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

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**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 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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This circular is not an offer of securities for sale in any jurisdiction, including the United States. Securities may not be offered or sold in the United States absent registration or an exemption from registration. Any public offering of securities to be made in the United States will be made by means of a prospectus that may be obtained from the issuer and that will contain detailed information about the issuer, the guarantors, Melco PBL Entertainment (Macau) Limited and their management, as well as financial statements.



*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 TRANSACTION IN RESPECT OF  
FORMATION OF JOINT VENTURE  
TO ISSUE EXCHANGEABLE BONDS**

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## DEFINITIONS

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

“ADS(s)”	American depository share(s) of MPEL, which are traded on the NASDAQ under the symbol of “MPEL”
“associate(s)”	has the same meaning as ascribed to it in the Listing Rules
“Board”	The board of directors of the Company
“Bonds Terms”	the terms and conditions of the Exchangeable Bonds
“Burswood”	Burswood Limited, a company incorporated under the laws of Australia and an indirect wholly-owned subsidiary of PBL
“Company”	Melco International Development Limited, a company incorporated in Hong Kong, the shares of which are listed on the Stock Exchange
“Crown Melbourne”	Crown Melbourne Limited, a company incorporated under the laws of Australia and a wholly-owned subsidiary of PBL
“Directors”	directors of the Company
“Exchangeable Bonds”	the exchangeable bonds with a principal amount of US\$200 million, together with an additional US\$50 million principal amount of exchangeable bonds issuable pursuant to an over-allotment option
“Group”	the Company and its subsidiaries from time to time
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“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”	15 August 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
“Maturity Date”	30 August 2012, the date on which the Exchange Bonds mature

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## DEFINITIONS

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“Melco Leisure”	Melco Leisure and Entertainment Group Limited, a company incorporated under the laws of the British Virgin Islands and which is a wholly-owned subsidiary of the Company
“Merrill Lynch”	Merrill Lynch International, a company incorporated under the laws of England and Wales
“MPEL”	Melco PBL Entertainment (Macau) Limited, a company incorporated under the laws of the Cayman Islands and which the Company indirectly owns approximately 41.39% equity interest as at the Latest Practicable Date
“MPEL Gaming”	Melco PBL Gaming (Macau) Limited, a company incorporated under the laws of Macau and a subsidiary of MPEL
“Mr. Lawrence Ho”	Mr. Ho, Lawrence Yau Lung, the chairman and chief executive officer of the Company
“NASDAQ”	the NASDAQ Stock Market’s Global Market
“PBL”	Publishing and Broadcasting Limited, a company incorporated under the laws of Australia, the securities of which are listed on the Australian Stock Exchange
“PBL Asia”	PBL Asia Investments Limited, a company incorporated under the laws of the Cayman Islands and an indirect wholly-owned subsidiary of PBL
“SGX-ST”	The Singapore Exchange Securities Trading Limited
“Share(s)”	ordinary share(s) of HK\$0.50 each in the share capital of the Company
“Shareholders”	shareholders of the Company
“Shareholders’ Deed”	joint venture shareholders’ deed entered into between the Company and Melco Leisure, and PBL Asia, Crown Melbourne and Burswood dated 30 July 2007
“SPV”	Melco PBL SPV Limited, a company incorporated under the laws of the Cayman Islands, being a 50:50 joint venture company established by Melco Leisure and PBL Asia, for the principal purpose of issuing the Exchangeable Bonds
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscription Agreement”	The subscription agreement entered into between the Company, PBL, Crown Melbourne, Burswood, the SPV, MPEL and Merrill Lynch dated 30 July 2007
“US\$”	United States dollars, the lawful currency of the United States of America
“%”	Percentage

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## LETTER FROM THE BOARD

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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)*

