
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 proxy form, 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.

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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)

**DISCLOSEABLE AND CONNECTED TRANSACTION
SWAPPING OF SHARES IN A SUBSIDIARY WITH
A LISTED COMPANY IN SINGAPORE**

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



First Shanghai Capital Limited

A letter from the Independent Board Committee containing its advice and recommendation to the Shareholders is set out on page 16 of this circular. A letter from First Shanghai Capital Limited, the Independent Financial Adviser to the Independent Board Committee and the Shareholders, is set out on pages 17 to 24 of this circular.

A notice convening an extraordinary general meeting (“EGM”) of the Company to be held at 4:00 p.m. on Thursday, 10 May 2007 (or as soon thereafter as the annual general meeting of the Company convened to be held at 3:00 p.m. on the same day has been concluded or adjourned) at 38th Floor, The Centrium, 60 Wyndham Street, Central, Hong Kong, is set out on pages 35 to 36 of this circular. A proxy form is also enclosed. Whether or not you intend to attend and vote at the EGM or any adjourned meeting in person, please complete and return the enclosed proxy form in accordance with the instructions printed thereon to the Company’s registered office 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 the proxy form will not preclude you from attending and voting in person at the EGM or any adjourned meeting should you so wish.

17 April 2007

CONTENTS

	<i>Page</i>
Definitions	1
Letter from the Board	4
Introduction	4
Background	5
Main Terms of the Sale and Purchase Agreement	5
Gain on Disposal	9
Reasons for the transactions	10
Information on the Company	10
Information on PAL and the PAL Subsidiaries	10
Information on LottVision	12
Implications under the Listing Rules	14
Extraordinary general meeting	14
Recommendation	15
General	15
Letter from the Independent Board Committee	16
Letter from the Independent Financial Adviser	17
Appendix – General information	25
Notice of EGM	35

DEFINITIONS

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

“associate(s)”	has the same meaning as ascribed to it in the Listing Rules
“BA”	Bright Ally Investments Limited, a company incorporated under the laws of the British Virgin Islands and is an indirect wholly-owned subsidiary of the Company
“Board”	the board of Directors
“BTI”	Beijing Telenet Information Technology Limited, a company incorporated under the laws of PRC and an indirect non-wholly owned subsidiary of PAL as at the date hereof
“Call Option”	a call option granted to BA by LottVision under an option deed dated 18 August 2006, whereby BA has the right to subscribe for up to approximately 20% of the issued share capital of LottVision as at the date of the option deed at a subscription price of S\$0.1034 (equivalent to approximately HK\$0.526) per share of LottVision
“Company”	Melco International Development Limited
“connected person”	has the same meaning as ascribed to it in the Listing Rules
“Consideration”	the aggregate consideration for the sale and purchase of the Sale Shares to be satisfied by the allotment and issue of the Consideration Shares by LottVision to BA
“Consideration Shares”	approximately 175,795,912 new shares of HK\$0.07 each of LottVision to be allotted and issued to BA under the Sale and Purchase Agreement in consideration for the purchase of the Sale Shares
“Directors”	directors of the Company
“Disposal”	the disposal of the Sale Shares by BA pursuant to the terms of the Sale and Purchase Agreement
“EGM”	an extraordinary general meeting of the Company to be convened on Thursday, 10 May 2007 for the purpose of considering and approving the Sale and Purchase Agreement and all transactions contemplated thereunder
“Group”	the Company and its subsidiaries

DEFINITIONS

“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 Shareholders in respect of the Sale and Purchase Agreement
“Independent Financial Adviser” or “First Shanghai”	First Shanghai Capital Limited, the independent financial adviser appointed to advise the Independent Board Committee and the Shareholders in respect of the Sale and Purchase Agreement
“Independent Third Party(ies)”	independent third party(ies) not connected with the Company and its subsidiaries, the controlling shareholders, 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”	13 April 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 of Hong Kong Limited
“LottVision”	LottVision Limited, a company incorporated in Bermuda and having its shares listed on the Main Board of the Singapore Stock Exchange
“Mr. Lawrence Ho”	Mr. Ho, Lawrence Yau Lung, the chairman and chief executive officer of the Company
“PAL”	PAL Development Limited, a company incorporated in Hong Kong
“PAL Subsidiaries”	the subsidiaries of PAL, information of which is contained in the section headed “Information on PAL and the PAL Subsidiaries” in the letter from the Board in this circular
“PRC”	the People’s Republic of China
“RMB”	Reminbi, the lawful currency of PRC
“Sale and Purchase Agreement”	the conditional sale and purchase agreement entered into between BA and LottVision dated 27 March 2007 relating to the sale and purchase of the Sale Shares

DEFINITIONS

“Sale Shares”	73,675,000 shares of HK\$1.00 each of PAL, representing approximately 29.47% of the issued share capital of PAL
“SFO”	Securities and Futures Ordinance (Chapter 571, the Laws of Hong Kong)
“Share(s)”	ordinary share(s) of HK\$0.50 each in the share capital of the Company
“Shareholders”	shareholders of the Company
“Singapore Stock Exchange”	Singapore Exchange Securities Trading Limited
“S\$”	Singapore dollars, the lawful currency of Singapore
“US\$”	United States dollars, the lawful currency of the United States of America
“%” or “per cent.”	percentage

For the purpose of this circular, amounts in RMB, S\$ and US\$ are respectively translated into HK\$ at the following exchange rates:

RMB1.00	:	HK\$1.00
S\$1.00	:	HK\$5.09
US\$1.00	:	HK\$7.78

LETTER FROM THE BOARD



Melco International Development Limited

新 濠 國 際 發 展 有 限 公 司

(Incorporated in Hong Kong with limited liability)

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

(Chief Operating Officer)

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

17 April 2007

To the Shareholders

Dear Sir or Madam,

**DISCLOSEABLE AND CONNECTED TRANSACTION
SWAPPING OF SHARES IN A SUBSIDIARY WITH
A LISTED COMPANY IN SINGAPORE**

INTRODUCTION

By the announcement dated 27 March 2007, BA, an indirect wholly-owned subsidiary of the Company, entered into the Sale and Purchase Agreement with LottVision, a company listed on the Main Board of the Singapore Stock Exchange, for the sale of the Sale Shares, representing approximately 29.47% of the issued share capital of PAL, to LottVision. The consideration for the sale and purchase of the Sale Shares is approximately S\$19,970,416 (equivalent to approximately HK\$101,649,000), to be satisfied by the allotment and issue of the Consideration Shares by LottVision to BA. The Consideration Shares will comprise approximately 28.5% of the issued share capital of LottVision, as enlarged by the allotment and issue of the Consideration Shares.

LETTER FROM THE BOARD

The purpose of this circular is to set out (i) further details of the Sale and Purchase Agreement and the transactions contemplated thereunder; (ii) the recommendation from the Independent Board Committee to the Shareholders in respect of the Sale and Purchase Agreement; (iii) a letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Shareholders in respect of the Sale and Purchase Agreement and (iv) a notice convening the EGM at which the relevant resolution will be proposed to the Shareholders to consider and if thought fit, approve (by way of poll) the Sale and Purchase Agreement and the transactions contemplated thereunder.

