
THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect about this circular or as to the action to be taken, you should consult your licensed securities dealer, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in **Melco International Development Limited**, you should at once hand this circular, together with the enclosed form of proxy, to the purchaser or the transferee or to the bank, the licensed securities dealer or other agent through whom the sale was effected for transmission to the purchaser or the transferee.

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Melco International Development Limited

(Incorporated in Hong Kong with limited liability)

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

(Stock Code: 200)

(i) DISCLOSEABLE AND CONNECTED TRANSACTIONS; AND (ii) CONTINUING CONNECTED TRANSACTIONS PROVISION OF INFORMATION TECHNOLOGY SERVICES TO SOCIEDADE DE JOGOS DE MACAU, S.A.

Financial adviser to the Company



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



Hantec Capital Limited

A letter from the Independent Board Committee containing its advice and recommendation to the Independent Shareholders is set out on page 15 of this circular. A letter from Hantec, the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders, is set out on pages 16 to 24 of this circular.

A notice convening the EGM to be held at 38th Floor, The Centrium, 60 Wyndham Street, Central, Hong Kong on Monday, 22 December 2008 at 10:30 a.m. is set out on pages 40 to 41 of this circular. A form of proxy for the EGM is enclosed with this circular of the Company. Whether or not you are able to attend such meeting, please complete and return the accompanying form of proxy in accordance with the instructions printed thereon 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 the meeting or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting at the meeting or any adjournment thereof (as the case may be) should you so wish.

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DEFINITIONS

In this circular, unless the context otherwise requires, terms used herein shall have the following meanings:

“associate”	has the same meaning as ascribed to it in the Listing Rules
“Better Joy”	Better Joy Overseas Ltd., which holds approximately 23.47% shareholding interest in the Company as at the Latest Practicable Date and which is owned by companies, persons and/or trusts associated with Mr. Lawrence Ho
“Board”	the board of Directors
“CAD\$”	Canadian dollars, the lawful currency of Canada
“Company”	Melco International Development Limited, a company incorporated in Hong Kong, the securities of which are listed on the Main Board of the Stock Exchange
“connected person”	has the same meaning as ascribed to it in the Listing Rules
“Continuing Connected Transactions”	the possible provision of the Services by Elixir to SJM and/or its subsidiaries as contemplated under the Master Agreement
“Director(s)”	the director(s) of the Company
“Dr. Stanley Ho”	Dr. Ho Hung Sun, Stanley, a director of certain subsidiaries of the Company, who beneficially owns approximately 1.51% shareholding interest in the Company as at the Latest Practicable Date
“EGL”	Elixir Group Limited, a company incorporated in Hong Kong with limited liability and an indirect wholly-owned subsidiary of the Company
“EGM”	the extraordinary general meeting of the Company to be convened at 38 th Floor, The Centrium, 60 Wyndham Street, Central, Hong Kong on Monday, 22 December 2008 at 10:30 a.m. for the purpose of considering and approving the Service Arrangement and the Master Agreement and all transactions contemplated thereunder
“Elixir”	Elixir International Limited (formerly known as Elixir Group (Macau) Limited), a company incorporated in Macau with limited liability and an indirect wholly-owned subsidiary of the Company
“Elixir Group”	EGL and Elixir

DEFINITIONS

“First Announcement”	the announcement of the Company dated 14 November 2008 in relation to the provision of the Services by Elixir to SJM and/or its subsidiaries as contemplated under the Service Arrangement
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Independent Board Committee”	a committee of the Board comprising all the independent non-executive Directors, namely Sir Roger Lobo, Dr. Lo Ka Shui and Mr. Sham Sui Leung, Daniel established for the purpose of advising and giving recommendations to the Independent Shareholders on the Service Arrangement and the Master Agreement
“Independent Financial Adviser” or “Hantec”	Hantec Capital Limited, the independent financial adviser appointed to advise the Independent Board Committee and the Independent Shareholders in relation to the Service Arrangement and the Master Agreement
“Independent Shareholders”	shareholders of the Company other than Dr. Stanley Ho and his associates, STDM, Lanceford, Madam Laam, Ms. Daisy Ho, Mr. Lawrence Ho, Lasting Legend, Better Joy and The L3G Capital Trust
“Lanceford”	Lanceford Company Limited, which holds approximately 0.25% shareholding interest in the Company as at the Latest Practicable Date and which is 100% owned by Dr. Stanley Ho
“Lasting Legend”	Lasting Legend Ltd., which holds approximately 9.40% shareholding interest in the Company as at the Latest Practicable Date and which is owned by companies, persons and/or trusts associated with Mr. Lawrence Ho
“Latest Practicable Date”	2 December 2008, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained herein
“Listing Rules”	The Rules Governing the Listing of Securities on the Stock Exchange
“Macau”	the Macau Special Administrative Region of the PRC

DEFINITIONS

“Madam Laam”	Madam Lucina Laam King Ying, who holds approximately 0.04% shareholding interest in the Company as at the Latest Practicable Date
“Maintenance Services”	(i) the maintenance services being provided by Elixir for the existing digital surveillance camera system installed at the casinos and slot halls operated by SJM and/or its subsidiaries (parts excluded); (ii) the maintenance and support services to be provided by Elixir to SJM and/or its subsidiaries for the gaming products; and/or, as the case may be, (iii) the maintenance services to be provided by Elixir for the systems to be installed at the SJM’s Premises (parts excluded); and (iv) supply of any relevant parts constituting and/or maintaining the existing systems and/or the systems to be installed, and the gaming products installed or to be installed at the SJM’s Premises as contemplated under the Service Arrangement or the Master Agreement (as the case may be)
“Master Agreement”	the master agreement entered into between Elixir and SJM dated 24 November 2008, regarding the provision of: (i) the System Integration Services; and (ii) the Maintenance Services, by Elixir to SJM and/or its subsidiaries for the three years ending 31 December 2011
“Mr. Lawrence Ho”	Mr. Ho, Lawrence Yau Lung, the Chairman and Chief Executive Officer of the Company, who holds approximately 34.06% shareholding interest in the Company as at the Latest Practicable Date
“Ms. Daisy Ho”	Ms. Ho, Daisy Chiu Fung, who holds approximately 0.005% shareholding interest in the Company as at the Latest Practicable Date
“PRC”	The People’s Republic of China, excluding Hong Kong, Macau and Taiwan
“Second Announcement”	the announcement of the Company dated 24 November 2008 in relation to the Continuing Connected Transactions
“Service Arrangement”	the service arrangement comprising three separate agreements, entered into between Elixir and SJM, all dated 14 November 2008, regarding the respective provision of: (i) the System Integration Services; and (ii) the Maintenance Services, by Elixir to SJM and/or its subsidiaries

