

---

**THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION**

---

**If you are in any doubt** about any aspect of this circular or as to the action to be taken, you should consult your licensed securities dealer 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, the licensed securities dealer or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

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

---



*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)*

**CONNECTED TRANSACTIONS  
INFORMATION TECHNOLOGY SERVICES FOR  
SOCIEDADE DE TURISMO E DIVERSÕES DE MACAU, S.A.  
AND  
SOCIEDADE DE JOGOS DE MACAU, S.A.**

**Financial Adviser to Melco International Development Limited**



**Independent Financial Adviser to the Independent Board Committee  
and the Independent Shareholders**



**Hantec Capital Limited**

---

A letter from the Independent Board Committee containing its advice and recommendation to the Independent Shareholders concerning the Connected Transactions is set out on page 14 of this circular. A letter from Hantec Capital Limited, the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders, is set out on pages 15 to 23 of this circular.

A notice convening an extraordinary general meeting (“EGM”) of the Company to be held at 11:30 a.m. on 8 February 2007 at 38th Floor, The Centrium, 60 Wyndham Street, Central, Hong Kong, is set out on pages 34 to 35 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.

18 January 2007

---

## CONTENTS

---

	<i>Page</i>
<b>Definitions</b> .....	1
<b>Letter from the Board</b> .....	4
Introduction .....	4
The Connected Transactions .....	5
<i>Background of the STDM and SJM Service Arrangements</i> .....	5
<i>Principal terms of the STDM Service Arrangement</i> .....	5
<i>Principal terms of the SJM Service Arrangement</i> .....	7
<i>Condition precedent of the Connected Transactions</i> .....	9
Information of the Group .....	10
<i>Information on Elixir</i> .....	10
Information on STDM .....	10
Information on SJM .....	11
Reasons and benefits for entering into the Connected Transactions .....	11
Implications under the Listing Rules .....	11
Extraordinary general meeting .....	12
Recommendation .....	12
General .....	13
<b>Letter from the Independent Board Committee</b> .....	14
<b>Letter from the Independent Financial Adviser</b> .....	15
<b>Appendix – General information</b> .....	24
<b>Notice of extraordinary general meeting</b> .....	34

---

## 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 shares of which are listed on the Stock Exchange
“connected person”	has the same meaning as ascribed to it in the Listing Rules
“Connected Transactions”	the STDM Service Arrangement and SJM Service Arrangement
“Director(s)”	the director(s) of the Company
“Dr. Stanley Ho”	Dr. Ho Hung Sun, Stanley, the former chairman and executive director of the Company
“EGL”	Elixir Group Limited, a company incorporated in Hong Kong with limited liability on 2 July 2002 and a wholly-owned subsidiary of the Company
“EGM”	an extraordinary general meeting of the Company to be convened on 8 February 2007 for the purpose of considering and approving the Service Arrangements and all transactions contemplated thereunder
“Elixir”	Elixir Group (Macau) Limited, a company incorporated in Macau with limited liability on 29 July 2002 and a wholly-owned subsidiary of EGL and an indirect wholly-owned subsidiary of the Company
“Elixir Group”	EGL and Elixir
“Group”	the Company and its subsidiaries
“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, Dr. Lo Ka Shui and Mr. Sham Sui Leung, Daniel, set up to advise the Independent Shareholders in respect of the Connected Transactions

---

## DEFINITIONS

---

“Independent Financial Adviser” or “Hantec”	Hantec Capital Limited, the independent financial adviser appointed to advise the Independent Board Committee and the Independent Shareholders in connection with the Connected Transactions
“Independent Shareholders”	shareholders of the Company other than Dr. Stanley Ho and his associates and as at the Latest Practicable Date includes Madam Lucina Laam King Ying, Mr. Lawrence Ho, Lasting Legend Ltd. and Better Joy Overseas Ltd.
“Independent Third Party(ies)”	independent third party(ies) not connected with the Company and its subsidiaries, the controlling shareholder, directors, chief executive or substantial shareholders of the Company and its subsidiaries, or an associate of any of them under the Listing Rules
“Latest Practicable Date”	15 January 2007, 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
“Macau”	the Macau Special Administrative Region of the PRC
“Maintenance Services”	after sales services to be provided by Elixir for the relevant hardware systems and equipment provided under the SJM Service Arrangement
“Mr. Lawrence Ho”	Mr. Ho, Lawrence Yau Lung, the chairman and chief executive officer of the Company and son of Dr. Stanley Ho
“PRC”	The People’s Republic of China
“Services”	the System Integration Services and (if applicable) the Maintenance Services
“Service Arrangements”	the STDM Service Arrangement and the SJM Service Arrangement
“SFO”	Securities and Futures Ordinance (Chapter 571, the Laws of Hong Kong)
“Shareholders”	shareholders of the Company
“SJM”	Sociedade de Jogos de Macau, S.A., a company incorporated under the laws of Macau and a non wholly-owned subsidiary of STDM

---

## DEFINITIONS

---

“SJM Service Arrangement”	the service arrangement comprising three separate agreements, entered into between Elixir and SJM, all dated 28 December 2006, regarding the respective provision of: (i) System Integration Services and Maintenance Services for the digital surveillance camera system; (ii) System Integration Services for the access control system; and (iii) System Integration Services for the electronic gaming machines, by Elixir to SJM
“STDM”	Sociedade de Turismo e Diversões de Macau, S.A. a company incorporated under the laws of Macau
“STDM Service Arrangement”	the service arrangement entered into between Elixir and STDM on 28 December 2006, regarding the provision of System Integration Services for the extra low voltage systems, by Elixir to STDM
“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 monitoring security systems, gaming systems and extra low voltage systems as well as the design and provision of information technology expertise to ameliorate the computer facility and equipment of STDM and SJM respectively
“%”	per cent.

---

## 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)*

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

*(Stock Code: 200)*

*Executive Directors:*

Mr. Ho, Lawrence Yau Lung

*(Chairman and Chief Executive Officer)*

Mr. Tsui Che Yin, Frank

Mr. Chung Yuk Man, Clarence

*Registered office:*

38th Floor, The Centrium

60 Wyndham Street

Central

Hong Kong

*Non-executive Director:*

Mr. Ng Ching Wo

*Independent Non-executive Directors:*

Sir Roger Lobo

Dr. Lo Ka Shui

Mr. Sham Sui Leung, Daniel

18 January 2007

*To the Shareholders*

Dear Sir or Madam,

**CONNECTED TRANSACTIONS  
INFORMATION TECHNOLOGY SERVICES FOR  
SOCIEDADE DE TURISMO E DIVERSÕES DE MACAU, S.A.  
AND  
SOCIEDADE DE JOGOS DE MACAU, S.A.**

**INTRODUCTION**

By the announcement dated 28 December 2006, the Company announced that on 28 December 2006, Elixir, an indirect wholly-owned subsidiary of the Company, has entered into the Service Arrangements on a conditional basis with each of STDM and SJM respectively, pursuant to which Elixir shall provide to each of STDM and SJM such Services comprising System Integration Services for an aggregate value of about HK\$9.1 million and HK\$107.1 million respectively and Maintenance Services for the aggregate value of about HK\$6.0 million for SJM.