BACKGROUND

PAL was established between BA and LottVision in September 2006 to conduct the businesses of developing and providing technology systems and services for use in connection with sports lottery operations in the PRC and in a number of other lottery business initiatives in other Asian jurisdictions. PAL is owned as to 60% by BA and as to 40% by LottVision. PAL has acquired or established a number of subsidiaries and further information in relation to the businesses of PAL and the PAL Subsidiaries is set out below in the section headed "Information on PAL and the PAL Subsidiaries". On completion of the Sale and Purchase Agreement, PAL will be owned as to approximately 30.53% by BA and as to approximately 69.47% by LottVision and will cease to be a subsidiary of the Company under Companies Ordinance (Chapter 32, the Laws of Hong Kong).

On the same date that the agreement to establish PAL was entered into, for the purpose of tightening the co-operative relationship of the two companies, the Call Option was granted to BA by LottVision in consideration of the payment of HK\$100 by BA to LottVision. The Call Option is conditional on approval by shareholders of LottVision. If approved by LottVision's shareholders, the Call Option will grant BA the right to subscribe, at any time within a period of one year from 8 September 2006, for up to approximately 20% of the issued share capital of LottVision as at the date of the option deed at an exercise price of S\$0.1034 (equivalent to approximately HK\$0.526) per LottVision's share, representing a discount of 6% to the closing price of an ordinary share of LottVision of S\$0.11 (equivalent to approximately HK\$0.56) on the business day immediately preceding the date of the option deed. In addition to the Consideration Shares, upon exercise of the Call Option, BA may subscribe up to a maximum of 88,000,000 LottVision shares, representing approximately 12.49% of the enlarged issued share capital of LottVision following the issue of the Consideration Shares and the exercise of the Call Option in full. Assuming the exercise in full of the Call Option, the aggregate of the Consideration Shares and the LottVision shares to be issued on the exercise in full of the Call Option would represent approximately 37.43% of the enlarged issued share capital of LottVision.

MAIN TERMS OF THE SALE AND PURCHASE AGREEMENT

Date:	27 March 2007
Sale and Purchase of the Sale Shares:	BA has agreed to sell, and LottVision has agreed to purchase, the Sale Shares.
Consideration:	Approximately S\$19,970,416 (equivalent to approximately HK\$101,649,000) to be satisfied by the allotment and issue of the Consideration Shares by LottVision, credited as fully paid. The initial acquisition cost of the Sale Shares to BA was HK\$73,675,000.

LETTER FROM THE BOARD

Accordingly, the Consideration Shares will be issued by LottVision at a price of S\$0.1136 (equivalent to approximately HK\$0.578) per LottVision's share, which represents the average price of a share of LottVision for the preceding 30 days before the signing of a non-binding term sheet on 6 February 2007.

The Consideration Shares, when issued, will rank *pari passu* in all respects with the existing issued share capital of LottVision in issue on the date of allotment and issue of the Consideration Shares, including the right to all dividends, distributions and other payments made or to be made, the record date for which falls on or after the date of allotment and issue of the Consideration Shares. There are no restrictions on the subsequent sale of the Consideration Shares by BA.

The Consideration Shares, when issued, will comprise approximately 28.5% of the issued share capital of LottVision, as enlarged by the allotment and issue of the Consideration Shares.

**Basis of the
Consideration:**

The consideration of S\$19,970,416 (equivalent to approximately HK\$101,649,000) was determined after arm's length negotiations between the parties with reference to the unaudited net asset value of PAL and the PAL Subsidiaries as at 31 January 2007 of approximately HK\$244.6 million and represents a premium of approximately 41.01% to HK\$72,085,000, being 29.47% of the aggregate unaudited net asset value of PAL and the PAL Subsidiaries of approximately HK\$244.6 million as of 31 January 2007. The Directors consider that the Sale and Purchase Agreement is on normal commercial terms and that the terms of the Sale and Purchase Agreement are fair and reasonable so far as the Shareholders are concerned.

Conditions:

Completion of the Sale and Purchase Agreement is conditional upon satisfaction of the following conditions precedent:

- (a) approval, by way of poll, of the Sale and Purchase Agreement and the transactions contemplated thereby by the Shareholders, as required by the Listing Rules;
- (b) the warranties provided by BA as set out in the Sale and Purchase Agreement remaining true, accurate and complete in all material respects;
- (c) the shareholders of LottVision passing at its special general meeting the necessary resolutions to approve, ratify and confirm the establishment of PAL and the transactions related thereto, including the grant of the Call Option;
- (d) the shareholders of LottVision passing at its special general meeting the necessary resolutions to approve the Sale and Purchase Agreement and the transactions contemplated thereby;

LETTER FROM THE BOARD

- (e) the warranties provided by LottVision as set out in the Sale and Purchase Agreement remaining true, accurate and complete in all material respects;
- (f) the approval in principle granted by the Singapore Stock Exchange for the allotment and issue of the Consideration Shares in accordance with the terms of the Sale and Purchase Agreement; and
- (g) the approval in principle granted by the Singapore Stock Exchange for the listing of and quotation for the Consideration Shares on the Main Board of the Singapore Stock Exchange and the lodgment of an Offer Information Statement with the Monetary Authority of Singapore.

LottVision has the right to waive (in whole or in part) condition (b) above. BA has the right to waive (in whole or in part) condition (e) above. If the conditions precedent referred to above are not fulfilled or (to the extent permitted) waived by LottVision or BA (as the case may be) on or before 4:00 pm on 31 May 2007, or such later date as LottVision and BA may agree, the Sale and Purchase Agreement shall, save as otherwise provided therein, cease and determine and neither party to the Sale and Purchase Agreement shall have any obligations or liabilities towards the other under the Sale and Purchase Agreement, save for any antecedent breaches of the terms of the Sale and Purchase Agreement.

As at the Latest Practicable Date, conditions (a), (c), (d), (f) and (g) as set out above are yet to be fulfilled, and neither LottVision nor BA (as the case may be) has exercised its respective right to waive (in whole or in part) conditions (b) and (e) above.

If condition (c) above is not satisfied on or before 4:00 p.m. on 31 May 2007, or such later date as LottVision and BA may agree, the parties will discuss in good faith, and use their reasonable endeavors to agree, the terms on which LottVision can withdraw from the PAL joint venture on a fair and equitable basis as between the parties. In this eventuality, further announcement(s) would be made by the Company as appropriate.