DEFINITIONS

“Services”	the System Integration Services and (if applicable) the Maintenance Services
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Share(s)”	share(s) of the Company
“Shareholder(s)”	shareholder(s) of the Company
“SJM”	Sociedade de Jogos de Macau, S.A., a company incorporated under the laws of Macau
“SJM Holdings”	SJM Holdings Limited, a company incorporated in Hong Kong, whose shares are listed on the Stock Exchange
“SJM’s Premises”	any premises in Macau (and/or such other place(s) as may be mutually agreed by Elixir and SJM from time to time) where SJM and/or its subsidiaries operate their businesses, including without limitation, various casinos and slot halls currently operated by SJM and/or its subsidiaries
“STDM”	Sociedade de Turismo e Diversões de Macau, S.A., a company incorporated under the laws of Macau, which holds 222 Shares in the Company as at the Latest Practicable Date
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“System Integration Services”	services to be provided by Elixir including the liaison with, and procurement of other hardware and software suppliers to provide and install the digital surveillance camera systems, the extra low voltage systems and the gaming products together with the provision of information technology expertise to ameliorate the computer facilities and equipments of SJM and/or its subsidiaries; and/or, as the case may be, supply of parts of the existing systems installed at the various casinos and slot halls operated by SJM and/or its subsidiaries or any other system(s) of SJM and/or its subsidiaries as may be mutually agreed between Elixir and SJM as contemplated under the Service Arrangement or the Master Agreement (as the case may be)
“Takeovers Code”	the Hong Kong Code on Takeovers and Mergers

DEFINITIONS

“The L3G Capital Trust”	The L3G Capital Trust, which holds approximately 0.59% shareholding interest in the Company as at the Latest Practicable Date and which is owned by companies, persons and/or trusts associated with Mr. Lawrence Ho
“US\$”	United States dollars, the lawful currency of the United States of America
“%”	per cent.

LETTER FROM THE BOARD



Melco International Development Limited

(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

4 December 2008

To the Shareholders

Dear Sir and Madam,

**(i) DISCLOSEABLE AND CONNECTED TRANSACTIONS; AND
(ii) CONTINUING CONNECTED TRANSACTIONS
PROVISION OF INFORMATION TECHNOLOGY SERVICES TO
SOCIEDADE DE JOGOS DE MACAU, S.A.**

INTRODUCTION

Reference is made to the First Announcement in relation to the provision of the Services by Elixir to SJM and/or its subsidiaries as contemplated under the Service Arrangement. On 14 November 2008, Elixir and SJM have entered into the Service Arrangement pursuant to which Elixir and SJM confirmed the terms agreed for the provision of the Services comprising System Integration Services and Maintenance Services to SJM and/or its subsidiaries for the aggregate values of approximately HK\$42.68 million and approximately HK\$16.45 million respectively.

LETTER FROM THE BOARD

Reference is also made to the Second Announcement in relation to the possible provision of the Services by Elixir to SJM and/or its subsidiaries as contemplated under the Master Agreement. On 24 November 2008, Elixir has also entered into the Master Agreement for the provision of the Services comprising the System Integration Services and the Maintenance Services to SJM and/or its subsidiaries. The expected annual cap amounts for the System Integration Services and the Maintenance Services are HK\$75 million and HK\$25 million respectively, for each of the next three years ending 31 December 2011.

The purpose of this circular is to set out (i) further information on the Service Arrangement; (ii) further information on the Master Agreement; (iii) the recommendation from the Independent Board Committee in respect of the Service Arrangement and the Master Agreement; (iv) a letter of advice from Hantec to the Independent Board Committee and the Independent Shareholders in respect of the Service Arrangement and the Master Agreement; and (v) a notice convening the EGM at which relevant resolutions will be proposed to the Independent Shareholders to consider and if thought fit, approve (by way of poll) the Service Arrangement and the Master Agreement and all transactions contemplated thereunder.

BACKGROUND

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

Since its inception in July 2002, the Elixir Group has been engaging in the business of system integration and supply and provision of various software systems and hardware equipment as well as information technology and maintenance services to clients predominately in Macau and the Pearl River Delta Area of the PRC. Its clients include companies and enterprises from a wide range of industries such as gaming, retail, entertainment, hospitality as well as banking and finance. The business relationship between the Elixir Group and SJM commenced in January 2003 and during the years from 2003 to 2008, the Elixir Group has entered into several separate service arrangements with SJM for the provision of information technology related services to SJM and/or its subsidiaries.

Given that the Elixir Group has demonstrated its quality of works and services provided under the said previous service arrangements and established a good business relationship with SJM, on 14 November 2008, Elixir has entered into the Service Arrangement with SJM which confirmed the terms agreed for the provision of System Integration Services and Maintenance Services for the aggregate values of approximately HK\$42.68 million and approximately HK\$16.45 million respectively.

The aggregate values for the Services provided by Elixir to SJM and/or its subsidiaries for the four years ended/ending 31 December 2008 were/will be as follows:

<i>(HK\$' million)</i>	The aggregate values for the Services provided by Elixir to SJM and/or its subsidiaries for the years ended/ending 31 December			
	2005	2006	2007	2008
Services				
System Integration Services	88.16	103.41	42.09	42.68
Maintenance Services	3.81	6.58	7.25	16.45

LETTER FROM THE BOARD

In order to enhance the efficiency of both Elixir and the Group by saving extra administrative and compliance works, on 24 November 2008, Elixir has also entered into the Master Agreement with SJM for the possible provision of the System Integration Services and Maintenance Services to SJM and/or its subsidiaries. The expected annual cap amounts for the provision of System Integration Services and Maintenance Services are HK\$75 million and HK\$25 million respectively, for each of the next three years ending 31 December 2011.