---

## LETTER FROM THE BOARD

---

The purpose of this circular is to set out (i) further information on the STDM Service Arrangement and the SJM Service Arrangement (which collectively constitute the Connected Transactions); (ii) the recommendation from the Independent Board Committee in respect of the Connected Transactions; (iii) a letter of advice from the Independent Financial Adviser to the Independent Board Committee in respect of the Connected Transactions; and (iv) a notice convening the EGM at which relevant resolutions will be proposed to the Independent Shareholders to consider and if thought fit, approve (by way of poll) the Connected Transactions.

### THE CONNECTED TRANSACTIONS

#### Background of the STDM and SJM Service Arrangements

EGL and Elixir are wholly-owned subsidiaries of the Company.

Since its inception in July 2002, the Elixir Group 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 the Elixir Group and SJM commenced in January 2003 and during the years 2003 to 2005, Elixir Group has altogether entered into six separate service arrangements with SJM (excluding the present one) for the provision of information technology related services to SJM.

Given that the Elixir Group has demonstrated its quality of works and services provided under the said previous service arrangements and established a good business relationship with SJM, the Directors are pleased to announce that on 28 December 2006, Elixir has entered into another service arrangement, namely, the SJM Service Arrangement, with SJM for the provision of System Integration Services and Maintenance Services for the aggregate values of about HK\$107.1 million and HK\$6.0 million respectively. In addition, the Directors are pleased to announce that on 28 December 2006, Elixir has also entered into another service arrangement, namely the STDM Service Arrangement, with STDM for the provision of System Integration Services for the aggregate value of about HK\$9.1 million.

#### Principal terms of the STDM Service Arrangement

On 28 December 2006, Elixir has entered into the STDM Service Arrangement with STDM for the provision of System Integration Services for the aggregate value of about HK\$9.1 million. The principal terms of the STDM Service Arrangement are as follows:

<b>Date</b>	:	28 December 2006
<b>Parties</b>	:	i. Elixir
		ii. STDM

---

## LETTER FROM THE BOARD

---

- Information technology related services to be provided under the STDM Service Arrangement** : Pursuant to the STDM Service Arrangement, Elixir will provide System Integration Services to STDM including the liaison with, and procurement of other hardware and software suppliers to develop, provide and install the extra low voltage systems for server room, warehouse and car park facilities including detection and alarm system, audio and visual system, digital surveillance camera system and data network infrastructure including conduit and cable trunk for the hotel and casino development projects of STDM in Macau.
- Consideration** : The consideration payable by STDM under the STDM Service Arrangement was determined by arm's length negotiations between the parties thereto. Pursuant to the terms of the STDM Service Arrangement, the aggregate service charge for the System Integration Services is about HK\$9.1 million. Such aggregate service charge was determined with reference to the market costs of (i) the relevant hardware systems and equipment; and (ii) the estimated manpower to be incurred by Elixir based on past experience for installing the same and provision of the related technical services to other customers. Elixir will ascertain the relevant hardware systems and equipment and manpower required to provide the relevant System Integration Services to STDM upon receiving its orders and arrange to purchase the required hardware systems and equipment from the suppliers. The basis of consideration of the System Integration Services was determined according to the required hardware systems and equipment (with a mark up on the costs charged by the suppliers, the rate of such mark up is comparable with the rate that Elixir normally adopts in dealings with other independent customers).
- Payment terms** : Subject to the terms and conditions of the STDM Service Arrangement, STDM shall pay (i) the Services fee in installments in consideration of the extent of services completed by Elixir under the STDM Service Arrangement in respect of each of the hotel and casino development projects and (ii) the contract price for the parts procured by Elixir on behalf of STDM for the extra low voltage systems upon the signing of the agreement in relation to the STDM Service Arrangement.
- Other terms** : The performance of the STDM Service Arrangement is conditional on the fulfillment of the condition as set out in the paragraph headed "Condition precedent of the Connected Transactions" below.



---

## LETTER FROM THE BOARD

---

### Principal terms of the SJM Service Arrangement

In addition to the STDM Service Arrangement, on 28 December 2006, Elixir has also entered into the SJM Service Arrangement with SJM for the provision of System Integration Services and Maintenance Services for the aggregate values of about HK\$107.1 million and HK\$6.0 million respectively. The principal terms of the SJM Service Arrangement are as follows:

#### SJM Service Arrangement

- Date** : 28 December 2006
- Parties** : i. Elixir  
i. SJM
- Information technology related services to be provided under the SJM Service Arrangement** : Pursuant to the SJM 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 monitoring security systems, such as the digital surveillance camera system and the access control 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;
  - (2) supply of parts to the existing systems installed at the various casinos and slot machine halls operated by SJM;
  - (3) annual Maintenance Services in relation to the existing digital surveillance camera system installed at the casinos operated by SJM (parts excluded); and
  - (4) Maintenance Services for a number of hardware systems and equipment provided in relation to the digital surveillance camera system installed by Elixir under the System Integration Services provided to SJM as mentioned in item (1) above. The Maintenance Services are for a term of one year commencing from the expiration of the three months' 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 SJM Service Arrangement was determined by arm's length negotiations between

---

## LETTER FROM THE BOARD

---

the parties thereto. Pursuant to the terms of the SJM Service Arrangement, the aggregate service charge for the System Integration Services is about HK\$107.1 million (as to about HK\$54.2 million for digital surveillance camera system, as to about HK\$0.1 million for the access control system and as to about HK\$52.8 million for the electronic gaming machines). Such aggregate service charge is determined with reference to the market costs of (i) the relevant hardware systems and equipment; and (ii) the estimated manpower to be incurred by Elixir based on past experience for installing the same and provision of the related technical services to SJM. Elixir will ascertain the relevant hardware systems and equipment and manpower required to provide the relevant System Integration Services to SJM upon receiving its orders and arrange to purchase the required hardware systems and equipment from the suppliers. The basis of consideration of the System Integration Services was determined according to the required hardware systems and equipment (with a mark up on the costs charged by the suppliers, the rate of such mark up is comparable with the rate that Elixir normally adopts in dealings with other independent customers), installation charges and other service charges payable. As for the Maintenance Services for the digital surveillance camera system, both existing and system to be installed in the various casinos and slot machine halls operated by SJM under the SJM Service Arrangement, the aggregate service charge is about HK\$6.0 million and was determined with reference to the estimated market costs of (i) the estimated number of parts that requires for maintaining the relevant hardware systems and equipment and/or (ii) the resources to be incurred by Elixir during the relevant agreed service period (which such estimation is based on past experience). The aggregate service charge for the System Integration Services to be provided by Elixir to SJM is comparable to the market rate and charge to other independent customers of Elixir.

