

---

**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 to the purchaser or transferee or to the bank, the licensed securities dealer or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

The Stock Exchange of Hong Kong Limited takes no responsibility for the contents of this circular, makes no representation as to its accuracy or completeness and expressly disclaims any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this circular.

---



*Melco International Development Limited*

新 濠 國 際 發 展 有 限 公 司

*(Incorporated in Hong Kong with limited liability)*

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

(Stock Code: 200)

**DISCLOSEABLE TRANSACTIONS  
PLACING OF EXISTING SHARES AND TOP-UP SUBSCRIPTION  
OF NEW SHARES BY VALUE CONVERGENCE HOLDINGS LIMITED  
AND  
ENTERING INTO OF CONTINGENT CONTRIBUTION UNDERTAKING**

---

# CONTENTS

---

	<i>Page</i>
<b>Definitions</b> .....	1
<b>Letter from the Board</b> .....	4
 <b>PART I – PLACING AND TOP-UP SUBSCRIPTION</b>	
Introduction .....	4
The Placing and Subscription Agreement .....	5
Effects on Melco’s shareholding in Value Convergence .....	8
Financial effects of the transaction .....	9
 <b>PART II – ENTERING INTO OF THE CONTINGENT CONTRIBUTION UNDERTAKING</b>	
Introduction .....	9
Undertaking for Contingent Contribution .....	9
Financial effects of entering into of Contingent Contribution Undertaking .....	10
Information on the Company .....	10
Information on Value Convergence .....	11
Information on Melco PBL Gaming .....	11
Reasons for the Placing and Top-Up Subscription and use of proceeds .....	12
Reasons for the entering into of the Contingent Contribution Undertaking .....	12
Listing Rules implications .....	12
General .....	12
Further Information .....	12
<b>Appendix – General information</b> .....	13

---

## DEFINITIONS

---

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

“Board”	the board of directors of the Company
“City of Dreams”	the City of Dreams integrated casino and entertainment resort
“Company”	Melco International Development Limited, a company incorporated under the laws of Hong Kong, shares of which are listed on the Stock Exchange
“Contingent Contribution Undertaking”	has the meaning as ascribed thereto in the sub-section headed “Undertaking for Contingent Contribution” of Part II – Entering into of the Contingent Contribution Undertaking in this Circular
“Directors”	directors of the Company
“Facilities”	has the meaning as ascribed thereto in the sub-section headed “Introduction” of Part II – Entering into of the Contingent Contribution Undertaking in this Circular
“Facility Agent”	facility agent of the SFA, namely Deutsche Bank AG
“GEM”	The Growth Enterprise Market operated by the Stock Exchange
“GEM Listing Committee”	the listing sub-committee of the board of directors of the Stock Exchange with responsibility for GEM
“Group”	the Company and its subsidiaries from time to time
“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”	20 September 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
“Loan Announcement”	the announcement of the Company dated 6 September 2007 in relation to the entering into of the SFA by Melco PBL Gaming and entering into of the Contingent Contribution Undertaking