THE SERVICE ARRANGEMENT

Date: 14 November 2008

Parties: i. Elixir
ii. SJM

Information technology related services to be provided under the Service Arrangement

Pursuant to the Service Arrangement, Elixir provides to SJM and/or its subsidiaries such Services comprising:

1. System Integration Services including the liaison with, and procurement of other hardware and software suppliers to provide and install the digital surveillance camera system and the extra low voltage systems and to provide the gaming products together with the provision of information technology expertise to ameliorate the computer facilities and equipments of SJM and/or its subsidiaries; and
2. Maintenance Services in relation to (i) the maintenance services of the existing digital surveillance camera system installed at the casinos and slot halls operated by SJM and/or its subsidiaries (parts excluded); (ii) supply of parts to the existing systems installed at the various casinos and slot halls operated by SJM and/or its subsidiaries; and (iii) the maintenance and support services to be provided by Elixir for the gaming products owned by SJM and/or its subsidiaries.

Consideration

The consideration payable by SJM and/or its subsidiaries under the Service Arrangement was determined by arm's length negotiations between the parties thereto. Pursuant to the terms of the Service Arrangement, the aggregate service charge for the System Integration Services is approximately HK\$42.68 million (as to approximately HK\$36.63 million for digital surveillance camera system and as to approximately HK\$6.05 million for the electronic low voltage system). Such aggregate service charge is determined with reference to the market costs of (i) the relevant hardware systems and equipment; and (ii) the estimated manpower to be incurred by Elixir based on past experience for installing the same and provision of the related technical services to SJM and/or its subsidiaries (with a reasonable mark up on the costs which is comparable to the rate that Elixir normally adopts in dealings with other independent customers). The aggregate service charge for the Maintenance Services is approximately HK\$16.45 million (as to approximately HK\$16.00 million for the maintenance services of the existing

LETTER FROM THE BOARD

digital surveillance camera system installed in the various casinos and slot machine halls operated by SJM and/or its subsidiaries and as to approximately HK\$446,900 for the maintenance and support services to be provided by Elixir for the gaming products owned by SJM and/or its subsidiaries under the Service Arrangement). Such aggregate service charge was determined with reference to the estimated market costs of the resources to be incurred by Elixir during the relevant agreed service period (which such estimation is based on past experience). The aggregate service charge for the System Integration Services to be provided by Elixir to SJM and/or its subsidiaries is comparable to the market rate and charge to other independent customers of Elixir.

Payment terms

Consideration for the Services provided to SJM and/or its subsidiaries pursuant to the Service Arrangement are made in the following ways:

- (i) by installments in consideration of the extent of services completed by Elixir in relation to the System Integration Services for digital surveillance camera system installed in respect of each of the casinos and slot machine halls operated by SJM and/or its subsidiaries;
- (ii) by paying the full amount in respect of the contract price of parts to be supplied by Elixir to SJM and/or its subsidiaries in relation to the existing and digital surveillance camera system to be installed at the various casinos and slot halls operated by SJM and/or its subsidiaries upon entering into the Service Arrangement;
- (iii) by paying the full amount of the service fee on the Maintenance Services to be provided by Elixir in relation to its existing digital surveillance camera system installed at the casinos and slot halls operated by SJM and/or its subsidiaries upon entering into the Service Arrangement;
- (iv) by paying the full amount in respect of the contract price of the relevant service charge in relation to the System Integration Services for the gaming products upon entering into the Service Arrangement;
- (v) by paying the full amount in respect of the contract price of parts to be supplied by Elixir to SJM and/or its subsidiaries in relation to the System Integration Services for the extra low voltage systems upon entering into the Service Arrangement; and
- (vi) by installments in relation to the Maintenance Services to be provided by Elixir for the gaming products owned by SJM and/or its subsidiaries.

Condition Precedent

The Service Arrangement is conditional upon the approval by the Independent Shareholders by way of poll at the EGM in compliance with the Listing Rules including (without limitation to) the requirement that any Shareholder(s) and their associates interested in the Service Arrangement having abstained from voting at the EGM.

LETTER FROM THE BOARD

Unless the parties thereto otherwise agree (but nevertheless subject to the relevant requirements under the Listing Rules), the above condition cannot be waived by the relevant parties to the Service Arrangement. In the event that the condition cannot be fulfilled on or before 31 December 2008 (or such other date(s) as the parties may mutually agree), SJM may, by notice to Elixir, terminate the Service Arrangement. None of the parties to the Service Arrangement will have any obligations and liabilities save for any antecedent breach of the terms thereof.

As at the Latest Practicable Date, none of the above condition precedents has been satisfied.

THE MASTER AGREEMENT

Date: 24 November 2008

Parties: i. Elixir
ii. SJM

Subject: To provide the Services by Elixir to SJM and/or its subsidiaries as detailed under the paragraph headed “Continuing Connected Transactions” below.

Term: Three years ending 31 December 2011.

Condition: The Master Agreement is conditional upon the approval by the Independent Shareholders by way of poll at the EGM in compliance with the Listing Rules including (without limitation to) the requirement that any Shareholder(s) and their associates interested in the Master Agreement having abstained from voting at the EGM.

Unless the parties thereto otherwise agree (but nevertheless subject to the relevant requirements under the Listing Rules), the above condition cannot be waived by the relevant parties to the Master Agreement. In the event that the condition cannot be fulfilled on or before 31 January 2009 (or such other date(s) as the parties may mutually agree), SJM may, by notice to Elixir, terminate the Master Agreement. None of the parties to the Master Agreement will have any further obligations and liabilities thereunder.

As at the Latest Practicable Date, none of the above condition precedents has been satisfied.

LETTER FROM THE BOARD

Continuing Connected Transactions

Pursuant to the Master Agreement, Elixir will provide SJM and/or its subsidiaries the Services, on a project basis, comprising:

1. System Integration Services including the liaison with, and procurement of other hardware and software suppliers to provide and install the digital surveillance camera system, the extra low voltage systems and the gaming products together with the provision of information technology expertise to ameliorate the computer facilities and equipments of SJM and/or its subsidiaries; and any other system(s) of SJM and/or its subsidiaries as may be mutually agreed between Elixir and SJM; and
2. Maintenance Services in relation to (i) the maintenance services of the existing digital surveillance camera system installed at the casinos and slot halls operated by SJM and/or its subsidiaries (parts excluded); (ii) the maintenance services to be provided by Elixir for the systems to be installed at the SJM's Premises (parts excluded); (iii) supply of any relevant parts constituting and/or maintaining the systems and the gaming products installed or to be installed at the SJM's Premises; and (iv) the maintenance and support services to be provided by Elixir for the gaming products owned or to be owned by SJM and/or its subsidiaries.