- Payment terms** : Subject to the terms and conditions of the SJM Service Arrangement, SJM shall pay:
- (i) by installments in consideration of the extent of services completed by Elixir in relation to the System Integration Services for digital surveillance camera system installed at each of the casinos and slot machine halls operated by SJM;

---

## LETTER FROM THE BOARD

---

- (ii) the full amount in respect of the contract price of parts to be supplied by Elixir to SJM in relation to the existing digital surveillance camera systems and digital surveillance camera system to be installed at the various casinos and slot machine halls operated by SJM upon entering into the SJM Service Arrangement;
- (iii) the full amount of the annual Maintenance Service fees to be provided by Elixir in relation to the existing digital surveillance camera systems installed at the casinos operated by SJM (parts excluded) upon entering into the SJM Service Arrangement;
- (iv) the full amount of the Maintenance Service fees upon the expiration of the three months' free warranty period of the System Integration Services for digital surveillance camera system installed by Elixir;
- (v) the full amount in respect of the contract price of parts to be supplied by Elixir to SJM and the service fee in respect of the System Integration Services for the access control system upon entering into the SJM Service Arrangement;
- (vi) an initial amount representing 50% of the relevant service charge in relation to the System Integration Services for the electronic gaming machines upon entering into the SJM Service Arrangement with the remaining 50% thereof to be paid upon the date of delivery; and
- (vii) the full amount in respect of the contract price of parts to be supplied by Elixir to SJM in relation to the System Integration Services for the electronic gaming machines upon entering into the SJM Service Arrangement.

**Other terms** : The performance of the SJM Service Arrangement is conditional on the fulfillment of the condition as set out in the paragraph headed "Condition precedent of the Connected Transactions" below.

### **Condition Precedent of the Connected Transactions**

Both the STDM Service Arrangement and the SJM Service Arrangement are 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 Arrangements having abstained from voting at the EGM. The STDM Service Arrangement and the SJM Service Arrangement are not interconditional.

---

## 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 the relevant parties to the Service Arrangements. In the event that the condition cannot be fulfilled on or before 31 March 2007 (or such other date as the parties may subsequently agree), STDM may, by notice to Elixir, terminate the STDM Service Arrangement and SJM may, by notice to Elixir, terminate the SJM Service Arrangement. Upon any such termination, Elixir shall return to STDM and/or SJM (as the case may be) any payment made under the relevant Service Arrangements (without interest) and subject to that none of the parties to the STDM Service Arrangement and/or SJM Service Arrangement will have any obligations and liabilities save to any antecedent breach of the terms thereof.

### INFORMATION OF THE GROUP

Currently, the Group's business is broadly divided into four divisions, namely, (i) gaming, entertainment and hospitality division; (ii) technology division; (iii) investment banking and financial service division; and (iv) property and other investments division.

#### Information on Elixir

Elixir, an indirect wholly-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. Its clients include companies and enterprises from a wide range of industries such as gaming, retail, entertainment, hospitality as well as banking and finance.

#### INFORMATION ON STDM

STDM is a company incorporated under the laws of Macau and engaged in a wide range of businesses including gaming and hospitality businesses in Macau. Dr. Stanley Ho is a director of STDM. Dr. Stanley Ho and his associates together constitute a controlling shareholder (within the meaning of the Listing Rules) of STDM and the company is an associate of Dr. Stanley Ho.

---

## LETTER FROM THE BOARD

---

### INFORMATION ON SJM

SJM, being a non wholly-owned subsidiary of STDM, is a company incorporated under the laws of Macau and is majority owned by STDM with Dr. Stanley Ho as its managing director. SJM is principally engaged in gaming and hospitality businesses in Macau and is one of six concessionaires/sub-concessionaires licensed to carry on casino gaming operations in Macau.

### REASONS AND BENEFITS FOR ENTERING INTO THE CONNECTED TRANSACTIONS

The provision of the Services to STDM and SJM are transactions of revenue nature in the ordinary and usual course of business of Elixir and generates income for the Group. Besides, by leveraging on the established track record of providing technology systems and services to STDM and 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 (save for the Independent Non-executive Directors who would reserve their views until receipt of the letter of advice from the independent financial adviser) is of the view that the terms of the Service Arrangements 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.

### IMPLICATIONS UNDER THE LISTING RULES

Dr. Stanley Ho, the former chairman and executive director of the Company, resigned from these posts with effect from 15 March 2006. Since Dr. Stanley Ho ceased to be a director of the Company within twelve months preceding the date of entering into of the Service Arrangements, he is regarded as a connected person of the Company for the purposes of connected transactions under the Listing Rules. STDM and SJM (a non wholly-owned subsidiary of STDM), being associates of Dr. Stanley Ho, are also connected persons of the Company for the purposes of the Listing Rules by virtue of the fact that Dr. Stanley Ho has an equity interest in, as well as being a director of, STDM and SJM.

Based on the above, STDM Service Arrangement together with the SJM Service Arrangement constitute non-exempt connected transactions of the Company under Rule 14A.16(5) of the Listing Rules (by virtue of the fact that the revenue ratio for STDM Service Arrangement together with the SJM Service Arrangement is more than 2.5% but less than 25% and the total amount payable by STDM and 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 approximately 1.77% shareholding interest in the Company, and his associates, as at the Latest Practicable Date includes Madam Lucina Laam King Ying, Mr. Lawrence Ho (son of Dr. Stanley Ho), Lasting Legend Ltd. (a company controlled by Mr. Lawrence Ho) and Better Joy Overseas Ltd. (a company owned as to 65% by Mr. Lawrence Ho, as to 23% by the Cotai Trust and as to 12% by Sharen Lo Trust, a discretionary family trust founded by Mr. Lawrence Ho) will abstain from voting on the relevant resolution(s) regarding the Service Arrangements and the transactions contemplated thereunder at the EGM.

---

## LETTER FROM THE BOARD

---

### EXTRAORDINARY GENERAL MEETING

A notice convening the EGM to be held at 11:30 a.m. on 8 February 2007 at 38th Floor, The Centrium, 60 Wyndham Street, Central, Hong Kong is set out on pages 34 to 35 of this circular at which ordinary resolutions will be proposed and, if thought fit, passed by the Independent Shareholders (by way of poll), to approve the Connected Transactions.

The Independent Board Committee comprising the three Independent Non-executive Directors namely, Sir Roger Lobo, Dr. Lo Ka Shui and Mr. Sham Sui Leung, Daniel, has been appointed to advise the Independent Shareholders as to whether or not the Connected Transactions are fair and reasonable and in the interests of the Independent 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 Connected Transactions.

A proxy form for use by the 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 14 of this circular which contains the recommendations of the Independent Board Committee to the Independent Shareholders concerning the Connected Transactions; and (ii) the letter from Hantec to the Independent Board Committee set out on pages 15 to 23 of this circular containing its advice to the Independent Board Committee in this regard.

The Independent Board Committee, having taking into account the advice from Hantec in relation to the Connected Transactions, considers that the Connected Transactions are fair and reasonable so far as the Independent Shareholders are concerned and that the Connected Transactions are in the interests of the Company and the Independent Shareholders as a whole. Accordingly, the Independent Board Committee recommends the Independent Shareholders to vote in favour of the relevant resolution(s) to be proposed at the EGM to approve the Connected Transactions.

---

## LETTER FROM THE BOARD

---

### GENERAL

As at the date of this circular, the Board comprises three Executive Directors, namely, Mr. Lawrence Ho, 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.