---

## DEFINITIONS

---

“Melco Financial” or “Vendor”	Melco Financial Group Limited, a company incorporated under the laws of British Virgin Islands, a wholly-owned subsidiary of the Company
“Melco PBL Gaming”	Melco PBL Gaming (Macau) Limited
“MPEL”	Melco PBL Entertainment (Macau) Limited
“PBL”	Publishing and Broadcasting Limited
“Placee(s)”	any professional, institutional or other investor(s) procured by or on behalf of the Placing Agent to purchase any of the Placing Shares by or on behalf of the Placing Agent to selected investors pursuant to the terms of the Placing and Subscription Agreement
“Placing”	the placing of 61,000,000 existing shares of Value Convergence beneficially owned by the Vendor pursuant to the terms of the Placing and Subscription Agreement
“Placing Announcement”	the announcement of the Company dated 6 September 2007 in relation to the Placing and Top-Up Subscription
“Placing Agent” or “JPMorgan”	J.P. Morgan Securities (Asia Pacific) Limited
“Placing and Subscription Agreement”	the placing and subscription agreement entered into between the Vendor, Value Convergence and the Placing Agent dated 6 September 2007 in relation to the Placing and the Top-Up Subscription
“Placing Price”	HK\$4.20 per share of Value Convergence
“Placing Shares”	61,000,000 existing shares of Value Convergence beneficially owned by the Vendor and placed pursuant to the Placing and Subscription Agreement
“Revolving Loan Facility”	has the meaning as ascribed thereto in the sub-section headed “Introduction” of Part II – Entering into of the Contingent Contribution Undertaking in this Circular
“SFA”	the Senior Facility Agreement entered into on 5 September 2007 amongst Melco PBL Gaming as borrower and Australia and New Zealand Banking Group Limited, Banc of America Securities Asia Limited, Barclays Capital, Citigroup Global Markets Asia Limited, Deutsche Bank AG and UBS AG Hong Kong as coordinating lead arrangers, Deutsche Bank AG as facility agent and DB Trustee (Hong Kong) Limited as security agent, for the provision of loan facilities in an aggregate amount of US\$1,750,000,000 for the purpose of financing the construction and development of the City of Dreams

---

## DEFINITIONS

---

“Shareholders”	shareholders of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscription Price”	HK\$4.20 per share of Value Convergence
“Subscription Shares”	61,000,000 new shares of Value Convergence subscribed for by the Vendor pursuant to the Placing and Subscription Agreement
“Term Loan Facility”	has the meaning as ascribed thereto in the sub-section headed “Introduction” of Part II – Entering into of the Contingent Contribution Undertaking in this Circular
“Top-Up Subscription”	the subscription of 61,000,000 new shares of Value Convergence pursuant to the terms of the Placing and Subscription Agreement
“Value Convergence”	Value Convergence Holdings Limited, a company incorporated under the laws of Hong Kong and having its shares listed on the GEM
“%”	per cent.

---

## LETTER FROM THE BOARD

---



*Melco International Development Limited*

新 濠 國 際 發 展 有 限 公 司

(Incorporated in Hong Kong with limited liability)

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

(Stock Code: 200)

*Executive Directors:*

Mr. Ho, Lawrence Yau Lung

(Chairman and Chief Executive Officer)

Mr. Tsui Che Yin, Frank

Mr. Chung Yuk Man, Clarence

(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

27 September 2007

*To the Shareholders*

Dear Sir or Madam,

**DISCLOSEABLE TRANSACTIONS  
PLACING OF EXISTING SHARES AND TOP-UP SUBSCRIPTION  
OF NEW SHARES BY VALUE CONVERGENCE HOLDINGS LIMITED  
AND  
ENTERING INTO OF CONTINGENT CONTRIBUTION UNDERTAKING**

**PART I – PLACING AND TOP-UP SUBSCRIPTION**

**INTRODUCTION**

By the Placing Announcement of the Company dated 6 September 2007, Melco Financial, a wholly-owned subsidiary of the Company, entered into the Placing and Subscription Agreement with the Placing Agent and Value Convergence, pursuant to which (i) Melco Financial agreed to place through the Placing Agent, up to 61,000,000 Placing Shares, representing approximately 19.78% of the issued share capital of Value Convergence as at the date of the Placing Announcement at the Placing Price of HK\$4.20 per Placing Share on a best efforts basis, to not less than six Placees which are independent professional, institutional or other investors; and (ii) Melco Financial conditionally agreed to subscribe for up to 61,000,000 Subscription Shares at the Subscription Price of HK\$4.20 per Subscription Share.

---

## LETTER FROM THE BOARD

---

As at the Latest Practicable Date, the Placing and the Top-Up Subscription have been completed, and all the Placing Shares and Subscription Shares have been fully placed and subscribed for, respectively.

The purpose of this circular is to provide you with further information of the Placing, Top-Up Subscription and the Company.

### THE PLACING AND SUBSCRIPTION AGREEMENT

**Date:** 6 September 2007

**Parties Involved:**

- (1) Melco Financial, as the Vendor, which held approximately 52.19% of the issued share capital of Value Convergence before entering into the Placing and Subscription Agreement;
- (2) Value Convergence; and
- (3) JPMorgan, as the Placing Agent.