It is proposed that the annual cap amounts of the Continuing Connected Transactions for each of the three years ending 31 December 2011 will not exceed the following:

<i>(HK\$' million)</i>	Annual cap amounts of the Continuing Connected Transactions for the years ending 31 December		
	2009	2010	2011
Services			
System Integration Services	75	75	75
Maintenance Services	25	25	25

The annual cap amounts for the Continuing Connected Transactions are determined with reference to (i) previous transaction amounts between Elixir and SJM; (ii) the market prices of the hardware and/or the software involved in the provision of the System Integration Services; (iii) the estimated market costs of the resources to be incurred by Elixir during the relevant agreed service period (which such estimation is based on past experience); (iv) the existing number of casinos, slot halls and hotels that are currently operated by SJM and/or its subsidiaries; and (v) the planned increase in the number of the casinos, slot halls and/or hotels to be launched/operated by SJM and/or its subsidiaries where the Services would be substantially utilised by SJM and/or its subsidiaries.

LETTER FROM THE BOARD

Payment terms

In accordance with the terms of the Master Agreement, the consideration and the payment terms of the Continuing Connected Transactions are determined on a project basis between Elixir and SJM and/or its subsidiaries, after an arm's length negotiation, with reference to (i) the then market prices of the relevant hardware systems and equipment; (ii) the then market costs of the estimated manpower to be incurred by Elixir based on past experience for installing the same and provision of the related technical services to SJM and/or its subsidiaries (with a reasonable mark up on the costs which is comparable to the rate that Elixir normally adopts in dealings with other independent customers); and (iii) the estimated market costs of the resources to be incurred by Elixir during the relevant agreed service period (which such estimation is based on past experience).

REASONS FOR ENTERING INTO THE SERVICE ARRANGEMENT AND THE MASTER AGREEMENT

The Group's business can be principally segregated into four divisions, namely, (i) leisure and entertainment; (ii) technology; (iii) financial services; and (iv) property and other investments. Elixir, an indirect wholly-owned subsidiary of the Company, is the major technology arm of the Group based in Macau and is principally engaged in the distribution of gaming products and other gaming products to casino operators. It also supplies integrated systems to hotels and casino operators such as installation of casino surveillance systems and LED displays. The provision of the Services to SJM and/or its subsidiaries is a transaction of revenue nature in the ordinary and usual course of business of Elixir and generates income for the Group. Besides, by leveraging on the established track record of providing technology systems and services to SJM and/or its subsidiaries, the Group would be able to further promote its products and services to other potential customers in the gaming and entertainment industries in Macau.

FINANCIAL EFFECTS OF THE SERVICE ARRANGEMENT AND THE MASTER AGREEMENT

Upon entering of the Service Arrangement and the Master Agreement, it is estimated that there will be no material effect on the asset and liabilities of the Group. However, upon entering of the Master Agreement, the Group is expected to be financially benefited by saving administrative and compliance costs to be incurred, while the Service Arrangement is expected to have no material effect on the earnings of the Group.

IMPLICATION OF THE LISTING RULES

SJM is a company incorporated under the laws of Macau owned as to 10% by Dr. Stanley Ho and 90% by SJM Holdings. SJM Holdings is owned as to 60% by STD-M-Investments Limited, a company incorporated under the laws of Macau and owned as to 0.01% by Dr. Stanley Ho and as to 99.99% by STD-M, which in turn is owned as to approximately 32.204% by Dr. Stanley Ho. SJM is principally engaged in gaming business in Macau and is one of the six concessionaires/sub-concessionaires licensed to carry on casino operations in Macau.

LETTER FROM THE BOARD

Dr. Stanley Ho is currently a director of certain subsidiaries of the Company and hence is regarded as a connected person of the Company for the purposes of connected transactions under the Listing Rules. SJM is a connected person of the Company for the purposes of the Listing Rules by virtue of the fact that Dr. Stanley Ho has an equity interest in STDM of approximately 32.204% and STDM, through an intermediary subsidiary, holds an approximate 60% equity interest in SJM. Based on the above, the Service Arrangement constitutes connected transactions of the Company and the Master Agreement constitutes continuing connected transactions under Chapter 14A of the Listing Rules.

Furthermore, given that the revenue ratio for the Service Arrangement is more than 5% but less than 25%, the Service Arrangement also constitutes discloseable transactions of the Company under Rule 14.08 of the Listing Rules.

As the annual cap amounts of the Continuing Connected Transactions will exceed the 2.5% threshold as provided in Rule 14A.34 of the Listing Rules, both the Service Arrangement and the Master Agreement will be subject to the reporting, announcement and Independent Shareholders' approval requirements pursuant to the Listing Rules.

Dr. Stanley Ho and his associates, STDM, Lanceford, Madam Laam, Ms. Daisy Ho, Mr. Lawrence Ho, Lasting Legend, Better Joy and The L3G Capital Trust will abstain from voting on the relevant resolutions regarding the Service Arrangement and the Master Agreement and all transactions contemplated thereunder at the EGM.

EGM

A notice convening the EGM to be held at 38th Floor, The Centrium, 60 Wyndham Street, Central, Hong Kong on Monday, 22 December 2008 at 10:30 a.m. is set out on pages 40 to 41 of this circular at which relevant resolutions will be proposed and, if thought fit, passed by the Independent Shareholders (by way of poll), to approve the Service Arrangement and the Master Agreement and all transactions contemplated thereunder.

A proxy form for use by the Independent Shareholders at the EGM is enclosed. Whether or not you are available to attend the EGM in person, you are requested to complete the accompanying proxy form in accordance with the instructions printed thereon and return the same to the registered office of the Company at 38th Floor, The Centrium, 60 Wyndham Street, Central, Hong Kong as soon as possible and in any event not less than 48 hours before the time appointed for holding of the EGM or any adjournment thereof. Completion and return of a proxy form will not preclude you from attending and voting in person at the EGM or any adjourned meeting should you so wish.

PROCEDURES FOR DEMANDING A POLL

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:

- (a) by the Chairman of the meeting; or

LETTER FROM THE BOARD

- (b) by at least three members present in person or by proxy for the time being entitled to vote at the meeting; or
- (c) 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
- (d) 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 of or against such resolution.