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

By Order of the Board of  
**Melco International Development Limited**  
**Ho, Lawrence Yau Lung**  
*Chairman & Chief Executive Officer*

---

**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)*

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

*(Stock Code: 200)*

38th Floor  
The Centrium  
60 Wyndham Street  
Central  
Hong Kong

18 January 2007

*To the Independent Shareholders*

Dear Sir or Madam,

**CONNECTED TRANSACTIONS  
INFORMATION TECHNOLOGY SERVICES FOR  
SOCIEDADE DE TURISMO E DIVERSÕES DE MACAU, S.A.  
AND  
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 Connected Transactions, details of which are set out in the “Letter from the Board” in the circular dated 18 January 2007, 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 15 to 23 of this circular, which contains its advice and recommendation to us as to whether or not the Connected Transactions 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 Connected Transactions are fair and reasonable so far as the Independent Shareholders are concerned and the Connected Transactions are 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 relevant resolutions to be proposed at the EGM to approve the Connected Transactions.

Yours faithfully,

For and on behalf of the Independent Board Committee

**Sir Roger Lobo Dr. Lo Ka Shui Mr. Sham Sui Leung, Daniel**

*Independent Non-executive Directors*



---

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

---

*The following is the full text of a letter of advice from Hantec to the Independent Board Committee and the Independent Shareholders in relation to the Connected Transactions, which 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

18 January 2007

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

Dear Sirs,

**CONNECTED TRANSACTIONS  
INFORMATION TECHNOLOGY SERVICES FOR  
SOCIEDADE DE TURISMO E DIVERSÕES DE MACAU, S.A.  
AND  
SOCIEDADE DE JOGOS DE MACAU, S.A.**

#### **INTRODUCTION**

We refer to our appointment as the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in respect of the terms of the Connected Transactions, details of which are set out in the letter from the Board (the “**Letter from the Board**”) contained in the circular (the “**Circular**”) of the Company dated 18 January 2007, of which this letter forms part. Capitalised terms used herein shall have the same meanings in the Circular unless the context otherwise requires.

Dr. Stanley Ho, the former chairman and executive director of the Company, resigned from these posts with effect from 15 March 2006. Since Dr. Stanley Ho ceased to be a director of the Company within twelve months preceding the date of entering into of the Service Arrangements, he is regarded as a connected person of the Company for the purposes of connected transactions under the Listing Rules. STDM and SJM (a non wholly-owned subsidiary of STDM), being associates of Dr. Stanley Ho, are also connected persons of the Company for the purposes of the Listing Rules by virtue of the fact that Dr. Stanley Ho has an equity interest in, as well as being a director of, STDM and SJM. As a result, each of the Service Arrangements constitutes a non-exempt connected transaction of the Company under Rule 14A.16(5) of the Listing Rules (by virtue of the fact that the revenue ratio for STDM Service Arrangement

---

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

---

together with the SJM Service Arrangement is more than 2.5% but less than 25% and the total amount payable by STDM and SJM for the Services exceeds HK\$10,000,000) and is 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 approximately 1.77% shareholding interest in the Company, and his associates, as at the Latest Practicable Date includes Madam Lucina Laam King Ying, Mr. Lawrence Ho (son of Dr. Stanley Ho), Lasting Legend Ltd. (a company controlled by Mr. Lawrence Ho) and Better Joy Overseas Ltd. (a company owned as to 65% by Mr. Lawrence Ho, as to 23% by the Cotai Trust and as to 12% by Sharen Lo Trust, a discretionary family trust founded by Mr. Lawrence Ho) will abstain from voting on the relevant resolution(s) regarding the Service Arrangements and the transactions contemplated thereunder at the EGM.

The Independent Board Committee, comprising the independent non-executive Directors, namely Sir Roger Lobo, Dr. Lo Ka Shui, and Mr. Sham Sui Leung, Daniel has been established to advise the Independent Shareholders regarding the fairness and reasonableness of the terms of the Connected Transactions.

### **BASIS OF OUR OPINION**

In arriving at our opinion, we have relied on the information supplied by the Company including but not limited to the agreements in relation to the Service Arrangements. We have assumed that the information provided and representations made to us by the Company are true, accurate and complete at the time they were made and continue to be so at the date of this letter. We consider that we have been provided sufficient information to reach an informed view, to justify our reliance on the accuracy of the information provided and representations made to us by the Company and to provide a reasonable basis for our opinion. We have no reason to suspect that any material facts have been omitted or withheld from the information provided nor to doubt the truth, accuracy and completeness of the information and representations provided to us by the Company. Having made all reasonable enquiries, the Directors have 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 consider that we have performed all necessary steps as required under Rule 13.80 of the Listing Rules, including the notes thereto, to enable us to reach an informed view and to justify our reliance on the information provided so as to provide a reasonable basis for our opinions. We have not, however, conducted an independent verification of the information provided by the Company nor have we carried out any independent investigation into the business and affairs of the Company or any of its respective subsidiaries or associates.

---

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

---

### PRINCIPAL FACTORS TAKEN INTO ACCOUNT

In arriving at our opinion in respect of the terms of the Connected Transactions, we have taken the following principal factors and reasons into consideration:

#### I. Background and reasons for the Connected Transactions

##### *Information of the Group*

Currently, the Group's business is broadly divided into four divisions, namely, (i) gaming, entertainment and hospitality division; (ii) technology division; (iii) investment banking and financial service division; and (iv) property and other investments division.

EGL and Elixir are wholly-owned subsidiaries of the Company. Since its inception in July 2002, the Elixir Group 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 the Elixir Group and SJM commenced in January 2003 and during the years 2003 to 2005, Elixir Group has altogether entered into six separate service arrangements with SJM (excluding the present one) (the "**SJM Previous Arrangements**") for the provision of information technology related services to SJM for the considerations of about US\$570,000 (equivalent to approximately HK\$4.4 million), US\$285,000 (equivalent to approximately HK\$2.2 million), US\$7,140,000 (equivalent to approximately HK\$55.6 million), US\$4,153,000 (equivalent to approximately HK\$32.3 million), HK\$50.9 million, and HK\$70.5 million respectively. The SJM Previous Arrangements are similar to the SJM Service Arrangement which include system integration services and maintenance services for the digital surveillance camera systems, system integration services for the access control systems and system integration service for the electronic gaming machines. The entering into the SJM Previous Arrangements as well as the SJM Service Arrangement forms part of the normal business activities of the Elixir Group and generates income for the Group.

##### *Information of STDM*

STDM is a company incorporated under the laws of Macau and engaged in a wide range of businesses including gaming and hospitality businesses in Macau. Dr. Stanley Ho is a director of STDM. Dr. Stanley Ho and his associates together constitute a controlling shareholder (within the meaning of the Listing Rules) of STDM and the company is an associate of Dr. Stanley Ho.

---

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

---

### *Information of SJM*

SJM, being a non wholly-owned subsidiary of STDM, is a company incorporated under the laws of Macau and is majority owned by STDM with Dr. Stanley Ho as its managing director. SJM is principally engaged in gaming and hospitality businesses in Macau and is one of six concessionaires/subconcessionaires licensed to carry on casino gaming operations in Macau.

### *Benefits of entering into the Service Arrangements*

Pursuant to the STDM Service Arrangement, Elixir will provide System Integration Services to STDM including the liaison with, and procurement of other hardware and software suppliers to develop, provide and install the extra low voltage systems for server room, warehouse and car park facilities including detection and alarm system, audio and visual system, digital surveillance camera system and data network infrastructure including conduit and cable trunk for the hotel and casino development projects of STDM in Macau.