To the best of the knowledge, information and belief of the Directors, after having made all reasonable enquiries, the Placing Agent and its ultimate beneficial owner(s), are independent of and not connected with any of the Directors, chief executive or substantial shareholder(s) of the Company or its subsidiaries or any of their respective associates and are not connected persons of the Company.

#### (A) THE PLACING

##### Number of Placing Shares

The Placing Shares (or the Subscription Shares) of 61,000,000 shares of Value Convergence represent:

- (i) approximately 19.78% of the issued share capital of Value Convergence of 308,357,451 shares of Value Convergence as at the date of the Placing Announcement; and
- (ii) approximately 16.52% of the issued share capital of Value Convergence of 369,357,451 shares of Value Convergence as enlarged by the Top-Up Subscription.

---

## LETTER FROM THE BOARD

---

### Placing Price

The Placing Price (or the Subscription Price) of HK\$4.20 represents:

- (i) a discount of approximately 10.26% to HK\$4.68 per share of Value Convergence as quoted on the Stock Exchange on 6 September 2007, being the last trading price of the shares of Value Convergence immediately before the trading in the shares of Value Convergence was suspended at 10:25 a.m. on 6 September 2007;
- (ii) a discount of approximately 15.83% to the closing price of HK\$4.99 per share of Value Convergence as quoted on the Stock Exchange on 5 September 2007, being the last full trading day before the date of the Placing and Subscription Agreement; and
- (iii) a discount of approximately 2.78% to the average closing price per share of Value Convergence of HK\$4.32 as quoted on the Stock Exchange for the last five full trading days up to the date of the Placing and Subscription Agreement.

The net Placing Price, after taken into account the expenses incurred for the Placing and the Top-Up Subscription by Value Convergence of approximately HK\$9.2 million (equivalent to approximately HK\$0.15 per Placing Share) is approximately HK\$4.05 per each Placing Share.

The Placing Price is negotiated and arrived at after arm's length negotiations between the Vendor, Value Convergence and the Placing Agent with reference to the prevailing market price of the shares of Value Convergence. The Directors (including the independent non-executive Directors) consider that the Placing Price and the terms of the Placing and Subscription Agreement are fair and reasonable and in the interests of the Company and its Shareholders as a whole.

### Independence of the Placees

The Placing Shares were placed by the Placing Agent to not less than six Placees which are independent professional, institutional and other investors, and who and whose ultimate beneficial owners, are (i) not connected person(s) (as defined in the Listing Rules) of the Company and its subsidiaries; and (ii) not parties acting in concert with the Vendor and its associates.

As advised by Value Convergence, it is not aware of any Placee becoming substantial shareholders (as defined in the Listing Rules) of Value Convergence immediately after the Placing.

### Condition and completion of the Placing

The Placing was unconditional and it was completed on 11 September 2007.

### Rights of the Placing Shares

The Placing Shares were placed by the Vendor free from all liens, charges, encumbrances and any third party rights and together with all rights attaching thereto on 11 September 2007, being the date of completion of the Placing.



---

## LETTER FROM THE BOARD

---

### **Placing commission payable to the Placing Agent**

Pursuant to the terms of the Placing and Subscription Agreement, the placing commission is calculated as 3% of the gross proceeds of the Placing, which the Placing Agent has received following completion of the Placing.

### **(B) THE TOP-UP SUBSCRIPTION**

#### **Subscription Price**

The Subscription Price is HK\$4.20 per share, which is the same as the Placing Price and is arrived at after arm's length negotiations between Value Convergence, the Vendor and the Placing Agent with reference to the Placing Price.

#### **Number of Subscription Shares**

The number of Subscription Shares is equivalent to the number of Placing Shares, being 61,000,000 shares of Value Convergence.

#### **Ranking of Top-Up Subscription Shares**

The Subscription Shares rank *pari passu* amongst themselves and with all the existing shares of Value Convergence in issue at the time of issue and allotment of the Subscription Shares.