RECOMMENDATION

The Board (including the independent non-executive Directors) is of the view that the terms of the Service Arrangement and the Master Agreement are fair and reasonable and that they are arrived at after arm's length negotiations and are upon normal commercial terms, in the ordinary and usual course of business of Elixir and the Group and in the interests of the Company and the Shareholders as a whole. Accordingly, the Directors recommend the Shareholders to vote in favour of the relevant resolutions to be proposed at the EGM to approve the Service Arrangement and the Master Agreement and all transactions contemplated thereunder.

Your attention is drawn to the letter from the Independent Board Committee to the Independent Shareholders set out on page 15 of this circular and the letter from Hantec to the Independent Board Committee and the Independent Shareholders set out on pages 16 to 24 of this circular in respect of the Service Arrangement and the Master Agreement. The Independent Board Committee, having taking into account the advice from Hantec, considers that the terms of the Service Arrangement and the Master Agreement are fair and reasonable so far as the Independent Shareholders are concerned and are in the interests of the Company and the Shareholders as a whole.

ADDITIONAL INFORMATION

Please refer to the additional information set out in the appendix of this circular.

Yours faithfully,
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

(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

4 December 2008

To the Independent Shareholders

Dear Sir and Madam,

**(i) DISCLOSEABLE AND CONNECTED TRANSACTIONS; AND
(ii) CONTINUING CONNECTED TRANSACTIONS
PROVISION OF INFORMATION TECHNOLOGY SERVICES TO
SOCIEDADE DE JOGOS DE MACAU, S.A.**

We have been appointed as members of the Independent Board Committee to advise you in respect of the Service Arrangement and the Master Agreement, details of which are set out in the “letter from the Board” in the circular of the Company dated 4 December 2008 (the “**Circular**”), of which this letter forms part. Capitalised terms used in this letter have the same meanings as defined in the Circular unless the context otherwise requires.

We wish to draw your attention to the letter of advice from Hantec as set out on pages 16 to 24 of the Circular, which contains its advice and recommendation to us as to whether the terms of the Service Arrangement and the Master Agreement are fair and reasonable so far as the Independent Shareholders are concerned and whether they are in the interests of the Company and 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, Hantec as stated in its aforementioned letter of advice, we are of the opinion that the terms of the Service Arrangement and the Master Agreement are fair and reasonable so far as the Independent Shareholders are concerned and are in the interests of the Company and the Shareholders as a whole. We therefore recommend the Independent Shareholders to vote in favour of the relevant resolutions to be proposed at the EGM to approve the Service Arrangement and the Master Agreement and all 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 a letter of advice from Hantec to the Independent Board Committee and the Independent Shareholders in relation to the Service Arrangement and the Master Agreement, which has been prepared for the purpose of inclusion in this circular:



Hantec Capital Limited

45th Floor, COSCO Tower
183 Queen's Road Central
Hong Kong

4 December 2008

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

Dear Sirs and Madams,

**(i) DISCLOSEABLE AND CONNECTED TRANSACTIONS; AND
(ii) CONTINUING CONNECTED TRANSACTIONS
PROVISION OF INFORMATION TECHNOLOGY SERVICES TO
SOCIEDADE DE JOGOS DE MACAU, S.A.**

INTRODUCTION

We refer to our appointment as the independent financial adviser to the Independent Board Committee and the Independent Shareholders in respect of the terms of the Service Arrangement and the Master Agreement, details of which are set out in the letter from the Board (the “**Letter from the Board**”) contained in the circular (the “**Circular**”) of the Company dated 4 December 2008, of which this letter forms part. Capitalised terms used herein shall have the same meanings in the Circular unless the context otherwise requires.

On 14 November 2008, Elixir, an indirect wholly-owned subsidiary of the Company, has entered into the Service Arrangement with SJM, pursuant to which Elixir and SJM confirmed the terms agreed for the provision of Services comprising System Integration Services and Maintenance Services to SJM and/or its subsidiaries for the aggregate value of approximately HK\$42.68 million and approximately HK\$16.45 million respectively.

In order to enhance the efficiency of both Elixir and the Group by saving extra administrative and compliance works, on 24 November 2008, Elixir has also entered into the Master Agreement with SJM for the possible provision of the System Integration Services and the Maintenance Services to SJM and/or its subsidiaries. The expected annual cap amounts for the System Integration Services and the Maintenance Services are HK\$75 million and HK\$25 million respectively, for each of the next three years ending 31 December 2011.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Dr. Stanley Ho is currently a director of certain subsidiaries of the Company and hence is regarded as a connected person of the Company for the purposes of connected transactions under the Listing Rules. SJM is a connected person of the Company for the purposes of the Listing Rules by virtue of the fact that Dr. Stanley Ho has an equity interest in STDM of approximately 32.204% and STDM, through an intermediary subsidiary, holds an approximate 60% equity interest in SJM. Based on the above, the Service Arrangement constitutes connected transactions of the Company and the Master Agreement constitutes continuing connected transactions under Chapter 14A of the Listing Rules.

Furthermore, given that the revenue ratio for the Service Arrangement is more than 5% but less than 25%, the Service Arrangement also constitutes discloseable transactions of the Company under Rule 14.08 of the Listing Rules.

As the annual cap amounts of the Continuing Connected Transactions will exceed the 2.5% threshold as provided in Rule 14A.34 of the Listing Rules, both the Service Arrangement and the Master Agreement will be subject to the reporting, announcement and Independent Shareholders' approval requirements pursuant to the Listing Rules.

Dr. Stanley Ho and his associates, STDM, Lanceford, Madam Laam, Ms. Daisy Ho, Mr. Lawrence Ho, Lasting Legend, Better Joy and The L3G Capital Trust will abstain from voting on the relevant resolution regarding the Service Arrangement and the Master Agreement and all transactions contemplated thereunder at the EGM.

The Independent Board Committee, comprising the independent non-executive Directors, namely Sir Roger Lobo, Dr. Lo Ka Shui, and Mr. Sham Sui Leung, Daniel has been established to advise the Independent Shareholders in respect of the terms of the Service Arrangement and the Master Agreement.

BASIS OF OUR OPINION

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

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

PRINCIPAL FACTORS TAKEN INTO ACCOUNT

In arriving at our opinion in respect of the terms of the Service Arrangement and the Master Agreement, we have taken the following principal factors and reasons into consideration:

I. Background of and reasons for entering into the Service Arrangement and the Master Agreement

The Group's business can be principally segregated into four divisions, namely, (i) leisure and entertainment; (ii) technology; (iii) financial services; and (iv) property and other investments.