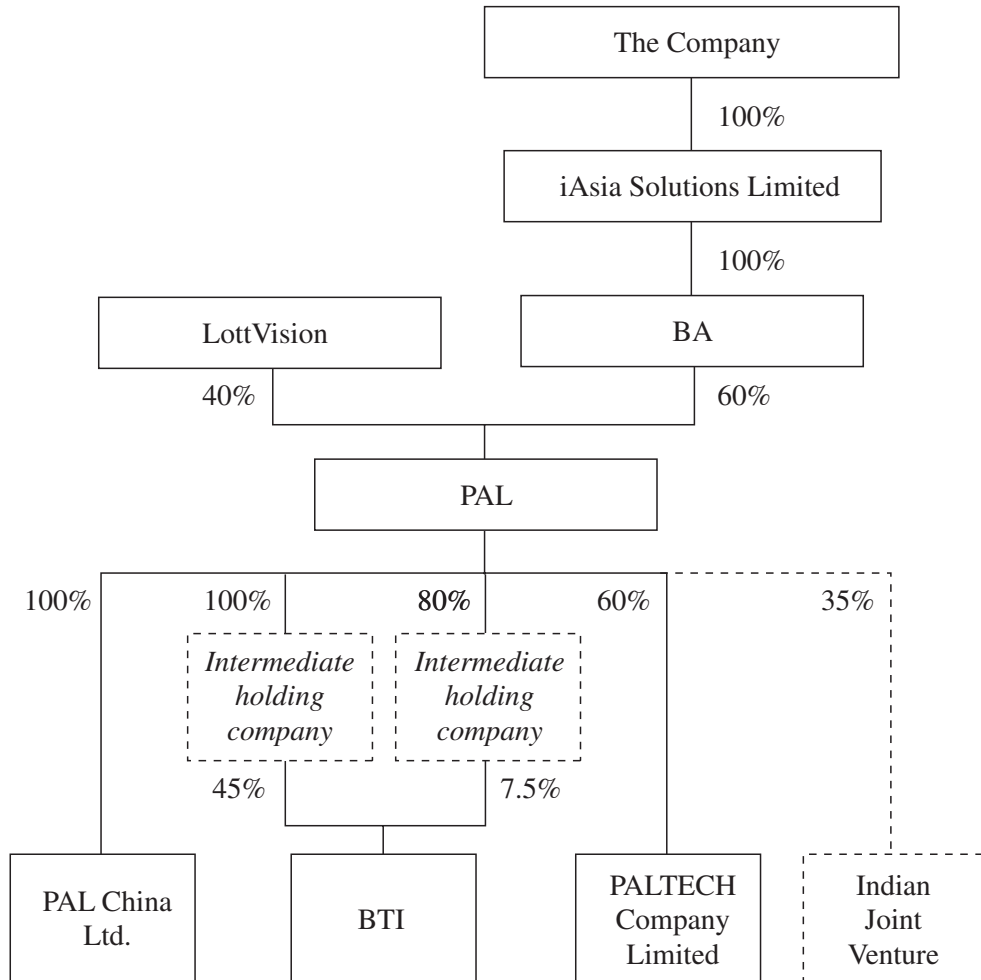
Following the completion of the Sale and Purchase Agreement, PAL will be owned as to approximately 30.53% by BA and as to approximately 69.47% by LottVision and in return BA will own approximately 28.5% of the issued share capital of LottVision (as enlarged by the allotment and issue of the Consideration Shares) on the basis that the Call Option will not be exercised before or immediately after the completion of the Sale and Purchase Agreement. If the Company decides to exercise the Call Option, the Company will take necessary steps to fulfill the relevant disclosure and/or approval requirements in the light of Rules 14.06 and 14.75 of the Listing Rules and all the applicable rules and regulations as prescribed in Singapore and by the Singaporean authorities.

LETTER FROM THE BOARD

Subsequent to the issuance of the Consideration Shares and prior to any exercise of the Call Option, LottVision will be held as to approximately 28.5% by BA, approximately 9.7% by Mr. Terence Luk Chung Po (including direct interest and deemed interest at Compelling Vision Management Limited), approximately 4.1% by Mr. Louis Mak Fuk Sang (including direct interest and deemed interest at TriVision Limited) and approximately 57.7% by the public. Mr. Luk is a director of both LottVision and PAL.

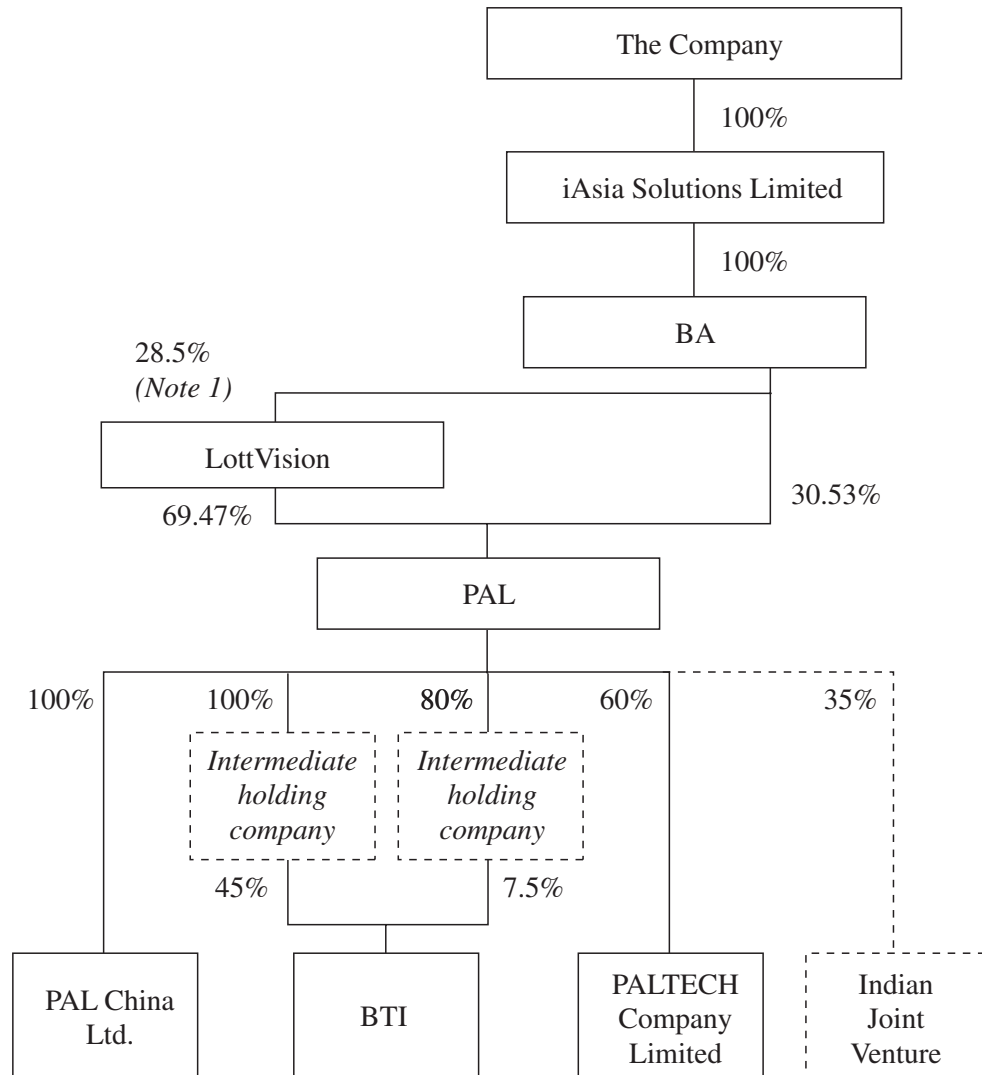
The corporate structure of PAL and the PAL Subsidiaries before and immediately after the completion of the Sale and Purchase Agreement is set out below:

Before completion of the Sale and Purchase Agreement:



LETTER FROM THE BOARD

Immediately after completion of the Sale and Purchase Agreement:



Note 1: Prior to any exercise of the Call Option.