#### **Conditions and completion of the Top-Up Subscription**

Pursuant to the Placing and Subscription Agreement, the Top-Up Subscription was conditional upon:

1. completion of the Placing; and
2. the GEM Listing Committee granting the listing of, and permission to deal in, all of the Subscription Shares.

The Placing was completed on 11 September 2007 and the GEM Listing Committee has granted the listing of, and permission to deal in, the Subscription Shares on 13 September 2007. The Top-Up Subscription was completed on 19 September 2007.

#### **General Mandate**

The Subscription Shares were issued under the general mandate ("General Mandate") granted to the directors of Value Convergence at the extraordinary general meeting (the "EGM") of Value Convergence held on 17 August 2007. The General Mandate provides that the directors of Value Convergence may allot, issue and deal with shares of Value Convergence up to 20% of the issued share capital of Value Convergence as at the date of which the relevant resolution was passed at the EGM (i.e. 61,671,490 shares of Value Convergence).

## LETTER FROM THE BOARD

### EFFECTS ON MELCO'S SHAREHOLDING IN VALUE CONVERGENCE

The following table shows the shareholding structure of Value Convergence (1) as at the date of the Placing Announcement; (2) immediately after completion of the Placing but before the Top-Up Subscription; and (3) immediately after completion of the Placing and the Top-Up Subscription.

Name of shareholder of Value Convergence	As at the date of the Placing Announcement		Immediately after completion of the Placing but before the Top-Up Subscription		Immediately after completion of the Placing and the Top-Up Subscription and as at the Latest Practicable Date	
	<i>No. of shares</i>		<i>No. of shares</i>		<i>No. of shares</i>	
	<i>of Value</i>	<i>Approximate</i>	<i>of Value</i>	<i>Approximate</i>	<i>of Value</i>	<i>Approximate</i>
	<i>Convergence</i>	<i>%</i>	<i>Convergence</i>	<i>%</i>	<i>Convergence</i>	<i>%</i>
The Vendor	160,930,381	52.19	99,930,381	32.41	160,930,381	43.57
Mr. Ho, Lawrence Yau Lung ( <i>Note 1</i> )	4,232,627	1.37	4,232,627	1.37	4,232,627	1.15
Dr. Ho Hung Sun, Stanley ( <i>Note 2</i> )	7,384,651	2.40	7,384,651	2.40	7,384,651	2.00
Dr. Lee Jun Sing ( <i>Note 3</i> )	6,299,702	2.04	6,299,702	2.04	6,299,702	1.71
Public shareholders of Value Convergence						
The Placee(s)	-	-	61,000,000	19.78	61,000,000	16.51
Other public shareholders of Value Convergence	129,510,090	42.00	129,510,090	42.00	129,510,090	35.06
	308,357,451	100.00	308,357,451	100.00	369,357,451	100.00

*Notes:*

- Mr. Ho, Lawrence Yau Lung is taken to be interested in 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 1.15% of the existing issued share capital of Value Convergence as at the Latest Practicable Date.
- Dr. Ho Hung Sun, Stanley is taken to be interested in 7,384,651 shares of Value Convergence as a result of him being beneficially interested in 65% of the issued share capital of Bailey Development Limited which in turn holds approximately 2.00% of the existing issued share capital of Value Convergence as at the Latest Practicable Date.
- Dr. Lee Jun Sing is taken to be interested in 6,299,702 shares of Value Convergence as a result of him being beneficially interested in the entire issued share capital of Best Summit International Limited which in turn holds approximately 1.71% of the existing issued share capital of Value Convergence as at the Latest Practicable Date.

Upon completion of the Placing and the Top-Up Subscription, the Company's equity interest in Value Convergence, through the Vendor, reduced from approximately 52.19% to approximately 43.57% of the issued share capital of Value Convergence as enlarged by the Subscription Shares and Value Convergence ceased to be a subsidiary of the Company and became an associate of the Company.