Elixir, an indirect wholly-owned subsidiary of the Company, is the major technology arm of the Group based in Macau and is principally engaged in the distribution of gaming products and other gaming products to casino operators. It also supplies integrated systems to hotels and casino operators such as installation of casino surveillance systems and LED displays. Since its inception in July 2002, the Elixir Group has been engaging in the business of system integration and supply and provision of various software systems and hardware equipment as well as information technology and maintenance services to clients predominately in Macau and the Pearl River Delta Area of the PRC.

SJM is a company incorporated under the laws of Macau. It is principally engaged in gaming business in Macau and is one of the six concessionaires/sub-concessionaires licensed to carry on casino operations in Macau.

The business relationship between the Elixir Group and SJM commenced in January 2003 and during the years from 2003 to 2008, the Elixir Group has entered into several separate service arrangements (the "**Previous Arrangements**") with SJM for the provision of information technology related services to SJM and/or its subsidiaries. The items included in the Previous Arrangements were similar in nature to the Service Arrangement and the Master Agreement.

Pursuant to the Service Arrangement, Elixir provides to SJM and/or its subsidiaries such Services comprising: (1) System Integration Services including the liaison with, and procurement of other hardware and software suppliers to provide and install the digital surveillance camera system and the extra low voltage systems and to provide the gaming products together with the provision of information technology expertise to ameliorate the computer facilities and equipments of SJM and/or its subsidiaries; and (2) Maintenance Services in relation to (i) the maintenance services of the existing digital surveillance camera system installed at the casinos and slot halls operated by SJM and/or its subsidiaries (parts excluded); (ii) supply of parts to the existing systems installed at the various casinos and slot halls operated by SJM and/or its subsidiaries; and (iii) the maintenance and support services to be provided by Elixir for the gaming products owned by SJM and/or its subsidiaries.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

In order to enhance the efficiency of both Elixir and the Group by saving extra administrative and compliance works, on 24 November 2008, Elixir has also entered into the Master Agreement with SJM for the possible provision of the System Integration Services and the Maintenance Services to SJM and/or its subsidiaries. Pursuant to the Master Agreement, Elixir will provide SJM and/or its subsidiaries the Services, on a project basis, comprising: (1) System Integration Services including the liaison with, and procurement of other hardware and software suppliers to provide and install the digital surveillance camera system, the extra low voltage systems and the gaming products together with the provision of information technology expertise to ameliorate the computer facilities and equipments of SJM and/or its subsidiaries; and any other system(s) of SJM and/or its subsidiaries as may be mutually agreed between Elixir and SJM; and (2) Maintenance Services in relation to (i) the maintenance services of the existing digital surveillance camera system installed at the casinos and slot halls operated by SJM and/or its subsidiaries (parts excluded); (ii) the maintenance services to be provided by Elixir for the systems to be installed at the SJM's Premises (parts excluded); (iii) supply of any relevant parts constituting and/or maintaining the systems and the gaming products installed or to be installed at the SJM's Premises; and (iv) the maintenance and support services to be provided by Elixir for the gaming products owned or to be owned by SJM and/or its subsidiaries.

Given the business nature of Elixir and SJM, we are of the view that the transactions contemplated under the Service Arrangement and the Master Agreement are conducted in the usual and ordinary course of business of the Group. By entering into the Service Arrangement and the Master Agreement, Elixir will furnish a source of revenue, which is essential to the business operation and development, and will therefore enhance the revenue contribution to the Group. Moreover, by leveraging on the established track record of providing technology systems and services to SJM and/or its subsidiaries, the Group would be able to further promote its products and services to other potential customers in the gaming and entertainment industries. In light of above, we consider that the entering into the Service Arrangement and the Master Agreement is in the interests of the Group and the Independent Shareholders as a whole.

II. Principal terms of the Service Arrangement

Consideration

As stated in the Letter from the Board, the consideration payable by SJM and/or its subsidiaries under the Service Arrangement was determined by arm's length negotiations between the parties thereto.

Pursuant to the terms of the Service Arrangement, the aggregate service charge for the System Integration Services is approximately HK\$42.68 million (as to approximately HK\$36.63 million for digital surveillance camera system and as to approximately HK\$6.05 million for the electronic low voltage system). Such aggregate service charge is determined with reference to the market costs of (i) the relevant hardware systems and equipment; and (ii) the estimated manpower to be incurred by Elixir based on past experience for installing the same and provision of the related technical services to SJM and/or its subsidiaries (with a reasonable mark up on the costs which is comparable to the rate that Elixir normally adopts in dealings with other independent customers). The aggregate service charge

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for the Maintenance Services is approximately HK\$16.45 million (as to approximately HK\$16.00 million for the maintenance services of the existing digital surveillance camera system installed in the various casinos and slot machine halls operated by SJM and/or its subsidiaries and as to approximately HK\$446,900 for the maintenance and support services to be provided by Elixir for the gaming products owned by SJM and/or its subsidiaries under the Service Arrangement). Such aggregate service charge was determined with reference to the estimated market costs of the resources to be incurred by Elixir during the relevant agreed service period (which such estimation is based on past experience).

The aggregate service charge for the System Integration Services to be provided by Elixir to SJM and/or its subsidiaries is comparable to the market rate and charge to other independent customers of Elixir.

To assess whether the terms of the Service Arrangement are fair and reasonable, we have reviewed (i) the Service Arrangement and relevant schedules, which set out the description, quantity, unit price, total prices and payment terms of relevant hardware systems and equipment and services under the Service Arrangement; and (ii) certain samples of transactions (the “**Independent Comparables**”) under which Elixir provided similar services to the independent customers in 2007 and 2008. We have examined components of the Service Arrangement against those of the Independent Comparables to evaluate the fairness and reasonableness. As advised by the management of the Company, the prices of the Service Arrangement as well as the Independent Comparables are determined based on the costs payable to the suppliers incurred by Elixir for rendering such services with a mark up on the costs charged by the suppliers and other administrative and handling costs incurred. We also understand from the Directors that the price of each individual project under the Service Arrangement comprises the price of (i) the hardware systems and equipment purchased, (ii) the relevant installation and technical services and (iii) Maintenance Services (if applicable). We have found that the prices of the Service Arrangement are comparable to those of the Independent Comparables. Moreover, we have discussed with the management of the Company and noted that there is no special discount offered to SJM by Elixir under the Service Arrangement. Based on the aforesaid, we are of the view that the consideration for the Service Arrangement is fair and reasonable so far as the Independent Shareholders are concerned.

