to Macau Government approval and approval of the lenders under the debt facilities. The cost of a second block of apartments has not been included in the US\$2.1 billion total budgeted project cost for development of the City of Dreams. As of 30 September 2006, Melco Hotels had expended approximately US\$166 million of the budgeted project costs for the City of Dreams primarily for land costs and land premium, construction costs, design and consultation fees. It expects to fund the project costs from equity contributions by the Company and PBL, part of the proceeds of the Global Offering and a US\$1.6 billion secured credit facility which MPBL Gaming, the Company and PBL have signed a commitment letter with certain banks as arrangers.

### **MACAU PENINSULA SITE PROJECT**

Melco PBL Entertainment (Macau), through its subsidiary Melco PBL (Macau Peninsula), is in the process of acquiring a third development site, located on the shoreline of the Macau Peninsula near the Macau Ferry Terminal. Completion of the acquisition of the company holding the rights to a land lease grant in respect of the site is expected to take place in the first quarter of 2007 and contemplated opening in the middle of 2009, if the site is acquired. However, as referred to in the Company's announcement dated 17 May 2006, Shareholders should note that there is no assurance that the conditions precedent to completion of that acquisition will be fulfilled or that completion will take place within that timeframe or at all. If completion does not take place because the conditions precedent are not fulfilled, the acquisition agreement will terminate and the down payment will be refunded to Melco PBL (Macau Peninsula). Melco PBL Entertainment (Macau) is currently considering plans to develop the site into a mixed use casino and apartment hotel facility, targeted primarily at day-trip gaming patrons. Based on preliminary estimates and conceptual designs, the total project costs for the Macau Peninsula project are currently budgeted at approximately US\$650 million to US\$700 million, which includes anticipated land and construction costs, land premium, furniture, fixtures and equipment, pre-opening expenses, capitalized fees and finance costs, cage cash and initial working capital requirements. As of 30 September 2006, Melco PBL Entertainment (Macau) had paid approximately US\$12.9 million of the budgeted project costs, which related to the deposit for the acquisition of the land.

### **MOCHA SLOT BUSINESS**

In 2005 and the nine months ended 30 September 2006, the Mocha Slot business, namely the electronic gaming machine lounges under the "Mocha Clubs" brand, generated total revenue of US\$17.3 million and US\$18.2 million respectively, substantially all of which was from the Mocha Club operations. Currently, MPBL Gaming, the subsidiary of Melco PBL

Entertainment (Macau) and one of the six companies authorized by the Macau Government to operate casinos in Macau, operates six Mocha Clubs featuring a total of approximately 1,000 electronic gaming machines.

## **MACAU STUDIO CITY PROJECT**

MPBL Gaming expects to enter into a services agreement with New Cotai Entertainment, LLC, under which MPBL Gaming will operate the casino portions of the Macau Studio City project, a large scale integrated gaming, retail and entertainment resort development that is targeted to open on the Cotai Strip during 2009. The project is being developed by a joint venture between eSun Holdings Limited and New Cotai Holdings, LLC, which is primarily owned by investment funds and David Friedman, a former senior executive of Las Vegas Sands. While the definitive terms of the services agreement remain subject to finalization, it is anticipated that a percentage, to be agreed upon, of the gross gaming revenues from the casino operations of the Macau Studio City will be retained by MPBL Gaming. Melco PBL Entertainment (Macau) will not be responsible for any of the project's capital development costs, and the operating expenses of the casino will be substantially borne by New Cotai Entertainment.

## **THE SUBCONCESSION AND SUBCONCESSION FACILITY**

As announced by the Company on 10 October 2006, Macau Government approval was granted for MPBL Gaming, the holder of the Subconcession, to become a subsidiary of the Joint Venture in accordance with the terms of the reorganization described in the Company's shareholders' circular dated 30 May 2006. That reorganization was formally completed on 22 November 2006 in accordance with the terms described in that shareholders' circular. Accordingly, the Joint Venture, through MPBL Gaming, is now the holder of the Subconcession, which permits the Subconcession holder to operate casinos and games of fortune or chance in Macau.