---

## LETTER FROM THE BOARD

---

### FINANCIAL EFFECTS OF THE TRANSACTION

The Company's shareholding in Value Convergence, through the Vendor, reduced from approximately 52.19% to approximately 43.57% upon completion of the Placing and the Top-Up Subscription. Consequently, Value Convergence ceased to be a subsidiary and became an associate of the Company. Hence, both assets and liabilities of the Group were decreased and the Group recorded a gain of approximately HK\$79.3 million, being the difference between the Group's proportionate share of net assets of Value Convergence as at 31 August 2007 before and after completion of the Placing and Top-Up Subscription.

### PART II – ENTERING INTO OF THE CONTINGENT CONTRIBUTION UNDERTAKING

#### INTRODUCTION

Reference is also made to the Loan Announcement dated 6 September 2007. This circular also aims at providing you with further information in relation to the entering into of the SFA by Melco PBL Gaming.

The Company announced that on 5 September 2007 Melco PBL Gaming entered into the SFA borrowing loan facilities in an aggregate amount of US\$1,750,000,000 (the "**Facilities**") for the purpose of financing the construction and development of the City of Dreams.

The Facilities comprise a term loan facility of US\$1,500,000,000 ("**Term Loan Facility**") and a revolving credit facility of US\$250,000,000 ("**Revolving Credit Facility**"). The proceeds of the Term Loan Facility are to be used for the purpose of financing the construction and development of the City of Dreams while the Revolving Credit Facility will be available for meeting contingencies (if any) associated with the City of Dreams project together with general working capital requirements for the borrowing group.

#### UNDERTAKING FOR CONTINGENT CONTRIBUTION

In connection with the SFA and the City of Dreams financing, the Company has given an undertaking on 5 September 2007 (the "**Contingent Contribution Undertaking**") to ensure that a contingent contribution of up to a maximum aggregate amount of US\$125,000,000 (equivalent to approximately HK\$975,000,000) will be provided for paying contingencies (if any) associated with the construction of the City of Dreams in the absence of other available funding for completion of the project. In order to meet the obligations under the Contingent Contribution Undertaking, the Company will maintain a standby letter of credit for the amount of US\$125,000,000, until the date of final completion of the City of Dreams. The other major shareholder of MPEL, PBL, has given a similar undertaking for the same contingent contribution amount to the Facility Agent who can only request the contingent contributions from both the Company and PBL at the same time and not from only one of them in proportion to their respective shareholdings.

---

## LETTER FROM THE BOARD

---

The contingent contributions to be made by the Company under the Contingent Contribution Undertaking (if required by the Facility Agent) constitutes the provision of financial assistance for the benefit of MPEL, an associated company of the Company, for the purposes of Chapters 13 and 14 of the Listing Rules. Accordingly, the Contingent Contribution Undertaking is a discloseable transaction for the Company under Chapter 14 of Listing Rules and, since the maximum amount of the contingent contribution when aggregated with existing advances made to MPEL exceeds 8% of the total consolidated assets of the Company, the Contingent Contribution Undertaking is also discloseable under Rule 13.16 of the Listing Rules as financial assistance given to an affiliated company of the Company.

The salient terms of the Contingent Contribution Undertaking are set out below:

- (a) the maximum amount of the contingent contribution committed to be given is US\$125,000,000 (equivalent to approximately HK\$975,000,000);
- (b) currently, it is anticipated that, if required, the contingent contribution would be provided by way of shareholders' loans which are subordinated to amounts outstanding under the SFA in terms of repayment and payment of interest. The detailed terms will be determined at the time the contingent contribution is required to be contributed and a further announcement will be made at that time to comply with Rule 13.16 of the Listing Rules.
- (c) the source of funding for the contingent contribution, if made, would be from the Company's internal resources; and
- (d) other than the Contingent Contribution Undertaking, the Company does not guarantee any banking facilities utilised or to be utilised by MPEL or any of its subsidiaries.

The outstanding amount from MPEL to the Company, as at the Latest Practicable Date, was HK\$578,577,752. Such amount is outstanding on the following terms:

- (a) bear interest on a daily basis at Hong Kong Interbank Offered Rate (HIBOR) over a period of 3 months payable in arrears on the last day of each interest period; and
- (b) repayable on 15 May 2009.