*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

21 August 2007

*To the Shareholders*

Dear Sir or Madam,

### **DISCLOSEABLE TRANSACTION IN RESPECT OF FORMATION OF JOINT VENTURE TO ISSUE EXCHANGEABLE BONDS**

#### **INTRODUCTION**

By the announcement dated 31 July 2007, the Company and Melco Leisure entered into the Shareholders' Deed with PBL Asia, Crown Melbourne and Burswood on 30 July 2007. PBL Asia, Crown Melbourne and Burswood are each wholly-owned subsidiaries of PBL. The Shareholders' Deed provides for the establishment by Melco Leisure and PBL Asia of the SPV, for the principal purpose of issuing the Exchangeable Bonds with a principal amount of US\$200 million, together with an additional US\$50 million principal amount of exchangeable bonds issuable pursuant to an over-allotment option. The over-allotment option is exercisable within 30 days after the initial completion of the Subscription Agreement. It is intended that the Exchangeable Bonds will be listed on the SGX-ST. The SPV will be treated as a jointly controlled entity of the Company in its financial statements using equity accounting method and is not a subsidiary undertaking under the Companies Ordinance of the laws of Hong Kong and, hence not a subsidiary under the Listing Rules.

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## LETTER FROM THE BOARD

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The Company, PBL, Crown Melbourne, Burswood, the SPV, MPEL and Merrill Lynch entered into the Subscription Agreement on 30 July 2007, on completion of which, subject to certain conditions, Merrill Lynch will subscribe for the Exchangeable Bonds.

The Shareholders' Deed contemplates that the SPV will keep the proceeds of the issuance of the Exchangeable Bonds in cash or, subject to the unanimous approval of the board of directors of the SPV, use the proceeds of the issuance of the Exchangeable Bonds to acquire ADSs, pursuant to an ADS purchase program whereby the SPV will purchase ADSs from existing ADS holders from time to time in accordance with Rule 10b-18 of the US Securities Exchange Act of 1934, as amended, at such prices and in such numbers as may be determined by the board of directors of the SPV. These purchases, if made, could provide for ADSs that would be delivered to holders of the Exchangeable Bonds on exercise of the exchange rights conferred by the Exchangeable Bonds.

The purpose of this circular is to provide you with information on the transaction and further information of the Company.

### **PRINCIPAL TERMS OF THE EXCHANGEABLE BONDS AND THE SUBSCRIPTION AGREEMENT**

#### **Principal terms of the Exchangeable Bonds**

The Exchangeable Bonds (subject to any exercise of the over-allotment option) will be subscribed by Merrill Lynch and issued by the SPV at 100% of their principal amount. The Exchangeable Bonds will mature on the Maturity Date and will bear interest at 2.40% per annum until the Maturity Date or the earlier exercise of the exchange rights in respect of the Exchangeable Bonds. The SPV has an option exercisable after the third anniversary of the date of issue of the Exchangeable Bonds to redeem the Exchangeable Bonds prior to the Maturity Date, at 100% of their aggregate principal amount together with any unpaid interest, if the market price of the ADSs for at least 30 consecutive NASDAQ trading days is at least 130% of the exchange price in effect on each trading day. Conversely, the Bond Terms provide that the holders of the Exchangeable Bonds will have a put option exercisable on the third anniversary of the date of issue of the Exchangeable Bonds, to require the SPV to redeem the Exchangeable Bonds at 100% of their aggregate principal amount, together with interest accrued up to the date of redemption. The put option is only exercisable on a single occasion, on the third anniversary of the date of issue of the Exchangeable Bonds, and may not be exercised after that date.

The Exchangeable Bonds will be exchangeable at the option of the holders of the Exchangeable Bonds for ADSs, at an exchange price of US\$17.19 per ADS, which represents approximately a 39.98% premium to the closing price of US\$12.28 of the ADS on the NASDAQ on 27 July 2007 (United States time), being the last NASDAQ trading day before the execution of the Subscription Agreement. Each ADS represents the right to receive three ordinary shares of MPEL with a par value of US\$0.01 per share. On the exercise of exchange rights by the holders of the Exchangeable Bonds, the SPV has the option to pay a cash settlement amount in US\$ in lieu of delivering ADSs. The cash settlement amount is calculated as the product of the number of ADSs which would otherwise be deliverable upon exercise of the relevant exchange rights and the average volume weighted average price per ADSs as displayed on Bloomberg for the five NASDAQ trading days immediately after the SPV issues a notice to the effect that it proposes to satisfy the exchange rights by paying cash in lieu of delivering ADSs.