On 4 September 2006, MPBL Gaming entered into a loan facility in the amount of US\$500 million with lenders led by Australia and New Zealand Banking Group Limited, Banc of America Securities Asia Limited, Barclays Capital and Deutsche Bank AG, Hong Kong Branch. In September 2006, the loan facility was drawn to pay US\$500 million of the US\$900 million due to Wynn Macau. The US\$500 million indebtedness from the loan facility became part of the consolidated debt upon the transfer of control of MPBL Gaming to Melco PBL Entertainment (Macau) in October 2006 and will be repaid from part of the net proceeds of the Global Offering.

In addition to the initial US\$900 million paid to Wynn Macau when the Subconcession was obtained, certain payments are required to be made to the Macau Government every year, including a fixed annual premium per year of MOP30 million (US\$3.7 million) and a variable premium depending on the number and type of gaming tables and gaming machines that have been operated by MPBL Gaming. The variable premium will be calculated as follows:

- (1) MOP300,000 (US\$37,341) per year for each gaming table (subject to a minimum of 100 tables) located in special gaming halls or areas reserved exclusively for certain kind of games or to certain players;
- (2) MOP150,000 (US\$18,671) per year for each gaming table (subject to a minimum of 100 tables) not reserved exclusively for certain kind of games or to certain players; and
- (3) MOP1,000 (US\$124) per year for each electrical or mechanical gaming machine, including slot machines.

### **AMORTISATION AND INTEREST EXPENSES TO BE INCURRED BY MELCO PBL ENTERTAINMENT (MACAU) AS A RESULT OF HAVING OBTAINED THE SUBCONCESSION**

In future periods beginning the fourth quarter of 2006, the following related charges will be incurred by Melco PBL Entertainment (Macau) as a result of having obtained the Subconcession:

- amortization expense of the Subconcession – Melco PBL Entertainment (Macau) is required to amortize the US\$900 million paid as consideration for the Subconcession on a straight line basis over the life of the Subconcession contract, which is until 2022, and will charge the amortization expense to its statements of operations beginning from the date it obtained the Subconcession;
- interest expenses – Melco PBL Entertainment (Macau) will incur additional interest expense in connection with the debt required to fund the payment for the Subconcession.

### **UNAUDITED CONSOLIDATED FINANCIAL INFORMATION ON MELCO PBL ENTERTAINMENT (MACAU) FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2006**

As disclosed in the Registration Statement of Melco PBL Entertainment (Macau), the total consolidated revenue of Melco PBL Entertainment (Macau) for the nine months ended 30 September 2006 was approximately US\$18.2 million and the consolidated net loss for the same period was approximately US\$20.5 million. Total shareholders' equity of Melco PBL Entertainment (Macau) as of 30 September 2006 was approximately US\$368.2 million and the total assets and total liabilities were approximately US\$636.1 million and US\$254.0 million respectively.

Shareholders should note that the figures above are extracted from the public filing of the Registration Statement of Melco PBL Entertainment (Macau) and the unaudited consolidated financial statement therein have been prepared in accordance with accounting principles generally accepted in the US ("US GAAP").

## **PRICING RANGE**

The Registration Statement includes a preliminary offering price range of the ADSs of between US\$16 (HK\$124.8) and US\$18 (HK\$140.4) per ADS. Based on such price range, the Global Offering is expected to generate gross proceeds of between approximately US\$848 million (HK\$6,614 million) to US\$954 million (HK\$7,441 million) (exclusive of shares which may be issued pursuant to the exercise of any over allotment option granted in connection with the Global Offering), being consistent with the targeted approximate gross proceeds of the Global Offering of US\$900 million (HK\$7,020 million) as disclosed in the shareholders' circular. As such, the Company's interest in Melco PBL Entertainment (Macau) will decrease from approximately 50% to 43.2% (i.e. the Global Offering represents approximately 13.7% of the enlarged share capital of Melco PBL Entertainment (Macau) immediately following the listing). The Board is satisfied that the information on the price range contained in the Registration Statement does not alter any of the information in the circular. In particular, the information concerning the approximate dilution of the Company's interest in Melco PBL Entertainment (Macau) and the targeted gross proceeds of the Global Offering, referred to above, remains accurate.