### **FINANCIAL EFFECTS OF ENTERING INTO OF CONTINGENT CONTRIBUTION UNDERTAKING**

The Contingent Contribution Undertaking has no material effect on earnings, assets and liabilities of the Company.

### **INFORMATION ON THE COMPANY**

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 that Asia's Best Managed Companies 2007 Award by FinanceAsia.

---

## LETTER FROM THE BOARD

---

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.

### INFORMATION ON VALUE CONVERGENCE

Value Convergence is engaged in securities, futures and option contracts brokerage mainly on the Stock Exchange and the provision of other related financial services including margin financing, securities underwriting, placing arrangement, assets management and corporate finance advisory services focusing on the markets in Hong Kong, Macau and the People's Republic of China.

As disclosed in the annual report of Value Convergence for the year ended 31 December 2006, the audited net profit before and after taxation for the year ended 31 December 2005 were approximately HK\$3.61 million and HK\$5.11 million respectively and, the net profit before and after taxation for the year ended 31 December 2006 were approximately HK\$26.45 million and HK\$26.33 million respectively. As disclosed in the interim report of Value Convergence for the six months ended 30 June 2007, the unaudited net assets as at 30 June 2007 was HK\$208,509,000.

### INFORMATION ON MELCO PBL GAMING

Melco PBL Gaming is an operator of casino gaming and entertainment resort facilities in Macau and, through its subsidiaries, a developer and owner of such facilities. Melco PBL Gaming is one of only six concessionaires/sub-concessionaires authorised by the Macau government to operate casinos in Macau and is the exclusive vehicle of the Company and its joint venture partner, PBL, to carry on casino, gaming machine and casino hotel operations in Macau.

Melco PBL Gaming's flagship properties in Macau are the Crown Macau Hotel Casino, which was developed to offer a luxurious premium hotel and casino resort experience with the aim of exceeding the average five star hotel in Macau, 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 currently under development and the first phase of which comprising two hotels (the Hard Rock Hotel and Crown Towers Hotel, Cotai) together with a casino with approximately 450 gaming tables and 2,500 gaming machines and approximately 85,000 square feet of retail space, is targeted to open in 2009. Melco PBL Gaming's existing business includes the Mocha Clubs, which feature a total of approximately 1,000 gaming machines in six locations in Macau. Melco PBL Gaming has entered into an agreement, subject to certain conditions, to acquire a third development site on the Macau Peninsula.

Melco PBL Gaming is a subsidiary of MPEL, a company in which the Company and PBL currently each indirectly owns approximately 41.39% of its shares, with the remaining 17.22% of MPEL's shares held in the form of American Depositary Shares which are listed on The NASDAQ Stock Market's Global Market in the United States. MPEL and its subsidiaries including Melco PBL Gaming are accounted for as associated companies using the equity accounting method in the consolidated financial statements of the Company.

---

## LETTER FROM THE BOARD

---

### REASONS FOR THE PLACING AND TOP-UP SUBSCRIPTION AND USE OF PROCEEDS

The directors of Value Convergence have considered various ways of raising funds and are of the view that the Placing and Top-Up Subscription represent opportunities to raise capital for Value Convergence while broadening the shareholder base and the capital base of Value Convergence. The gross proceeds from the Top-Up Subscription are approximately HK\$256.2 million. Value Convergence is responsible for all the costs and expenses in connection with the Placing and Top-Up Subscription incurred by the Vendor, the Placing Agent and itself. The net proceeds from the Top-Up Subscription (after deducting the placing commission for the Placing and other expenses paid by Value Convergence) of approximately HK\$247 million will be utilized as general working capital or applied to the possible acquisition of The Macau Chinese Bank Limited, if and when it materializes, as referred to in the announcement of Value Convergence dated 9 July 2007, or other investment opportunities as and when they arise.