GAIN ON DISPOSAL

Based on the unaudited consolidated management accounts of PAL and the PAL Subsidiaries as of 31 January 2007, the Directors estimate that, upon completion of the Sale and Purchase Agreement, the Company will record a gain on Disposal of approximately HK\$68.5 million, which will be reflected in the consolidated profit and loss account of the Company for the year ending 31 December 2007. The estimated gain on Disposal of approximately HK\$68.5 million represents the difference between the unaudited enlarged net asset value of LottVision as at 31 December 2006 being acquired and the unaudited net asset value of PAL and the PAL Subsidiaries as at 31 January 2007 being disposed.

LETTER FROM THE BOARD

REASONS FOR THE TRANSACTIONS

The Directors believe that the transactions as contemplated under the Sale and Purchase Agreement would create benefits for the Company for the following reasons:

- (a) since there are no restrictions on the subsequent sale of the Consideration Shares by BA, the transactions would enhance the liquidity of the Company's investment in PAL and the PAL Subsidiaries, although the Company currently does not have any intention to dispose of the Consideration Shares;
- (b) after the transactions, it is contemplated that LottVision could independently access both equity and debt capital markets in order to provide all or a majority of the financing required for future development and expansion of the businesses of PAL and the PAL Subsidiaries, whereas without the transaction the majority of the financing burden would fall on the Company; and
- (c) following the transactions, the Company will continue to hold, both directly and indirectly, an aggregate effective interest of approximately 50.33% in PAL and would thereby be able to continue to capture the benefits of any future prospects of PAL and the PAL Subsidiaries.

INFORMATION ON THE COMPANY

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

INFORMATION ON PAL AND THE PAL SUBSIDIARIES

PAL is an investment holding company established by BA and LottVision in September 2006 and belongs to the technology division of the Company. PAL has acquired or established the following principal operating subsidiaries:

- (a) **PAL China Ltd.** is a company incorporated under the laws of the PRC and is wholly-owned by PAL. PAL China Ltd. is currently engaged in the business of providing technology related systems and consultancy services to authorized operators of lottery halls across the PRC.
- (b) **BTI** is a company incorporated under the laws of the PRC. An aggregate equity interest of 52.5% of BTI is owned by PAL and its subsidiaries, with 45% of BTI held by a wholly owned subsidiary of PAL and 7.5% of BTI held by an 80% owned subsidiary of PAL. The remaining 47.5% of BTI is held by persons who are (except for their shareholdings in and directorships of BTI) otherwise Independent Third Parties. BTI is principally engaged in the business of supplying of technology systems, namely, the point of sale systems and related equipment, for use in connection with the sports lottery in the PRC.

LETTER FROM THE BOARD

- (c) On 24 September 2006 PAL agreed with a Korean company which was an Independent Third Party at the time:
- (i) to establish **PALTECH Company Limited** as a joint venture company incorporated in Hong Kong and owned as to 60% by PAL and as to 40% by the Korean company; and
 - (ii) to establish a joint venture company incorporated in the British Virgin Islands and to be owned as to 35% by PAL and as to 65% by the Korean company, into which joint venture company PAL would inject an aggregate of US\$2.5 million (equivalent to approximately HK\$19,450,000) and the Korean company would inject the entire issued share capital of its Indian subsidiary.

The joint venture company referred to in (i) above is principally engaged in the development, modification, customization, promotion and exploitation of computer systems and software applications and related technologies in connection with the printed lottery and/or online or mobile lottery operations worldwide with particular focus on Asian markets and it is anticipated that PALTECH Company Limited will provide the technology platform to support PAL's business development. The establishment of the joint venture referred to in (ii) above is expected to be completed in early May 2007 and it is intended that the principal business of that joint venture company will include the provision of technology systems and other services to the authorized lottery games operator in India.

PAL is being accounted for as a jointly controlled entity using equity accounting method in the consolidated financial statements of the Company for the year ended 31 December 2006.

Immediately after the completion of the Sale and Purchase Agreement, PAL will continue to be equity accounted for in the consolidated financial statements of the Company to the extent of its effective interest of approximately 50.33% therein.

LETTER FROM THE BOARD

The accounts of BTI were prepared in accordance with relevant accounting principles and financial regulations applicable to enterprises in the PRC. The net profits of BTI for the financial year ended 31 December 2005 was RMB4,338,177 both before and after taxation and extraordinary items. The net profits of BTI for the financial year ended 31 December 2006 (unaudited) were RMB 1,250,891 and RMB 1,239,935 before and after taxation and extraordinary items, respectively. PAL and its other subsidiaries are recently established and are yet to become profit making. Since PAL was only established in September 2006, set out below is the unaudited consolidated results of PAL and the PAL Subsidiaries (including BTI) for the four-month period ended 31 December 2006 prepared under Hong Kong Financial Reporting Standards:

For the four-month period ended 31 December 2006

	<i>(HKD'000)</i>
Turnover	<u>18,450</u>
(Loss) Profit before taxation	<u>(4,195)</u>
(Loss) Profit after taxation	<u>(4,206)</u>
Attributable to:	
Equity holders of the Company	(3,499)
Minority interest	<u>(707)</u>
	<u>(4,206)</u>
Net asset value (attributable to equity holders)	<u>196,501</u>

INFORMATION ON LOTTVISION

LottVision is a company incorporated in Bermuda and having its shares listed on the Main Board of the Singapore Stock Exchange since December 2002. The principal businesses of LottVision include the development and provision of lottery-related technology systems and services in the PRC and other Asian markets. Apart from that, LottVision also engages in the business of providing outsourced security systems and services, such as video surveillance systems and manufacturing of special purpose devices, such as smart identity card devices.

LETTER FROM THE BOARD

Set out below is the financial information of LottVision based on its audited consolidated accounts for the two years ended 31 March 2005 and 31 March 2006 and the unaudited results for the nine-month periods respectively ended 31 December 2005 and 31 December 2006 prepared under International Financial Reporting Standards:

For the year ended 31 March

	2005 <i>(HKD'000)</i>	2006 <i>(HKD'000)</i>
Turnover	<u>168,259</u>	<u>141,339</u>
Profit before taxation	<u>26,332</u>	<u>208,048</u>
Profit after taxation	<u>28,646</u>	<u>207,970</u>
Attributable to:		
Equity holders of the Company	29,725	208,374
Minority interest	<u>(1,079)</u>	<u>(404)</u>
	<u>28,646</u>	<u>207,970</u>
Net asset value (attributable to equity holders)	<u>287,271</u>	<u>419,936</u>

For the nine-month period ended 31 December

	2005 <i>(HKD'000)</i>	2006 <i>(HKD'000)</i>
Turnover	<u>136,062</u>	<u>15,262</u>
Profit before taxation	<u>25,703</u>	<u>952</u>
Profit after taxation	<u>25,703</u>	<u>845</u>
Attributable to:		
Equity holders of the Company	26,009	91
Minority interest	<u>(306)</u>	<u>(936)</u>
	<u>25,703</u>	<u>(845)</u>
Net asset value (attributable to equity holders)	<u>340,139</u>	<u>421,084</u>

LETTER FROM THE BOARD

IMPLICATIONS UNDER THE LISTING RULES

LottVision is a substantial shareholder of PAL and, therefore, a connected person of the Company. Accordingly, the transactions are connected transactions for the Company under Chapter 14A of the Listing Rules and are, therefore, subject to approval by a resolution, by way of poll, of the Shareholders. Since the applicable percentage ratios (as defined in the Listing Rules) for the Disposal and the acquisition of the Consideration Shares respectively are more than 5% but less than 25%, pursuant to Rule 14.06(2) of the Listing Rules, the transactions taken as a whole also constitute discloseable transaction for the Company under Chapter 14 of the Listing Rules.