Payment terms

Consideration for the Services provided to SJM and/or its subsidiaries pursuant to the Service Arrangement are made in the following ways:

- (i) by installments in consideration of the extent of services completed by Elixir in relation to the System Integration Services for digital surveillance camera system installed in respect of each of the casinos and slot machine halls operated by SJM and/or its subsidiaries;

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- (ii) by paying the full amount in respect of the contract price of parts to be supplied by Elixir to SJM and/or its subsidiaries in relation to the existing and digital surveillance camera system to be installed at the various casinos and slot halls operated by SJM and/or its subsidiaries upon entering into the Service Arrangement;
- (iii) by paying the full amount of the service fee on the Maintenance Services to be provided by Elixir in relation to its existing digital surveillance camera system installed at the casinos and slot halls operated by SJM and/or its subsidiaries upon entering into the Service Arrangement;
- (iv) by paying the full amount in respect of the contract price of the relevant service charge in relation to the System Integration Services for the gaming products upon entering into the Service Arrangement;
- (v) by paying the full amount in respect of the contract price of parts to be supplied by Elixir to SJM and/or its subsidiaries in relation to the System Integration Services for the extra low voltage systems upon entering into the Service Arrangement; and
- (vi) by installments in relation to the Maintenance Services to be provided by Elixir for the gaming products owned by SJM and/or its subsidiaries.

We have compared the payment schedules under the Service Arrangement to those under the Independent Comparables with no abnormal terms noted. As such, we consider that the payment schedules under the Service Arrangement are fair and reasonable so far as the Independent Shareholders are concerned.

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

III. Principal terms of the Master Agreement

In accordance with the terms of the Master Agreement, the consideration and the payment terms of the Continuing Connected Transactions are determined on a project basis between Elixir and SJM and/or its subsidiaries, after an arm's length negotiation, with reference to (i) the then market prices of the relevant hardware systems and equipment; (ii) the then market costs of the estimated manpower to be incurred by Elixir based on past experience for installing the same and provision of the related technical services to SJM and/or its subsidiaries (with a reasonable mark up on the costs which is comparable to the rate that Elixir normally adopts in dealings with other independent customers); and (iii) the estimated market costs of the resources to be incurred by Elixir during the relevant agreed service period (which such estimation is based on past experience).

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We have discussed with the management of the Company and noted that the above basis of determination is similar as those under the Service Arrangement. Pursuant to the Service Arrangement, aggregate service charge for the System Integration Services is determined with reference to the market costs of (i) the relevant hardware systems and equipment; and (ii) the estimated manpower to be incurred by Elixir based on past experience for installing the same and provision of the related technical services to SJM and/or its subsidiaries (with a reasonable mark up on the costs which is comparable to the rate that Elixir normally adopts in dealings with other independent customers). Meanwhile, aggregate service charge for the Maintenance Services is determined with reference to the estimated market costs of the resources to be incurred by Elixir during the relevant agreed service period (which such estimation is based on past experience). Moreover, as advised by the management of the Company, the consideration and the payment terms of the Continuing Connected Transactions will be determined after arm's length negotiations between Elixir and SJM and/or its subsidiaries on a case-by-case basis. In view of (i) the basis of determination of the consideration of the Continuing Connected Transactions is broadly in line with those under the Service Arrangement; and (ii) the consideration and the payment terms of the Continuing Connected Transactions will be determined on a project basis after an arm's length negotiation between Elixir and SJM and/or its subsidiaries, we consider that the consideration and the payment terms of the Continuing Connected Transactions will be determined on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned.

IV. Annual cap amounts of the Continuing Connected Transactions

According to the information provided by the Company, the aggregate values for the Services provided by Elixir to SJM and/or its subsidiaries for the four years ended/ending 31 December 2008 were/will be as follows:

<i>(HK\$' million)</i>	The aggregate values for the Services provided by Elixir to SJM and/or its subsidiaries for the years ended/ending 31 December			
	2005	2006	2007	2008
Services				
System Integration Services	88.16	103.41	42.09	42.68
Maintenance Services	3.81	6.58	7.25	16.45

It is proposed that the annual cap amounts of the Continuing Connected Transactions for each of the three years ending 31 December 2011 will not exceed the following:

<i>(HK\$' million)</i>	Annual cap amounts of the Continuing Connected Transactions for the years ending 31 December		
	2009	2010	2011
Services			
System Integration Services	75	75	75
Maintenance Services	25	25	25

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The annual cap amounts for the Continuing Connected Transactions are determined with reference to (i) previous transaction amounts between Elixir and SJM; (ii) the market prices of the hardware and/or the software involved in the provision of the System Integration Services; (iii) the estimated market costs of the resources to be incurred by Elixir during the relevant agreed service period (which such estimation is based on past experience); (iv) the existing number of casinos, slot halls and hotels that are currently operated by SJM and/or its subsidiaries; and (v) the planned increase in the number of the casinos, slot halls and/or hotels to be launched/operated by SJM and/or its subsidiaries where the Services would be substantially utilised by SJM and/or its subsidiaries.

We noted from the aggregate values for the Services provided by Elixir to SJM and/or its subsidiaries for the four years ending 31 December 2008 that the historical actual amounts in respect of the System Integration Services fluctuated between approximately HK\$42.09 million in 2007 and approximately HK\$103.41 million in 2006, in which the proposed annual cap amounts of HK\$75 million falls. Meanwhile, the historical actual amounts for the Maintenance Services is subject to an upward trend from approximately HK\$3.81 million in 2005 to approximately HK\$16.45 million in 2008, with which the proposed annual cap amounts of HK\$25 million is in line.