### REASONS FOR THE ENTERING INTO OF THE CONTINGENT CONTRIBUTION UNDERTAKING

The Contingent Contribution Undertaking is required as part of the overall financing arrangements in connection with the construction and development of the City of Dreams. The Company has an approximately 41.39% interest in MPEL. Accordingly, the directors of the Company believe that the provision of the Contingent Contribution Undertaking is fair and reasonable and in the best interests of the Company and its shareholders as a whole.

### LISTING RULES IMPLICATIONS

Pursuant to Chapter 14 of the Listing Rules, the Placing constituted a discloseable disposal transaction and the Top-Up Subscription constituted an acquisition but not a notifiable transaction for the Company.

The Contingent Contribution Undertaking is a discloseable transaction for the Company under Chapter 14 of the Listing Rules and is also announceable under Rule 13.16 of the Listing Rules.

### GENERAL

MPEL and Melco PBL Gaming are both associated companies of the Company, as described above. To the best of the knowledge, information and belief of the directors of the Company and having made all reasonable enquiries, the Facility Agent and the Lenders, 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).

### 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) Long positions in the shares and underlying shares of the Company

##### (a) Ordinary shares of HK\$0.50 each of the Company

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
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%

##### (b) Share Options granted by the Company

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%



*Notes:*

1. As at the Latest Practicable Date, the total number of issued Shares of the Company was 1,228,175,716 Shares.
2. 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.
3. 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) Long position in shares and underlying shares of associated corporations of the Company***(A) Value Convergence Holdings Limited ("Value Convergence")***(a) Ordinary shares of HK\$0.10 each of Value Convergence**

<b>Name of Director</b>	<b>Nature of interest</b>	<b>Number of issued 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	Corporate	165,163,008 (Note 2)	44.72%

**(b) Share Options granted by 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 (Note 3)	0.16%

*Notes:*

1. As at the Latest Practicable Date, the total number of issued shares of Value Convergence was 369,357,451.
2. 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 43.57% 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 1.15% of the issued share capital of Value Convergence.
3. 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.

*(B) Melco PBL Entertainment (Macau) Limited ("MPEL")*

- (a) Ordinary shares of US\$0.01 each of MPEL

<b>Name of Director</b>	<b>Capacity</b>	<b>Number of issued shares of MPEL interested</b>	<b>Approximate percentage of the total issued shares of MPEL</b>
Mr. Ho, Lawrence Yau Lung	Held by controlled corporation	500,000,000 (Note 2)	41.39%

- (b) Restricted shares award granted by MPEL (Note 3)

<b>Name of Director</b>	<b>Capacity</b>	<b>Number of underlying shares of MPEL interested</b>	<b>Approximate percentage of the total issued shares of MPEL</b>
Mr. Ho, Lawrence Yau Lung	Beneficial owner	947,450 (Note 4)	0.078%
Mr. Tsui Che Yin, Frank	Beneficial owner	11,850 (Note 5)	0.001%
Mr. Chung Yuk Man, Clarence	Beneficial owner	31,600 (Note 6)	0.003%

*Notes:*

1. As at the Latest Practicable Date, the total number of issued shares of MPEL was 1,208,043,646.
2. Mr. Ho, Lawrence Yau Lung is taken to be interested in 500,000,000 shares of MPEL 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 41.39% of the issued share capital of MPEL.
3. The personal interests of the above directors represent their derivative interests in MPEL comprising the restricted shares which were granted by MPEL on 19th December 2006, the date on which the American Depositary Shares representing the ordinary shares of MPEL were listed on the NASDAQ Global Market, at a grant price of US\$0.01 per share, which is the par value of the share of MPEL, pursuant to the restricted shares award agreement under the Share Incentive Plan adopted by MPEL in 2006. The restricted shares granted to the above directors have a vesting period ranging from six months to three years.
4. These 947,450 restricted shares will vest on 19th December 2009.
5. These 11,850 restricted shares have vested on 19th June 2007.
6. Among the 31,600 restricted shares, 15,800 restricted shares have vested on 19th June 2007 and 33.4%, 33.3% and 33.3% of the remaining 15,800 restricted shares will vest on each of 19th December 2007, 2008 and 2009 respectively.

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.