An Independent Board Committee has been appointed to advise the Shareholders as to whether the terms of the Sale and Purchase Agreement are fair and reasonable and in the interests of the Company and its Shareholders as a whole. An independent financial adviser, First Shanghai, has been appointed to advise the Independent Board Committee and the Shareholders in this regard.

As according to the best knowledge and belief of LottVision, none of LottVision nor any of its subsidiaries, controlling shareholders, directors, chief executive or substantial shareholders, or any associate of any of them under the Listing Rules holds any shares of the Company, accordingly, no Shareholder is required to abstain from voting, by way of poll, at the relevant EGM.

EXTRAORDINARY GENERAL MEETING

A notice convening the EGM to be held at 4:00 p.m. on Thursday, 10 May 2007 (or as soon thereafter as the annual general meeting of the Company convened to be held at 3:00 p.m. on the same day has been concluded or adjourned) at 38th Floor, The Centrium, 60 Wyndham Street, Central, Hong Kong is set out on pages 35 to 36 of this circular at which an ordinary resolution will be proposed and, if thought fit, passed by the Shareholders (by way of poll), to approve the Sale and Purchase Agreement and the transactions contemplated thereunder.

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 Shareholders as to whether or not the terms of the Sale and Purchase Agreement are fair and reasonable and in the interests of the Shareholders as a whole. First Shanghai has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Shareholders in respect of the Sale and Purchase Agreement.

A proxy form for use by the Shareholders at the EGM is enclosed. Whether or not you intend to attend and vote at the EGM or any adjourned meeting 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 the proxy form will not preclude you from attending and voting in person at the EGM or any adjourned meeting should you so wish.

LETTER FROM THE BOARD

RECOMMENDATION

Your attention is drawn to (i) the letter from the Independent Board Committee as set out on page 16 of this circular which contains the recommendations of the Independent Board Committee to the Shareholders concerning the Sale and Purchase Agreement; and (ii) the letter from First Shanghai to the Independent Board Committee and the Shareholders as set out on pages 17 to 24 of this circular containing its advice to the Independent Board Committee and the Shareholders in this regard.

The Independent Board Committee, having taking into account the advice from First Shanghai in relation to the Sale and Purchase Agreement, considers that the terms of the Sale and Purchase Agreement are fair and reasonable so far as the Shareholders are concerned and that the transactions contemplated thereunder are in the interests of the Company and the Shareholders as a whole. Accordingly, the Independent Board Committee recommends the Shareholders to vote in favour of the relevant resolution to be proposed at the EGM to approve the Sale and Purchase Agreement.

GENERAL

As at the date of this circular, the Board comprises three Executive Directors, namely, Mr. Lawrence Ho (Chairman and Chief Executive Officer), Mr. Tsui Che Yin, Frank and Mr. Chung Yuk Man, Clarence (Chief Operating Officer), 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 as 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

17 April 2007

To the Shareholders

Dear Sir or Madam,

DISCLOSEABLE AND CONNECTED TRANSACTION SWAPPING OF SHARES IN A SUBSIDIARY WITH A LISTED COMPANY IN SINGAPORE

We have been appointed as members of the Independent Board Committee to advise you in respect of the Sale and Purchase Agreement, details of which are set out in the “Letter from the Board” in the circular dated 17 April 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 First Shanghai as set out on pages 17 to 24 of this circular, which contains its advice and recommendation to us as to whether or not the terms of the Sale and Purchase Agreement are fair and reasonable and the transactions contemplated thereunder in the interests of the 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, First Shanghai as stated in its aforementioned letter of advice, we are of the opinion that the terms of the Sale and Purchase Agreement are fair and reasonable so far as the Shareholders are concerned and the transactions contemplated thereunder are in the interests of the Company and the Shareholders as a whole. We therefore recommend the Shareholders to vote in favour of the relevant resolution to be proposed at the EGM to approve the Sale and Purchase Agreement and the transactions contemplated thereunder.

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 the letter of advice to the Independent Board Committee and the Shareholders from the Independent Financial Adviser dated 17 April 2007 setting out their opinion regarding the Disposal pursuant to the Sale and Purchase Agreement for the purpose of inclusion in this circular.



FIRST SHANGHAI CAPITAL LIMITED

19th Floor
Wing On House
71 Des Voeux Road Central
Hong Kong

17 April 2007

The Independent Board Committee and the Shareholders

Melco International Development Limited
38th Floor, The Centrium
60 Wyndham Street
Central
Hong Kong

Dear Sirs,

DISCLOSEABLE AND CONNECTED TRANSACTION SWAPPING OF SHARES IN A SUBSIDIARY WITH A LISTED COMPANY IN SINGAPORE

INTRODUCTION

We refer to our appointment as the independent financial adviser to advise the Independent Board Committee and the Shareholders in respect of the proposed disposal of the approximate 29.47% equity interest in PAL by BA to LottVision pursuant to the Sale and Purchase Agreement (the “Disposal”), details of which are set out in the circular dated 17 April 2007 (the “Circular”) to the Shareholders, of which this letter forms part. Terms used in this letter shall have the same meanings as defined in the Circular unless the context requires otherwise.

On 27 March 2007, BA, an indirect wholly-owned subsidiary of the Company, entered into the Sale and Purchase Agreement with LottVision, a company listed on the Main Board of the Singapore Stock Exchange, for the sale of the Sale Shares, representing approximately 29.47% of the issued share capital of PAL, to LottVision. The consideration for the sale and purchase of the Sale Shares is approximately S\$19.97 million (equivalent to approximately HK\$101.65 million), to be satisfied by the

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

allotment and issue of the Consideration Shares by LottVision to BA. The Consideration Shares will comprise approximately 28.5% of the issued share capital of LottVision, as enlarged by the allotment and issue of the Consideration Shares.

LottVision is a substantial shareholder of PAL and, therefore, a connected person of the Company. Accordingly, the transactions are connected transaction for the Company under Chapter 14A of the Listing Rules and are, therefore, subject to Shareholders' approval by a resolution by way of poll. Since the applicable percentage ratios (as defined in the Listing Rules) for the Disposal and the acquisition of the Consideration Shares respectively are more than 5% but less than 25%, pursuant to Rule 14.06(2) of the Listing Rules, such transactions also constitute discloseable transaction for the Company under Chapter 14 of the Listing Rules. As according to the best knowledge and belief of LottVision, none of LottVision nor any of its subsidiaries, controlling shareholders, directors, chief executive or substantial shareholders, or any associate of any of them under the Listing Rules holds any shares of the Company, accordingly, no Shareholder is required to abstain from voting, by way of poll, at the EGM.