Pursuant to the SJM Service Arrangement, Elixir will provide to SJM such Services comprising: (i) System Integration Services including the liaison with, and procurement of other hardware and software suppliers to develop, provide and install the monitoring security systems, such as the digital surveillance camera system and the access control 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; (ii) supply of parts to the existing systems installed at the various casinos and slot machine halls operated by SJM; (iii) annual Maintenance Services in relation to the existing digital surveillance camera system installed at the casinos operated by SJM (parts excluded); and (iv) Maintenance Services for a number of hardware systems and equipment provided in relation to the digital surveillance camera system installed by Elixir under the System Integration Services provided to SJM as mentioned in item (i) above. The Maintenance Services are for a term of one year commencing from the expiration of the three months' free warranty period provided by Elixir after completion of installation and the acceptance test on the relevant systems and equipment.

Given the business nature of each of Elixir, STDM and SJM, we are of the view that the Connected Transactions have been conducted in the usual and ordinary course of business of the Group. By entering into the Service Arrangements, the Group will furnish a source of revenue which is essential to the business operation and development of the Group, and will therefore enhance the revenue contribution to the Group. Moreover, by leveraging on the experience gained under the Service Arrangements together with established track record of providing technology services to SJM, we are of the view that the Group will be able to demonstrate its capability in providing similar system integration services as under the Service Arrangements and hence to promote its products and services to other potential customers in the gaming and entertainment industries in Macau. In light of above, we consider that the entering into the Service Arrangements is in the interests of the Group and the Independent Shareholders as a whole.

---

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

---

### II. Principal terms of the Service Arrangements

#### *STDM Service Arrangement*

The consideration payable by STDM under the STDM Service Arrangement was determined by arm's length negotiations between the parties thereto. Pursuant to the terms of the STDM Service Arrangement, the aggregate service charge for the System Integration Services is about HK\$9.1 million. Such aggregate service charge was determined with reference to the market costs of (i) the relevant hardware systems and equipment; and (ii) the estimated manpower to be incurred by Elixir based on past experience for installing the same and provision of the related technical services to other customers. Elixir will ascertain the relevant hardware systems and equipment and manpower required to provide the relevant System Integration Services to STDM upon receiving its orders and arrange to purchase the required hardware systems and equipment from the suppliers. The basis of consideration of the System Integration Services was determined according to the required hardware systems and equipment (with a mark up on the costs charged by the suppliers, the rate of such mark up is comparable with the rate that Elixir normally adopts in dealings with other independent customers).

Subject to the terms and conditions of the STDM Service Arrangement, STDM shall pay (i) the Services fee in installments in consideration of the extent of services completed by Elixir under the STDM Service Arrangement in respect of each of the hotel and casino development projects and (ii) the contract price for the parts procured by Elixir on behalf of STDM for the extra low voltage systems upon the signing of the agreement in relation to the STDM Service Arrangement.

To assess whether the terms of the STDM Service Arrangement are fair and reasonable, we have reviewed (i) the STDM Service Arrangement; (ii) the schedules of the STDM Service Arrangement (the "**STDM Schedule**"), which set out the description, payment terms, quantity, unit price, total price and total costs of relevant hardware systems and equipment and services under the STDM Service Arrangement; and (iii) three samples of transactions ("**STDM Independent Comparables**") under which Elixir provided similar services to its independent customers in 2005 and 2006. The average transaction amounts of the STDM Independent Comparables are approximately HK\$220,000, which are much lower than that of the STDM Service Arrangement. However, given (i) the hardware systems and equipment used and unit costs under the STDM Independent Comparables are similar to the STDM Service Arrangement; and (ii) the differences in the transaction amounts between the STDM Service Arrangement and the STDM Independent Comparables are attributable to the larger quantities of the hardware systems and equipment ordered under the STDM Service Arrangement as the size of the venues applied under the STDM Service Arrangement are greater than that under the STDM Independent Comparables, and hence we are of the opinion that the STDM Independent Comparables can be used to determine the fairness and reasonableness of the terms of the STDM Service Arrangement. Save for the STDM Independent Comparables, the Directors confirmed that there is no other transaction under which Elixir provided similar services to its independent customers in 2005 and 2006. We have conducted public research but failed to find any market information on similar services

---

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

---

as provided under the STDM Service Arrangement for comparison purpose. However, as we have reviewed all the available comparisons including the STDM Independent Comparables in 2005 and 2006 and compared such with the transactions of the STDM Service Arrangement, we are of the view that the unavailability of market information would not affect our opinion on the fairness and reasonableness of the terms of the STDM Service Arrangement.

We have compared the STDM Schedule with those of the STDM Independent Comparables and noted the prices are increased in proportion with the quantities of the hardware systems and equipment ordered and the unit prices are similar. As advised by the Directors, the total pricing of the STDM Service Arrangement as well as the STDM Independent Comparables is based on the costs payable to the suppliers incurred by Elixir for rendering such services with a mark up on the costs charged by the suppliers. We also understand from the Directors that the price of each individual project under the STDM Service Arrangement comprises the price of the hardware systems and equipment purchased and relevant installation and technical services. Hence the profit margin reflects the mark up on the hardware systems and equipment purchased from the suppliers and relevant installation and technical services provided. We have found the profit margin for the STDM Service Arrangement is comparable with those for the STDM Independent Comparables. Based on the aforesaid, we are of the view that the consideration for the STDM Service Arrangement is fair and reasonable so far as the Independent Shareholders are concerned.

In addition, in view of the payment schedules under the STDM Service Arrangement are similar to those under the STDM Independent Comparables, we consider that the payment schedules under the STDM Service Arrangement are fair and reasonable so far as the Independent Shareholders are concerned.

### *SJM Service Arrangement*

The consideration payable by SJM to the Group under the SJM Service Arrangement was determined by arm's length negotiations between the parties thereto. Pursuant to the terms of the SJM Service Arrangement, the aggregate service charge for the System Integration Services is about HK\$107.1 million (as to about HK\$54.2 million for digital surveillance camera system, as to about HK\$0.1 million for the access control system and as to about HK\$52.8 million for the electronic gaming machines). Such aggregate service charge is determined with reference to the market costs of (i) the relevant hardware systems and equipment; and (ii) the estimated manpower to be incurred by Elixir based on past experience for installing the same and provision of the related technical services to SJM. Elixir will ascertain the relevant hardware systems and equipment and manpower required to provide the relevant System Integration Services to SJM upon receiving its orders and arrange to purchase the required hardware systems and equipment from the suppliers. The basis of consideration of the System Integration Services was determined according to the required hardware systems and equipment (with a mark up on the costs charged by the suppliers, the rate of such mark up is comparable with the rate that Elixir normally adopts in dealings with other independent customers), installation charges and other service charges payable. As for the Maintenance Services for the digital surveillance camera system, both existing and system to be installed in the various casinos and slot machine halls operated by

---

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

---

SJM under the SJM Service Arrangement, the aggregate service charge is about HK\$6.0 million and was determined with reference to the estimated market costs of (i) the estimated number of parts that requires for maintaining the relevant hardware systems and equipment and/or (ii) the resources to be incurred by Elixir during the relevant agreed service period (which such estimation is based on past experience).