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## LETTER FROM THE BOARD

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The exchange price is subject to customary adjustments for matters affecting the share capital of MPEL and modifications of the ADSs. The acquisition by the SPV of the ADSs will not directly increase the Company's shareholding in MPEL but will only indirectly increase the Company's attributable interest in MPEL by virtue of its 50% interest in the SPV. Conversely, exercise of the exercise rights conferred by the Exchangeable Bonds in relation to the ADSs will not directly decrease the Company's shareholding in MPEL but will only indirectly reduce the Company's interests in MPEL as it is immediately prior to the exercise of the exercise rights by virtue of its 50% interest in the SPV.

If not previously redeemed or exchanged, the Exchangeable Bonds must be redeemed on the Maturity Date at their aggregate principal amount, together with interest accrued up to the Maturity Date.

The Exchangeable Bonds will be in registered form, in the denomination of US\$10,000 or integral multiples in excess thereof. The Exchangeable Bonds will be represented by a Global Certificate and will be sold outside the United States in reliance on Regulation S under the US Securities Act 1933, as amended. The Bond Terms also provide that the Company, Crown Melbourne and Burswood will each provide a joint and several guarantee in respect of the SPV's obligations under the Exchangeable Bonds, in favour of the holders of the Exchangeable Bonds.

### Subscription Agreement

Pursuant to the Subscription Agreement, Merrill Lynch will subscribe for the Exchangeable Bonds up to an aggregate principal of US\$200 million, together with an additional US\$50 million principal amount of exchangeable bonds issuable pursuant to an over-allotment option. Completion of the Subscription Agreement is expected to take place on or around 30 August 2007 and is subject to a number of conditions, including:

- (i) preparation of an offering circular for the listing of the Exchangeable Bonds and approval of the offering circular for the Exchangeable Bonds by SGX-ST having been obtained;
- (ii) due execution of the following contracts:
  - (a) the trust deed (the "**Trust Deed**") constituting the Exchangeable Bonds among the Company, PBL, Crown Melbourne, Burswood, the SPV and a trustee (the "**Trustee**"); and
  - (b) the agency agreement ("**Agency Agreement**") in relation to the Exchangeable Bonds among the Company, Crown Melbourne, Burswood, PBL, the SPV, the Trustee and the agents to be appointed and named therein; and
- (iii) absence of certain material adverse events affecting the Company, PBL, Crown Melbourne, Burswood and MPEL.

As at the Latest Practicable Date, none of the above conditions has been fulfilled.

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## LETTER FROM THE BOARD

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### PRINCIPAL TERMS OF THE SHAREHOLDERS' DEED

The SPV has been established in the Cayman Islands with a single class of ordinary shares. Melco Leisure has subscribed for and holds one ordinary share of the SPV representing 50% of the entire issued share capital of the SPV and PBL Asia has subscribed for and holds the other one ordinary share of the SPV representing the balance of 50% of the entire issued share capital of the SPV. Melco Leisure and PBL Asia have each subscribed at par value of US\$0.01 for the ordinary shares of the SPV issued to them. Each ordinary share carries one vote per share and all the ordinary shares rank *pari passu* in respect of dividends and other distributions and on the liquidation of the SPV.

Each of Melco Leisure and PBL Asia is entitled to appoint two directors to the board of directors of the SPV. The SPV will hold regular board meetings and will ensure that all material business decisions are taken at board level. All decisions of the board of directors of the SPV require the unanimous approval of the board. Similarly, all resolutions of shareholders of the SPV require the unanimous approval of both shareholders of the SPV.

The Shareholders' Deed permits transfers of shares among members of the Melco group of companies and the PBL group of companies, respectively, but prohibits a transfer of shares to a third party.

The Company, Crown Melbourne and Burswood have also entered into a Deed of Counter Indemnity, dated the same date as the Shareholders' Deed. Under the Deed of Counter Indemnity, the Company (on the one hand) and Crown Melbourne and Burswood (collectively, on the other hand) have agreed to indemnify each other so that in the event that any payment is required to be made under the joint and several guarantees provided by them in favour of the holders of the Exchangeable Bonds, the Company (on the one hand) and Crown Melbourne and Burswood (collectively, on the other hand) will each bear 50% of the relevant liability.

### SHARE PURCHASE PROGRAM

The SPV intends to use the net proceeds to fund a share purchase for the purchase of ADSs. As long as the Bonds remain outstanding, any proceeds that have not been used to purchase ADSs will be required to be kept within the SPV either in the form of cash or similar interest-bearing instruments. The share purchase program will not obligate the SPV to acquire any particular amount of ADSs and the program may be suspended or terminated at any time at the SPV's discretion. These purchases of ADSs, if made, could provide for ADSs that would be delivered to holders of the Exchangeable Bonds on exercise of the exchange rights conferred by the Exchangeable Bonds.