The Independent Board Committee, comprising all the independent non-executive Directors, has been established to consider the Disposal and the transactions contemplated under the Sale and Purchase Agreement and to advise the Shareholders on the fairness and reasonableness of these transactions. As the independent financial adviser to the Independent Board Committee and the Shareholders, our role is to give an independent opinion to the Independent Board Committee and the Shareholders as to (i) whether or not the transactions are conducted on normal commercial terms; (ii) whether or not the entering into of the Sale and Purchase Agreement is in the interests of the Company and the Shareholders as a whole; (iii) whether the terms of the Sale and Purchase Agreement are fair and reasonable; and (iv) how the Shareholders should vote in respect of the resolution to approve the Sale and Purchase Agreement and the transactions contemplated thereunder at the EGM.

BASIS OF OUR OPINION

In formulating our opinion, we have relied on the information, facts and representations contained or referred to in the Circular and the information, facts and representations provided by the Directors, the Company and its management. We have assumed that all statements, information, facts and representations made or referred to in the Circular were true, accurate and complete at the time they were made and continued to be true, accurate and complete as at the date of the Circular.

We consider that we have been provided with sufficient information on which to form a reasonable basis for our opinion. We have no reason to doubt the truth, accuracy and completeness of the statements, information, facts, opinions and representations provided to us by the Directors, the Company and its management. We have also been advised by the Directors and believe that no material facts have been omitted from the information supplied and we have no reason to doubt that any relevant material facts have been withheld or omitted from the information provided and referred to in the Circular. All the Directors jointly and severally accept full responsibility for the accuracy of the information contained in the Circular and confirm, having made all reasonable enquiries, that, to the best of their knowledge, there are no other facts not contained in the Circular the omission of which would make any statement in the Circular misleading. We have relied on such information and have not however, conducted any independent investigation into the business, financial conditions and affairs or the future prospects of the Group.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our recommendation in relation to the Disposal, we have considered the following principal factors and reasons:

Background of the Group

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 services division; and (iv) property and other investments division.

Information on PAL and the PAL Subsidiaries

PAL is an investment holding company established by BA and LottVision in September 2006, and is currently owned as to 60% and 40% by BA and LottVision respectively. PAL is an indirect non-wholly owned subsidiary of the Company under the Companies Ordinance (Chapter 32 of the Laws of Hong Kong) and belongs to the technology division of the Company.

PAL and the PAL Subsidiaries are principally engaged in the businesses of developing and providing technology systems and services for use in connection with sports lottery operations in the PRC and in a number of other lottery business initiatives in other Asian jurisdictions. On completion of the Disposal, PAL will be owned as to approximately 30.53% and 69.47% by BA and LottVision respectively and will cease to be a subsidiary of the Company.

PAL and its other subsidiaries have recently been established and are yet to become profit making. Since PAL was only established in September 2006, the unaudited consolidated results of PAL and the PAL Subsidiaries had recorded a net loss attributable to equity holders of PAL of approximately HK\$3.5 million for the four months ended 31 December 2006.

PAL has been accounted for as a jointly controlled entity using equity accounting method in the consolidated financial statements of the Company for the year ended 31 December 2006. Immediately after completion of the Disposal, PAL will continue to be equity accounted for in the consolidated financial statements of the Company to the extent of its effective interest of approximately 50.33% therein.

Reasons for and benefits of the Disposal

As mentioned in the "Letter from the Board" of the Circular, the Directors believe that the transactions as contemplated under the Sale and Purchase Agreement would create benefits for the Company by the following reasons:

- (i) since there are no restrictions on the subsequent sale of the Consideration Shares by BA, the transactions would enhance the liquidity of the Company's investment in PAL and the PAL Subsidiaries, although the Company currently does not have any intention to dispose of the Consideration Shares;

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

- (ii) after the transactions, it is contemplated that LottVision could independently access both equity and debt capital markets in order to provide all or a majority of the financing required for future development and expansion of the businesses of PAL and the PAL Subsidiaries, whereas without the transaction the majority of the financing burden would fall on the Company; and
- (iii) following the transactions, the Company will continue to hold, both directly and indirectly, an aggregate effective interest of approximately 50.33% in PAL and would thereby be able to continue to capture the benefits of any future prospects of PAL and the PAL Subsidiaries.

Based on the unaudited consolidated management accounts of PAL and the PAL Subsidiaries as of 31 January 2007, the Directors estimate that, upon completion of the Sale and Purchase Agreement, the Company will record a gain on the Disposal of approximately HK\$68.5 million (subject to finalisation of audit), which will be reflected in the consolidated profit and loss account of the Company for the year ending 31 December 2007. The estimated gain on the Disposal of approximately HK\$68.5 million represents the difference between (1) the unaudited enlarged net asset value of LottVision as at 31 December 2006 being acquired and (2) the unaudited net asset value of PAL and the PAL Subsidiaries as at 31 January 2007 being disposed of.

Since the Company could, on the one hand, (a) record an immediate gain on the Disposal of approximately HK\$68.5 million in the consolidated financial statements and (b) enhance the liquidity of its investment in PAL and PAL Subsidiaries by receiving the Consideration Shares from LottVision, which may be readily sold in the market for cash immediately following completion of the Disposal; while on the other hand, its holding of effective interest therein would only be diluted from 60% to approximately 50.33%, so the Group could still be able to capture the benefits of any future prospects of PAL and the PAL Subsidiaries. In view of the above circumstances, we are of the view that the Disposal is in the interests of the Group and the Shareholders as a whole.

Background of LottVision

LottVision is a company incorporated in Bermuda and having its shares listed on the Main Board of the Singapore Stock Exchange since December 2002. The principal business of LottVision includes the development and provision of lottery-related technology systems and services in the PRC and other Asia markets. Apart from that, LottVision also engages in the business of providing outsourced security systems and services, such as video surveillance systems and manufacturing of special purpose devices, such as smart identity card devices.

Based on the audited consolidated accounts of LottVision for the two years ended 31 March 2006, LottVision recorded net profit attributable to the equity holders of approximately HK\$29.7 million and HK\$208.4 million respectively. As at 31 March 2005 and 2006, the net asset value attributable to equity holders of LottVision was approximately HK\$287.3 million and HK\$419.9 million respectively.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Based on the unaudited consolidated accounts of LottVision for the nine months ended 31 December 2006, LottVision recorded net profit attributable to the equity holders of approximately HK\$91,000, while its net asset value as at 31 December 2006 was approximately HK\$421.1 million.

The Sale and Purchase Agreement

The Sale Shares

On 27 March 2007, BA and LottVision entered into the Sale and Purchase Agreement for the sale of the Sale Shares, representing approximately 29.47% of the issued share capital of PAL, to LottVision. The initial acquisition cost of the Sale Shares to BA was approximately HK\$73.7 million.