Pursuant to the SJM Service Arrangement, SJM shall pay (i) by installments in consideration of the extent of services completed by Elixir in relation to the System Integration Services for digital surveillance camera system installed at each of the casinos and slot machine halls operated by SJM; (ii) the full amount in respect of the contract price of parts to be supplied by Elixir to SJM in relation to the existing digital surveillance camera systems and digital surveillance camera system to be installed at the various casinos and slot machine halls operated by SJM upon entering into the SJM Service Arrangement; (iii) the full amount of the annual Maintenance Service fees to be provided by Elixir in relation to the existing digital surveillance camera systems installed at the casinos operated by SJM (parts excluded) upon entering into the SJM Service Arrangement; (iv) the full amount of the Maintenance Service fees upon the expiration of the three months' free warranty period of the System Integration Services for digital surveillance camera system installed by Elixir; (v) the full amount in respect of the contract price of parts to be supplied by Elixir to SJM and the service fee in respect of the System Integration Services for the access control system upon entering into the SJM Service Arrangement; (vi) an initial amount representing 50% of the relevant service charge in relation to the System Integration Services for the electronic gaming machines upon entering into the SJM Service Arrangement with the remaining 50% thereof to be paid upon the date of delivery; and (vii) the full amount in respect of the contract price of parts to be supplied by Elixir to SJM in relation to the System Integration Services for the electronic gaming machines upon entering into the SJM Service Arrangement.

To assess whether the terms of the SJM Service Arrangement are fair and reasonable, we have reviewed (i) the SJM Service Arrangement; (ii) the schedules of the SJM Service Arrangement (the "**SJM Schedule**"), which set out the description, payment terms, quantity, unit price, total price and total costs of relevant hardware systems and equipment and services under the SJM Service Arrangement; (iii) five samples of transactions ("**SJM Independent Comparables**") under which Elixir provided similar services to the independent customers in 2005 and 2006; and (iv) the SJM Previous Arrangements. The transaction amounts of the SJM Independent Comparables are ranged from approximately HK\$9,000 to HK\$35.5 million with an average of approximately HK\$7.5 million while the transaction amounts of the SJM Previous Arrangements are ranged from approximately HK\$2.2 million to HK\$70.5 million with an average of approximately HK\$36.0 million. Although the transaction amounts of the SJM Service Arrangement are significantly higher than that of the SJM Independent Comparables and the SJM Previous Arrangements, considering (i) the hardware systems and equipment used, services provided and unit costs under the SJM Service Arrangement are similar to those under the SJM Independent Comparables and the SJM Previous Arrangements; and (ii) the differences in the transaction amounts between the SJM Service Arrangement and the SJM Independent Comparables and the SJM Previous Arrangements are attributable to the larger quantities of the hardware systems and equipment

---

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

---

ordered under the SJM Service Arrangement as the size of the venues applied under the SJM Service Arrangement are greater than that under the SJM Independent Comparables and the SJM Previous Arrangements, we are of the opinion that it is fair and reasonable to use the SJM Independent Comparables and the SJM Previous Arrangements to determine the fairness and reasonableness of the terms of the SJM Service Arrangement. Save for the SJM Independent Comparables and the SJM Previous Arrangements, the Directors confirmed that there is no other transaction under which Elixir provided similar services to its independent customers in 2005 and 2006. We have conducted public research but failed to find any market information on similar services as provided under the SJM Service Arrangement for comparison purpose. However, as we have reviewed all the available comparisons including the SJM Independent Comparables and the SJM Previous Arrangement in 2005 and 2006 and compared such with the transactions of the SJM Service Arrangement, we are of the view that the unavailability of market information would not affect our opinion on the fairness and reasonableness of the terms of the SJM Service Arrangement.

We have compared the SJM Schedule with those of the SJM Independent Comparables and the SJM Previous Arrangements and noted the prices are increased in proportion with the quantities of the hardware systems and equipment ordered and the unit prices are similar. As advised by the Directors, the total pricing of the SJM Service Arrangement as well as the SJM Independent Comparables and the SJM Previous Arrangements is based on the costs payable to the suppliers incurred by Elixir for rendering such services with a mark up on the costs charged by the suppliers and other administrative and handling costs incurred. We also understand from the Directors that the price of each individual project under the SJM Service Arrangement comprises the price of (i) the hardware systems and equipment purchased, (ii) the relevant installation and technical services and (iii) Maintenance Services. Hence the profit margin reflects the mark up on hardware systems and equipment purchased from the suppliers, the relevant installation and technical services and Maintenance Services provided. We have found the profit margins for the SJM Service Arrangement are comparable with those for the SJM Independent Comparables and the SJM Previous Arrangements. Based on the aforesaid, we are of the view that the considerations for the SJM Service Arrangement are fair and reasonable so far as the Independent Shareholders are concerned.

In addition, we have noted the payment schedules under the SJM Service Arrangement are similar to those services under the SJM Independent Comparables and the SJM Previous Arrangements, and therefore we consider that the payment schedules under the SJM Service Arrangement are fair and reasonable so far as the Independent Shareholders are concerned.

On the basis that (i) the Services provided by Elixir to STDM and SJM are conducted in the ordinary and usual course of business of the Group; (ii) the prices offered by Elixir to STDM and SJM are no more favourable than those offered to independent customers of Elixir; and (iii) the payment schedules are in line with the overall payment schedules of Elixir to its independent customers, we are of the view that the terms of the Services Arrangements are fair and reasonable so far as the Independent Shareholders are concerned.



---

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

---

### RECOMMENDATION

Taking into consideration of the above principal factors and reasons, in particular, (i) the Services provided by Elixir to STDN and SJM are conducted in the ordinary and usual course of business of the Group; (ii) the prices offered by Elixir to STDN and SJM are no more favourable than those offered to independent customers of Elixir; and (iii) the payment schedules are in line with the overall payment schedules of Elixir to its independent customers, we are of the view that terms of the Connected Transactions are on normal commercial terms and in the ordinary and usual course of business of the Group, 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 resolutions to be proposed at the EGM to approve the Connected Transactions.