### PBL SCHEMES OF ARRANGEMENT

PBL has announced that it proposes to demerge its gaming and media businesses into two separate listed companies. This will be achieved by two schemes of arrangement. The first will be between PBL and its members under Part 5.1 of the Corporation Act of Australia, for the transfer of all the ordinary shares in PBL to Crown Limited. The second scheme of arrangement will be between Crown Limited and its shareholders and will result in PBL (to be renamed Consolidated Media Holdings Limited) and the media businesses being transferred to the shareholders and separately listed on the Australian Stock Exchange. If the schemes of arrangement are approved and become effective, the obligations of Crown



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## LETTER FROM THE BOARD

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Melbourne and Burswood under the joint and several guarantee given in favour of the holders of the Exchangeable Bonds under the Trust Deed, the obligations of Crown Melbourne and Burswood under the Shareholders' Deed and the obligations of Crown Melbourne and Burswood under the Deed of Counter Indemnity would each be novated to and assumed by Crown Limited. If the schemes of arrangement do not become effective by 31 December 2007, the obligations of Crown Melbourne and Burswood under the guarantee given in favour of the holders of the Exchangeable Bonds under the Trust Deed would be novated to PBL.

### REASONS FOR THE TRANSACTION

The Board believes that MPEL's common stock currently is undervalued in the marketplace. The Company is confident in the future of MPEL and believes the use of the SPV's cash in the share purchase program described to be in the best interests of the Company and the shareholders.

### INFORMATION ON THE COMPANY AND MELCO LEISURE

The Company is one of the companies with the longest history in Hong Kong. Founded in 1910, the Company was among the first one hundred companies established in the city and was listed on the Hong Kong Stock Exchange in 1927. Today, the Company is a dynamic new generation Asian conglomerate that leads in leisure and entertainment industry in Asia. The Company is a constituent of the MSCI Hong Kong Index, part of the MSCI Standard Index Series and granted the Asia's Best Managed Companies 2007 Award issued by FinanceAsia.

Currently, the Company engages in four main business streams, namely, (i) leisure, gaming and entertainment; (ii) technology; (iii) investment banking and financial services; and (iv) property and other investments.

Melco Leisure is an investment holding company and a wholly-owned subsidiary of the Company.

### INFORMATION ON MPEL

As at the Latest Practicable Date, the Company and PBL each indirectly own approximately 41.39% of MPEL's shares, with the remaining 17.22% of MPEL's shares held in the form of ADSs which are listed on the NASDAQ. MPEL is a developer, owner and through its subsidiary, MPEL Gaming, an operator of casino gaming and entertainment resort facilities in Macau. MPEL Gaming is one of only six concessionaires/sub-concessionaires authorized by the Macau government to operate casinos in Macau and is the exclusive vehicle of the Company and PBL to carry on casino, gaming machine and casino hotel operations in Macau. MPEL's flagship properties in Macau are the premier Crown Macau Hotel Casino and the integrated City of Dreams casino and entertainment resort on the Cotai Strip. The Crown Macau opened on 12 May 2007 whilst the City of Dreams is targeted to open before end of March 2009. MPEL's existing business includes the Mocha Clubs, which feature a total of approximately 1,000 gaming machines in six locations. MPEL has entered into an agreement, subject to certain conditions, to acquire a third development site on the Macau Peninsula.

MPEL is being accounted for as an associated company using equity accounting method in the consolidated financial statements of the Company for the year ending 31 December 2007.

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## LETTER FROM THE BOARD

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### INFORMATION ON PBL, CROWN MELBOURNE, BURSWOOD AND CROWN LIMITED

PBL is a company having its shares listed on the Australian Stock Exchange. PBL's core businesses are gaming and entertainment and strategic investments in television production and broadcasting, magazine publishing and distribution, and key digital media and entertainment businesses.

Crown Melbourne is a wholly-owned subsidiary of PBL and is the owner and operator of the Crown Entertainment Complex in Melbourne, Australia which is Melbourne's premier entertainment venue and one of the largest integrated entertainment facilities in the Southern hemisphere. The entertainment complex includes Crown Casino, Crown Towers Hotel, the Crown Promenade Hotel, restaurants, bars and shopping and other entertainment facilities.