The Consideration Shares

The consideration for the sale and purchase of the Sale Shares is approximately S\$19.97 million (equivalent to approximately HK\$101.65 million), to be satisfied by the allotment and issue of the Consideration Shares by LottVision, credited as fully paid, to BA. Accordingly, the Consideration Shares will be issued by LottVision at a price of S\$0.1136 (equivalent to approximately HK\$0.578) per LottVision's share, which represents the average price of a share of LottVision for the preceding 30 days before the signing of a non-binding term sheet on 6 February 2007.

The Consideration Shares, when issued, will rank pari passu in all respects with the existing issued share capital of LottVision in issue on the date of allotment and issue of the Consideration Shares, including the right to all dividends, distributions and other payments made or to be made, the record date for which falls on or after the date of allotment and issue of the Consideration Shares. There are no restrictions on the subsequent sale of the Consideration Shares by BA.

The Consideration Shares, when issued and allotted to BA on completion of the Sale and Purchase Agreement, will comprise approximately 28.5% of the issued share capital of LottVision, as enlarged by the allotment and issue of the Consideration Shares.

Since there are no restrictions on the subsequent sale of the Consideration Shares by BA, the Company may realise its holding of the approximate 28.5% equity interest in LottVision in the market for cash at any time following completion of the Disposal when the Directors consider appropriate. We consider that the settlement of the consideration pursuant to the Sale and Purchase Agreement by allotment and issue of the Consideration Shares is on normal commercial terms, fair and reasonable so far as the Shareholders are concerned and in the interests of the Company and the Shareholders as a whole.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Basis for determination of the Consideration

The consideration of approximately S\$19.97 million (equivalent to approximately HK\$101.65 million) was determined after arm's length negotiations between the parties with reference to the unaudited net asset value of PAL and the PAL Subsidiaries as at 31 January 2007 of approximately HK\$244.6 million, which represents a premium of approximately 41.0% over that of approximately HK\$72.1 million attributable to the 29.47% equity interest thereof being disposed of. In addition, pursuant to the Sale and Purchase Agreement, approximately 175,795,912 new shares of HK\$0.07 each of LottVision to be credited as fully paid-up will be allotted and issued to BA by LottVision at completion of the Disposal at the issue price of approximately S\$0.1136 (equivalent to approximately HK\$0.578) per Consideration Share (the "Issue Price"), which represented the average price of a share of LottVision for the preceding 30 days before the signing of a non-binding term sheet on 6 February 2007. The Issue Price represents:

- (i) a discount of approximately 49.5% to the closing price of S\$0.2250 (equivalent to approximately HK\$1.145) per share of LottVision as quoted on the Singapore Stock Exchange on the date prior to the issue of the Company's announcement on 27 March 2007 in relation to the transactions (the "Date of Announcement");
- (ii) a discount of approximately 39.6% to the average of the closing price of S\$0.1880 (equivalent to approximately HK\$0.957) per share of LottVision for the 5 consecutive trading days up to and including the Date of Announcement;
- (iii) a discount of approximately 35.3% to the average of the closing price of S\$0.1755 (equivalent to approximately HK\$0.893) per share of LottVision for the 10 consecutive trading days up to and including the Date of Announcement;
- (iv) a discount of approximately 36.1% to the average of the closing price of S\$0.1777 (equivalent to approximately HK\$0.904) per share of LottVision for the 30 consecutive trading days up to and including the Date of Announcement;
- (v) a discount of approximately 31.6% to the average of the closing price of S\$0.1662 (equivalent to approximately HK\$0.846) per share of LottVision for the three months before the Date of Announcement;
- (vi) a discount of approximately 75.0% to the closing price of S\$0.4550 (equivalent to approximately HK\$2.3160) per share of LottVision as at the Latest Practicable Date;
- (vii) a discount of approximately 39.3% to the audited consolidated net asset value of LottVision of approximately HK\$0.952 per share of LottVision as at 31 March 2006; and
- (viii) a discount of approximately 39.5% to the unaudited consolidated net asset value of the LottVision of approximately HK\$0.955 per share of LottVision as at 31 January 2007.

The Directors consider that the Sale and Purchase Agreement is on normal commercial terms and that the terms of the transactions as contemplated under the Sale and Purchase Agreement are fair and reasonable so far as the Shareholders are concerned.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

We noted that the closing price of a share of LottVision as quoted on the Singapore Stock Exchange as at the Latest Practicable Date was approximately S\$0.455 (equivalent to approximately HK\$2.3160) per share of LottVision, thus the total market value of the Consideration Shares would amount to approximately S\$79.99 million (equivalent to approximately HK\$407.15 million) in aggregate of the Consideration Shares, representing a significant premium of approximately 464.70% over the approximately HK\$72.1 million of the approximate 29.47% net asset value of PAL as at 31 January 2007 attributable to the Disposal.

Having considered the above analysis and factors, we consider that the basis for determining the consideration for the Disposal is fair and reasonable and the terms of the Sale and Purchase Agreement are on normal commercial terms, fair and reasonable so far as the Shareholders are concerned and is in the interests of the Company and the Shareholders as a whole.

Possible financial effects

Earnings

Based on the unaudited consolidated management accounts of PAL and the PAL Subsidiaries as of 31 January 2007, the net asset value thereof attributable to the approximate 29.47% equity interest to be disposed of by BA to LottVision was approximately HK\$72.1 million (i.e. HK\$244.6 million x 29.47%). According to the unaudited consolidated financial information of LottVision, the unaudited enlarged net asset value of LottVision as at 31 December 2006 attributable to the approximate 28.5% equity interest being acquired by way of allotment and issue of the Consideration Shares was approximately HK\$140.6 million (which is arrived at by summing up (i) the unaudited net asset value of LottVision as at 31 December 2006 of approximately HK\$421.1 million and (ii) the net asset value of PAL as at 31 January 2007 of approximately HK\$72.1 million attributable to the Disposal to be acquired by LottVision, and then multiplied by 28.5%). Accordingly, the Directors estimate that, upon completion of the Disposal, the Company will record a gain on the Disposal of approximately HK\$68.5 million (subject to finalisation of audit), which will be reflected in the consolidated profit and loss account of the Company for the year ending 31 December 2007. As a consequence, the net profit attributable to the equity holders of the Company would have increased by such gain amount. Hence, the Disposal would enable the Group to enhance its earnings position.

However, the Shareholders should note that the Group's holding of effective interest in PAL and the PAL Subsidiaries would be diluted from 60% to approximately 50.33% immediately following completion of the Disposal. Although the Group could still be able to capture the benefits of any future prospects of PAL and the PAL Subsidiaries, its share of the results of PAL and the PAL Subsidiaries would be reduced accordingly.

Net asset value

As stated above, the Group is expected to record an unaudited gain on disposal of approximately HK\$68.5 million upon completion of the Disposal (subject to finalisation of audit). As a result, the net asset value of the Group would be enhanced upon the completion of the Disposal.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Working capital and gearing

Since the consideration of the Disposal was based on a share swap and will be settled by way of allotment and issue of the Consideration Shares instead of payment in cash, there would be no cash inflow to and effect on the working capital position of the Group. However, since the net asset value of the Group would be enhanced upon the completion of the Disposal, its gearing position would slightly be improved because of the corresponding enhancement of the shareholders' equity of the Company.