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. PARTICULARS OF DIRECTORS**

<b>Name</b>	<b>Address</b>
<i>Executive Directors</i>	
Mr. Ho, Lawrence Yau Lung	35 Black's Link Hong Kong
Mr. Tsui Che Yin, Frank	13A, Block 4 Braemar Hill Mansions 21 Braemar Hill Road Hong Kong
Mr. Chung Yuk Man, Clarence	Flat B, 31/F., Block 4 The Grand Panorama 10 Robinson Road Mid-level, Hong Kong
<i>Non-executive Director</i>	
Mr. Ng Ching Wo	13B, Elegant Garden 11 Conduit Road Mid-levels Hong Kong
<i>Independent non-executive Directors</i>	
Sir Roger Lobo, C.B.E., LL.D., J.P.	Woodland Heights E1, 2 Wongneichung Gap Road Happy Valley Hong Kong
Dr. Lo Ka Shui, G.B.S., J.P.	Unit 2A, Serenity Place 22 Mount Cameron Road The Peak Hong Kong
Mr. Sham Sui Leung, Daniel	B3, 16/F., Grandview Tower 126-130 Kennedy Road Hong Kong

### 3. DISCLOSURE OF DIRECTORS' 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 Shares interested	Number of underlying Shares interested	Approximate percentage in total issued Share Capital of the Company (Note 1)
Mr. Ho, Lawrence Yau Lung	Corporate	404,041,630 (Note 2)	117,912,694 (Note 3)	42.50%
	Personal	7,232,612	–	0.59%
Dr. Lo Ka Shui	Personal	2,000,000	–	0.16%
Mr. Chung Yuk Man, Clarence	Personal	707,000	–	0.06%

*Notes:*

- As at the Latest Practicable Date, the total number of issued shares of the Company were 1,228,150,716 Shares.
- Mr. Lawrence Ho is taken to be interested in 115,509,024 Shares as a result of him being beneficially interested in the entire issued share capital of Lasting Legend Ltd. which in turn holds approximately 9.41% of the issued share capital of the Company. Mr. Lawrence Ho is also taken to be interested in 288,532,606 Shares as a result of him being beneficially interested in 65% of the issued share capital of Better Joy Overseas Ltd. which in turn holds approximately 23.49% of the issued share capital of the Company.
- Pursuant to an agreement dated 11 May 2005 entered into between Great Respect Limited, Melco PBL Entertainment (Greater China) Limited and the Company, convertible loan notes of the Company in the total principal amount of HK\$1,175,000,000 were issued to Great Respect Limited on 5 September 2005 on the terms set out in the agreement. Upon exercise in full of such convertible loan notes, a total of 117,912,694 shares, representing 8.76% of the enlarged issued share capital of the Company, will be issued by the Company. Great Respect Limited is a company controlled by a discretionary family trust, the beneficiaries include Dr. Stanley Ho, Mr. Lawrence Ho and Madam Lucina Laam King Ying. SG Trust (Asia) Ltd. is the trustee of the aforesaid discretionary family trust. The shareholders have approved the issue of the convertible loan notes without the necessity for the making of an offer under Rule 26 of The Hong Kong Code on Takeovers and Mergers (the "Takeovers Code") on conversion of the convertible loan notes. Hence, no offer under Rule 26 of the Takeovers Code would arise on full conversion.

**(ii) Share Options**

Name of Director	Date of Grant	Expiry Date	Exercise Price (HK\$)	No. of Underlying Shares comprised under the Options outstanding	Approximate percentage in total issued Share Capital of the Company
Mr. Chung Yuk Man, Clarence	17 September 2004	7 March 2012	1.6875	140,000	0.01%
	1 February 2005	7 March 2012	7.4000	200,000	0.02%
	13 February 2006	31 January 2016	11.8000	400,000	0.03%
Dr. Lo Ka Shui	3 April 2006	2 April 2016	15.8700	300,000	0.02%
Sir Roger Lobo	3 April 2006	2 April 2016	15.8700	300,000	0.02%
Mr. Ng Ching Wo	3 April 2006	2 April 2016	15.8700	300,000	0.02%

**(iii) Interests in shares of Value Convergence Holdings Limited (“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 (Note 1)
Mr. Ho, Lawrence Yau Lung	Corporate	165,163,008 (Note 2)	65.09%

*Notes:*

- As at the Latest Practicable Date, the total number of issued shares of Value Convergence were 253,740,179.
- Mr. Lawrence Ho is taken to be interested in (i) 160,930,381 shares of Value Convergence as a result of him being beneficially interested in approximately 33.49% of the issued share capital of the Company which in turn holds approximately 63.42% of the issued capital of Value Convergence; and (ii) 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 1.67% of the issued share capital of Value Convergence.

**(iv) Interests in equity derivatives of Value Convergence**

<b>Name of Director</b>	<b>Nature of interest</b>	<b>Number of underlying shares of Value Convergence interested</b>	<b>Approximate percentage of the total number of issued shares of Value Convergence</b>
Mr. Ho, Lawrence Yau Lung	Personal	491,057 <i>(Note)</i>	0.19%

*Note:*

The personal interest of Mr. Lawrence Ho represents his derivative interest in Value Convergence comprising the share 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 share of Value Convergence.

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 2005, 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 a 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).

## 4. 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 Shares interested	Number of underlying Shares interested	Approximate percentage in total issued Share Capital of the Company (Note 1)
Better Joy Overseas Ltd.	Beneficial Owner	288,532,606 (Note 2)	–	23.49%
Lasting Legend Ltd.	Beneficial Owner	115,509,024 (Note 2)	–	9.41%
Great Respect Limited	Beneficial Owner	–	117,912,694 (Note 3)	9.60%
Dr. Ho Hung Sun, Stanley	Corporate	3,127,107 (Note 4)	117,912,694 (Note 3)	9.86%
	Personal	18,587,789	–	1.51%
Mr. Ho, Lawrence Yau Lung	Corporate	404,041,630 (Note 5)	117,912,694 (Note 3)	42.50%
	Personal	7,232,612	–	0.59%
Ms. Sharen Lo	Family	411,274,242 (Note 6)	117,912,694 (Note 3)	43.09%
SG Trust (Asia) Ltd	Corporate	–	117,912,694 (Note 3)	9.60%
STDM	Beneficial Owner	222	63,658,536 (Note 7)	5.18%

Name	Nature of interest	Number of Shares interested	Number of underlying Shares interested	Approximate percentage in total issued Share Capital of the Company (Note 1)
Janus Capital Management LLC	Corporate	110,144,000	–	8.97%
State Street Corporation	Corporate	146,312,536 (Note 8)	–	11.91%
Julius Baer Investment Management LLC	Corporate	86,002,192	–	7.00%
JP Morgan Chase & Co.	Corporate	74,994,400 (Note 9)	–	6.11%

*Notes:*

- As at the Latest Practicable Date, the total number of issued shares of the Company were 1,228,150,716 Shares.
- The Shares held by Better Joy Overseas Ltd. and Lasting Legend Ltd. also represent the corporate interest of Mr. Lawrence Ho in the Company.
- Pursuant to an agreement dated 11 May 2005 entered into between Great Respect Limited, Melco PBL Entertainment (Greater China) Limited and the Company, convertible loan notes of the Company in the total principal amount of HK\$1,175,000,000 were issued to Great Respect Limited on 5 September 2005 on the terms set out in the agreement. Upon exercise in full of such convertible loan notes, a total of 117,912,694 shares, representing 8.76% of the enlarged issued share capital of the Company, will be issued by the Company. Great Respect Limited is a company controlled by a discretionary family trust, the beneficiaries of which are Dr. Stanley Ho, Mr. Lawrence Ho and Madam Lucina Laam King Ying. SG Trust (Asia) Ltd. is the trustee of the aforesaid discretionary family trust. The shareholders have approved the issue of the convertible loan notes without the necessity for the making of an offer under Rule 26 of the Takeovers Code on conversion of the convertible loan notes. Hence, no offer under Rule 26 of the Takeovers Code would arise on full conversion.
- Dr. Stanley Ho is taken to be interested in 3,127,107 Shares as a result of him being beneficially interested in the entire issued share capital of Lanceford Company Limited.
- Mr. Lawrence Ho is taken to be interested in 115,509,024 Shares as a result of him being beneficially interested in the entire issued share capital of Lasting Legend Ltd. which in turn holds approximately 9.41% of the issued share capital of the Company. Mr. Lawrence Ho is also taken to be interested in 288,532,606 Shares as a result of him being beneficially interested in 65% of the issued share capital of Better Joy Overseas Ltd. which in turn holds approximately 23.49% of the issued share capital of the Company.
- Ms. Sharen Lo is the spouse of Mr. Lawrence Ho and is deemed to be interested in shares of the Company in which Mr. Lawrence Ho is interested under the SFO.