Burswood is an indirect wholly-owned subsidiary of PBL and is the parent company of the owner of the Burswood Entertainment Complex in Perth, Western Australia. Burswood is Western Australia largest single-site private sector employer and the complex is also Western Australia's most successful tourist attraction. The complex includes a casino, two hotels, a convention center and theatre and restaurants, bars and other entertainment facilities.

Crown Limited is a newly incorporated company which is intended to become the owner of PBL's gaming business after completion of the PBL schemes of arrangement as mentioned in the section headed "PBL Schemes of Arrangement" above.

### FINANCIAL EFFECTS OF THE TRANSACTION

The Group holds a 50% equity interest in the SPV. As such, the SPV will be treated as a jointly controlled entity in the Group's financial statements and will be accounted for using the equity accounting method. In accordance with Hong Kong Accounting Standard 39, upon the issuance of the Exchangeable Bonds, the SPV will recognize the cash proceeds from the Exchangeable Bonds as assets with a corresponding liability being the principal amount of the Exchangeable Bonds. Therefore, there is no material financial impact on the Group at the outset. In subsequent accounting periods, the relevant assets and liabilities of the SPV will be measured at fair values and the changes in fair values will be recognized in the income statements of the SPV and the effect will flow through to the income statements of the Group under the equity accounting method.

### LISTING RULES IMPLICATIONS

The transactions contemplated by the Shareholders' Deed constitute a discloseable transaction for the Company under the Listing Rules.

### GENERAL

To the best of the knowledge, information and belief of the Directors and having made all reasonable enquiries, PBL, Crown Melbourne, Burswood and their respective ultimate beneficial owners are third parties independent of each of the Company and its connected persons (as defined under the Listing Rules).

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## LETTER FROM THE BOARD

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### FURTHER INFORMATION

Your attention is 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*

**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-levels, 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 1,228,175,716 Shares.
- 115,509,024 Shares are held by Lasting Legend Ltd., representing approximately 9.40% 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	17th September 2004	7th March 2012	1.6875	140,000	0.01%
	1st February 2005	7th March 2012	7.4000	200,000	0.02%
	13th February 2006	31st January 2016	11.8000	400,000	0.03%
Dr. Lo Ka Shui	3rd April 2006	2nd April 2016	15.8700	300,000	0.02%
Sir Roger Lobo	3rd April 2006	2nd April 2016	15.8700	300,000	0.02%
Mr. Ng Ching Wo	3rd April 2006	2nd 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)	53.56%

*Notes:*

- As at the Latest Practicable Date, the total number of issued shares of Value Convergence was 308,357,451.
- 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 52.19% 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 1.37% 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>	0.16%

*Note:*

The personal interest of Mr. Lawrence Ho represents his derivative interest in Value Convergence comprising the share options which were granted on 9th July 2002 and may be exercised during the period from 9th July 2002 to 8th 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, 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.

## 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)	–	9.40%
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)
Janus Capital Management LLC	Corporate	123,792,000	–	10.08%
Julius Baer Investment Management LLC	Corporate	78,890,545	–	6.42%
JP Morgan Chase & Co.	Corporate	71,532,200 (Note 7)	–	5.82%

*Notes:*

- As at the Latest Practicable Date, the total number of issued shares of the Company was 1,228,175,716 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 9.40% 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.
- 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. COMPETING INTERESTS**

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

## **6. SERVICE CONTRACTS**

Each of Mr. Lawrence Ho, Mr. Tsui Che Yin, Frank (“Mr. Frank Tsui”) and Mr. Chung Yuk Man, Clarence (“Mr. Clarence Chung”) has a service contract with Melco Services Limited, a wholly-owned subsidiary of the Company, which is not for a fixed period and may be terminated by either party to the relevant contract by not less than 3 months’ written notice to the other party. The annual remuneration payable under the service contracts of Mr. Lawrence Ho, Mr. Frank Tsui and Mr. Clarence Chung are HK\$4,320,000, HK\$2,400,000 and HK\$2,400,000 respectively. In addition, each may receive a discretionary bonus in April each year.

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).

## **7. 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.

**8. 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.