Conclusion

The Company is in effect using the approximate 29.47% equity interest in a loss-making unlisted private company (i.e. PAL) in exchange for the approximate 28.5% equity interest in a profitable publicly listed company in Singapore (i.e. LottVision) at a gain on the Disposal of approximately HK\$68.5 million, and can still continue to capture any possible future benefit, though at a lesser extent, that may arise from PAL and the PAL Subsidiaries.

RECOMMENDATION

Having taken into account the above principal factors, we consider that the terms of the Sale and Purchase Agreement are on normal commercial terms and fair and reasonable so far as the Shareholders are concerned, and that the Disposal is in the interests of the Group and the Shareholders as a whole. We therefore recommend the Independent Board Committee to advise the Shareholders to vote in favour of the ordinary resolution to approve the Disposal and the transactions contemplated under or in connection with the Sale and Purchase Agreement at the EGM.

Yours faithfully,

For and on behalf of

First Shanghai Capital Limited

Helen Zee

Managing Director

Eric Lee

Executive 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

Name	Address
<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) pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (c) 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%

Notes:

- As at the Latest Practicable Date, the total number of issued Shares of the Company was 1,228,150,716 Shares.
- 115,509,024 Shares are held by Lasting Legend Ltd., representing approximately 9.41% of the issued share capital of the Company and 288,532,606 Shares are held by Better Joy Overseas Ltd., representing approximately 23.49% of the issued share capital of the Company. Lasting Legend Ltd. and Better Joy Overseas Ltd. are owned by persons and trusts associated with Mr. Lawrence Ho.
- 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 include Mr. Lawrence Ho and his family members. 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 to make 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)	65.06%

Notes:

- As at the Latest Practicable Date, the total number of issued shares of Value Convergence was 253,860,179.
- 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 63.39% of the issued share 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

Name of Director	Nature of interest	Number of underlying shares of Value Convergence interested	Approximate percentage of the total number of issued shares of Value Convergence
Mr. Ho, Lawrence Yau Lung	Personal	491,057 (Note)	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) 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; and
- (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 businesses of the Group.

4. SHAREHOLDERS WITH NOTIFIABLE INTERESTS

As at the Latest Practicable Date, the interests and short positions of substantial Shareholders and other persons in the Shares, underlying Shares and debentures of the Company which (a) were required 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%
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. Lo Sau Yan, Sharen	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%
Dr. Ho Hung Sun, Stanley	Corporate	3,127,107 (Note 4)	117,912,694 (Note 3)	9.86%
	Personal	18,587,789	–	1.51%

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)
State Street Corporation	Corporate	133,807,801 (Note 8)	–	10.90%
Janus Capital Management LLC	Corporate	111,547,200	–	9.08%
Julius Baer Investment Management LLC	Corporate	78,890,545	–	6.42%
JP Morgan Chase & Co.	Corporate	71,532,200 (Note 9)	–	5.82%
Sociedade de Turismo e Diversões de Macau, S.A. (“STDM”)	Beneficial owner	222	63,658,536 (Note 7)	5.18%

Notes:

- As at the Latest Practicable Date, the total number of issued shares of the Company was 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 include Mr. Lawrence Ho and his family members. 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 will be made on full conversion.
- Dr. Ho Hung Sun, Stanley 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.
- 115,509,024 Shares are held by Lasting Legend Ltd., representing approximately 9.41% of the issued share capital of the Company and 288,532,606 Shares are held by Better Joy Overseas Ltd., representing approximately 23.49% of the issued share capital of the Company. Lasting Legend Ltd. and Better Joy Overseas Ltd. are owned by persons and trusts associated with Mr. Lawrence Ho.
- Ms. Lo Sau Yan, Sharen is the spouse of Mr. Lawrence Ho and is deemed to be interested in the Shares in which Mr. Lawrence Ho is interested under the SFO.

7. Two convertible notes for the principal amounts of HK\$100 million and HK\$56 million carrying the rights to subscribe for Shares at an initial conversion price of HK\$4.00 and HK\$8.20 respectively were issued by the Company to STDM on 9 November 2004 and 8 February 2005. 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\$8.20 have been adjusted to HK\$2.00 and HK\$4.10 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 in lending pool.
9. Among the 71,532,200 Shares, 13,732,100 Shares are held in 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 2006, being the date to which the latest published audited financial statements of the Group were made up.

6. QUALIFICATIONS AND CONSENT OF EXPERT

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

Name	Qualifications
First Shanghai	a licensed corporation to conduct type 6 (advising on corporate finance) of the regulated activities registered under the SFO

- (ii) As at the Latest Practicable Date, First Shanghai 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, First Shanghai did not have any interest, direct or indirect, in any assets which have been, since 31 December 2006 (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) First Shanghai has given, and has not withdrawn, its written consent to the issue of this circular, with inclusion of its letter of advice as 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

As at the Latest Practicable Date, none of the Directors or their respective associates have any competing interests in a business, which competes or may compete, either directly or indirectly with the business of the Company pursuant to the Listing Rules.

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. Tam Chi Wai, Dennis, a Member of CPA Australia and a Member of the Institute of Certified Management Accountants, Australia.
- (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 Saturdays, Sundays and public holidays, from the date hereof up to and including 10 May 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 and Mr. Chung Yuk Man, Clarence referred to in this appendix;
- (iii) the letter dated 17 April 2007 from the Independent Board Committee, the text of which is set out on page 16 of this circular;
- (iv) the letter of advice dated 17 April 2007 from First Shanghai to the Independent Board Committee and the Shareholders, the text of which is set out on pages 17 to 24 of this circular;
- (v) the written consent of First Shanghai as referred to in the paragraph headed “Qualifications and consent of expert” in this appendix;
- (vi) the shareholders agreement dated 18 August 2006 entered into amongst LottVision, BA and PAL in respect of the establishment and operation of PAL;
- (vii) the agreement dated 18 August 2006 entered into between LottVision and PAL in respect of the transfer by LottVision of, inter alia, its entire interest in two intermediate holding companies (which in turn hold an aggregate of 52.5% equity interest in BTI) to PAL;
- (viii) the call option deed dated 18 August 2006 entered into between LottVision and BA in respect of the Call Option;
- (ix) the shareholders agreement dated 24 September 2006 entered into between PAL, a Korean company and Victory Union (Hong Kong) Limited (now known as PALTECH Company Limited) in respect of the establishment and operation of PALTECH Company Limited;
- (x) the share subscription agreement dated 24 September 2006 (as amended by a supplemental agreement dated the same date thereof) entered into between PAL and the Korean company in respect of the establishment and operation of an Indian joint venture; and
- (xi) the conditional sale and purchase agreement entered into between BA and LottVision dated 27 March 2007 relating to the sale and purchase of the Sale Shares.

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 10 May 2007 at 4:00 p.m. (or as soon thereafter as the annual general meeting of the Company convened to be held at 3:00 p.m. on the same day has been concluded or adjourned) for the purpose of considering and, if thought fit, passing (with or without amendments) the following as ordinary resolution of the Company:

ORDINARY RESOLUTION

“**THAT** the Sale and Purchase Agreement (as defined and more particularly described in the circular dated 17 April 2007 dispatched to the shareholders of the Company) and the transactions contemplated under the Sale and Purchase Agreement 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, 17 April 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 intend 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.