7. Two convertible notes respectively for the principal amounts of HK\$100 million and HK\$56 million carrying the respective rights to subscribe for shares at an initial conversion price of HK\$4.00 and HK\$8.2 respectively were issued by the Company to STDM on 9 November 2004 and 8 February 2005 respectively. As at the Latest Practicable Date, the total outstanding principal amount of the said convertible notes is HK\$156 million. Due to the share subdivision on 19 May 2005, the said conversion prices of HK\$4.00 and HK\$8.2 have been adjusted to HK\$2.00 and HK\$4.1 respectively. If STDM exercises the conversion rights attached to the said convertible notes in full, a total of 63,658,536 Shares will be issued to STDM. STDM's said conversion rights are subject to the Company's early redemption rights and can only be exercised if the Company does not exercise its right to redeem the convertible loan notes before the conversion rights are exercised.
8. The interest is held to its lending pool.
9. Among the 74,994,400 Shares, 13,696,700 Shares are held to its lending pool.

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.

## 5. 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 2005, being the date to which the latest published audited financial statements of the Group were made up.

## 6. QUALIFICATION AND CONSENT OF EXPERT

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

<b>Name</b>	<b>Qualification</b>
Hantec	A licensed corporation to carry out type 1 (dealing in securities) and type 6 (advising on corporate finance) 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 2005 (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 their respective documents including the letter of the Independent Financial Adviser set out in the section headed “Letter from the Independent Financial Adviser” in this circular and the references to its name included herein in the form and context in which they respectively appear.

## **7. 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.

Unless a poll be so demanded and not withdrawn, a declaration by the chairman that a resolution has on a show of hands been carried, or carried unanimously, or by a particular majority, or lost, and an entry to that effect in the book containing the minutes of the proceedings of the Company shall be conclusive evidence of the fact without proof of the number or proportion of the votes recorded in favour or against such resolution.

## **8. COMPETING INTERESTS**

Dr. Stanley Ho, the former chairman and executive director of the Company (who resigned from these positions on 15 March 2006), has an equity interest in, as well as being a director of, STD and SJM. As part of the businesses of STD and SJM include gaming and hospitality businesses in Macau, there is a possibility that such part of the businesses of STD and SJM may compete with the gaming business and hospitality business of the Group. Save as disclosed, as at the date of this circular, none of the Directors and their respective associates had any business or interest in a business which competes or may compete with the business of the Group.

**9. SERVICE CONTRACTS AND INTEREST IN ASSETS AND CONTRACTS AND COMPETING BUSINESS**

Each of Mr. Lawrence Ho, Mr. Tsui Che Yin, Frank and Mr. Chung Yuk Man, Clarence has a service contract with Melco Services Limited, a wholly owned subsidiary of the Company, which may be terminated by either party to the relevant contract by not less than 3 months written notice to the other party.

Save as disclosed above, no Director has a service contract with the Company and/or any of its subsidiaries, other than contracts expiring or determinable by the employer within one year without payment of compensation (other than statutory compensation).

As at the Latest Practicable Date, to the best of the knowledge of the Directors, none of the Directors or proposed directors of the Company or any expert as named in this Circular had any interest, direct or indirect, in any assets which have been, since the date to which the latest published audited accounts of the Company 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.

As at the Latest Practicable Date and except as disclosed in paragraph 8 – Competing Interests above, so far as the Directors were aware, none of the Directors and their respective associates were considered to have interests in any business which competes or may compete, either directly or indirectly, with the businesses of the Group or have or may have any other conflict of interests with the Group pursuant to the Listing Rules.

**10. LITIGATION**

As at the Latest Practicable Date, neither the Company nor any of its subsidiaries is engaged in any litigation or claims of material importance and no litigation or claim of material importance is known to the Directors to be pending or threatened by or against any member of the Group.

**11. MISCELLANEOUS**

- (i) The registered office of the Company is at 38th Floor, The Centrium, 60 Wyndham Street, Central, Hong Kong.
- (ii) The secretary of the Company is Mr. Tsang Yuen Wai, Samuel, a solicitor admitted in Hong Kong, England and Wales and Australia.
- (iii) The qualified accountant of the Company is Mr. Chung Yuk Man, Clarence, a Fellow of the Hong Kong Institute of Certified Public Accountants and a fellow member of the Association of Chartered Certified Accountants; a member of the Society of Management Accountants of Canada.
- (iv) In the event of inconsistency, the English text of this circular shall prevail over the Chinese text.

**12. 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 8 February 2007:

- (i) the memorandum and articles of association of the Company;
- (ii) the service contracts entered into between Melco Services Limited and each of Mr. Lawrence Ho, Mr. Tsui Che Yin, Frank, Mr. Chung Yuk Man, Clarence referred in this appendix;
- (iii) the letter dated 18 January 2007 from the Independent Board Committee, the text of which is set out on page 14 of this circular;
- (iv) the letter of advice dated 18 January 2007 from Hantec to the Independent Board Committee and the Independent Shareholders, the text of which is set out on pages 15 to 23 of this circular;
- (v) the written consent of Hantec as referred to in the paragraph headed “Qualification and consent of Expert” in this appendix;
- (vi) the agreement constituting the STDM Service Arrangement, entered into between Elixir and STDM, dated 28 December 2006, regarding the respective provision of System Integration Services for the extra low voltage systems; and
- (vii) the three separate agreements constituting the SJM Service Arrangement, entered into between Elixir and SJM, all dated 28 December 2006, regarding the respective provision of: (i) System Integration Services for the digital surveillance camera system; (ii) System Integration Services for the access control system; and (iii) System Integration Services for the electronic gaming machines, by Elixir to SJM.

---

## 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)*

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

*(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 8 February 2007 at 11:30 a.m. for the purpose of considering and, if thought fit, passing (with or without amendments) the following as ordinary resolutions of the Company:

### **ORDINARY RESOLUTIONS**

1. “**THAT** the STDM Service Arrangement (as defined and more particularly described in the circular dated 18 January 2007 dispatched to the shareholders of the Company) and all transactions contemplated thereunder between the Company’s subsidiary, Elixir Group (Macau) Limited and Sociedade de Turismo e Diversões de Macau, S.A. be and are hereby approved, ratified and confirmed.”
2. “**THAT** the SJM Service Arrangement (as defined and more particularly described in the circular dated 18 January 2007 dispatched to the shareholders of the Company) and all transactions contemplated thereunder between the Company’s subsidiary, Elixir Group (Macau) Limited and Sociedade de Jogos de Macau be and are hereby approved, ratified and confirmed.”

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

Hong Kong, 18 January 2007

*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.