## **GENERAL**

As the listing of the ADSs pursuant to the Proposed Spin-off and Global Offering is subject to, amongst others, the Registration Statement in respect of the Melco PBL Shares being declared effective by the SEC and NASDAQ granting approval for the listing, the Proposed Spin-off and the Global Offering may not proceed. Accordingly, Shareholders and other investors are reminded to exercise caution when dealing in the securities of the Company. The Company will make further announcements in relation to the progress of the Proposed Spin-off, if and when appropriate.

## **DEFINITIONS**

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

“ADSs”	American depositary shares to be issued pursuant to a deposit agreement between Melco PBL Entertainment (Macau) and a depositary, each representing 3 Melco PBL Shares which are expected to be listed on NASDAQ
“Company”	Melco International Development Limited, a company incorporated in Hong Kong
“Global Offering”	the proposed initial public offering of ADSs to institutional, professional and other investors in connection with the Proposed Spin-off

“Macau”	the Macau Special Administrative Region of the PRC
“Macau Government”	the Government of Macau including the relevant governmental and other regulatory bodies in Macau responsible for the regulation and supervision of gaming business in Macau
“Melco PBL Entertainment (Macau)”	Melco PBL Entertainment (Macau) Limited (formerly known as “Melco PBL Holdings Limited”), a company incorporated under the laws of the Cayman Islands
“MPBL Gaming”	Melco PBL Gaming (Macau) Limited (formerly “PBL Entertainment (Macau) Limited”), a limited liability company incorporated in Macau, which holds the Subconcession
“Melco PBL Shares”	shares of Melco PBL Entertainment (Macau)
“MOP”	Macau Pataca, the lawful currency of Macau
“NASDAQ”	the NASDAQ Stock Market’s Global Market
“PBL”	Publishing and Broadcasting Limited, a company incorporated under the laws of Australia, the securities of which are listed on the Australian Stock Exchange
“Proposed Spin-off”	the proposed spin-off of Melco PBL Entertainment (Macau) involving the offering of ADSs to institutional, professional and other investors under the Global Offering and the separate listing of the ADSs on the NASDAQ
“Registration Statement”	the Registration Statement on Form F-1 filed with the US SEC in connection with the Global Offering
“SEC”	the Securities and Exchange Commission of the US
“Subconcession”	a subconcession to operate games of fortune or chance or other casino games in Macau granted to MPBL Gaming
“US”	United States of America
“US GAAP”	United States Generally Accepted Accounting Principles



“Wynn Macau”

Wynn Resorts (Macau) SA, a company incorporated under the laws of Macau

“%”

per cent.

*For the purpose of this announcement, amounts in US\$ are translated into HK\$ at the exchange rate of: US\$1.00: HK\$7.80*

By order of the board of  
**Melco International Development Limited**  
**Tsang Yuen Wai, Samuel**  
*Company Secretary*

*As at the date of this announcement, the board of directors of the Company comprises three executive directors; namely, Mr. Ho, Lawrence Yau Lung (Chairman and Chief Executive Officer), Mr. Tsui Che Yin, Frank and Mr. Chung Yuk Man, Clarence; one non executive director, namely Mr. Ng Ching Wo; and three independent non executive directors, namely Sir Roger Lobo, Dr. Lo Ka Shui and Mr. Sham Sui Leung, Daniel.*

Hong Kong, 2 December 2006

Please also refer to the published version of this announcement in South China Morning Post - Classified.