We have discussed with the management of the Company the basis of determination of the proposed annual cap amounts. We have also obtained and reviewed the budget plans of SJM in respect of its budgeting for the installation of the digital surveillance camera system in its casinos and hotels and noted that unit prices used in the budget plans are comparable to the prices stated in the Service Arrangement and those in the service arrangements entered into between Elixir and SJM in 2006 and 2007. In addition, we have tried our best effort to seek for market price of the services similar to the Master Agreement with no such public information is available. Furthermore, we were also told to understand that the information in respect of the market price of services similar to the Master Agreement is difficult to obtain as suppliers are likely to treat such information as confidential and may not disclose the same to other suppliers. However, as we have reviewed and compared the budget plans of SJM with the schedules of the Service Arrangement and the previous service arrangements entered into between Elixir and SJM in 2006 and 2007, we consider the unavailability of public information would not affect our opinion on the fairness and reasonableness of the annual cap amounts. To assess whether the annual cap amounts are fair and reasonable, we have considered the following principal factors:

- (a) the proposed annual cap amounts have been arrived with reference to the historical actual amounts for Services and the budget plans made by Elixir after meeting between the management of both SJM and Elixir, in which it estimates the possible projected demand for the Services for the three years ending 31 December 2011; and
- (b) the increase in the annual cap amounts compared to the aggregate value for the Services in 2008 has taken into account (i) the planned increase in the number of the casinos, slot halls and/or hotels to be launched/operated by SJM and/or its subsidiaries where the Services are likely to be substantially utilised by SJM and/or its subsidiaries; (ii) the expected increase in the market price of the hardware and/or the software purchased by Elixir and the market costs payable by Elixir for rendering relevant services; and (iii) potential business growth of SJM and/or its subsidiaries.

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Based on the above, we consider the basis adopted by the management of the Company in determining the annual cap amounts is fair and reasonable so far as the Company and the Independent Shareholders are concerned.

RECOMMENDATION

Having taken into account the principal factors and reasons referred to the above, we are of the view that the terms of the Service Arrangement and the Master Agreement are on normal commercial terms and in the ordinary and usual course of business of the Group, are fair and reasonable so far as the Independent Shareholders are concerned and are in the interests of the Company and the Independent Shareholders as a whole. Accordingly, we recommend the Independent Shareholders, as well as the Independent Board Committee to advise the Independent Shareholders, to vote in favour of the ordinary resolution to be proposed at the EGM to approve the Service Arrangement and the Master Agreement.

Yours faithfully,
For and on behalf of
Hantec Capital Limited
Robert Siu
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 enquiries that to the best of their knowledge and belief, there are no other facts the omission of which would make any statement in this circular misleading.

2. 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	Capacity	Number of ordinary Shares held	Approximate % of the total issued capital of the Company
Mr. Lawrence Ho	Held by controlled corporations	411,335,630 (Note 2)	33.46%
	Beneficial owner	7,319,962	0.60%
Mr. Tsui Che Yin, Frank	Beneficial owner	22,220	0.00%
Dr. Lo Ka Shui	Beneficial owner	2,015,000	0.16%
Sir Roger Lobo	Beneficial owner	15,000	0.00%
Mr. Sham Sui Leung, Daniel	Beneficial owner	15,000	0.00%
Mr. Ng Ching Wo	Beneficial owner	15,000	0.00%

(b) *Share options granted to the Directors pursuant to the share option scheme adopted by the Company on 8 March 2002*

Name of Director	Number of share options outstanding as at the Latest Practicable Date	Approximate % in total issued share capital of the Company	Date of grant	Exercisable period	Exercise price (HK\$)
Mr. Lawrence Ho	230,840	0.02%	01.04.2008	01.04.2009 – 31.03.2018	10.804
	230,840	0.02%	01.04.2008	01.04.2010 – 31.03.2018	10.804
	230,840	0.02%	01.04.2008	01.04.2011 – 31.03.2018	10.804
Mr. Tsui Che Yin, Frank	104,000	0.01%	01.04.2008	01.04.2009 – 31.03.2018	10.804
	104,000	0.01%	01.04.2008	01.04.2010 – 31.03.2018	10.804
	104,000	0.01%	01.04.2008	01.04.2011 – 31.03.2018	10.804
Mr. Chung Yuk Man, Clarence	200,000	0.01%	01.02.2005	17.09.2009 – 07.03.2012	7.400
	130,000	0.01%	13.02.2006	01.04.2008 – 31.01.2016	11.800
	130,000	0.01%	13.02.2006	01.04.2010 – 31.01.2016	11.800
	140,000	0.01%	13.02.2006	01.04.2012 – 31.01.2016	11.800
	104,000	0.01%	01.04.2008	01.04.2009 – 31.03.2018	10.804
	104,000	0.01%	01.04.2008	01.04.2010 – 31.03.2018	10.804
	104,000	0.01%	01.04.2008	01.04.2011 – 31.03.2018	10.804
Dr. Lo Ka Shui	100,000	0.01%	03.04.2006	03.04.2008 – 02.04.2016	15.870
	100,000	0.01%	03.04.2006	03.04.2010 – 02.04.2016	15.870
	100,000	0.01%	03.04.2006	03.04.2012 – 02.04.2016	15.870
	17,000	0.00%	28.02.2008	01.04.2009 – 27.02.2018	11.500
	17,000	0.00%	28.02.2008	01.04.2010 – 27.02.2018	11.500
	17,000	0.00%	28.02.2008	01.04.2011 – 27.02.2018	11.500
	17,000	0.00%	28.02.2008	01.04.2011 – 27.02.2018	11.500
Sir Roger Lobo	100,000	0.01%	03.04.2006	03.04.2008 – 02.04.2016	15.870
	100,000	0.01%	03.04.2006	03.04.2010 – 02.04.2016	15.870
	100,000	0.01%	03.04.2006	03.04.2012 – 02.04.2016	15.870
	17,000	0.00%	28.02.2008	01.04.2009 – 27.02.2018	11.500
	17,000	0.00%	28.02.2008	01.04.2010 – 27.02.2018	11.500
	17,000	0.00%	28.02.2008	01.04.2011 – 27.02.2018	11.500
	17,000	0.00%	28.02.2008	01.04.2011 – 27.02.2018	11.500
Mr. Sham Sui Leung, Daniel	17,000	0.00%	28.02.2008	01.04.2009 – 27.02.2018	11.500
	17,000	0.00%	28.02.2008	01.04.2010 – 27.02.2018	11.500
	17,000	0.00%	28.02.2008	01.04.2011 – 27.02.2018	11.500
Mr. Ng Ching Wo	100,000	0.01%	03.04.2006	03.04.2008 – 02.04.2016	15.870
	100,000	0.01%	03.04.2006	03.04.2010 – 02.04.2016	15.870
	100,000	0.01%	03.04.2006	03.04.2012 – 02.04.2016	15.870
	17,000	0.00%	28.02.2008	01.04.2009 – 27.02.2018	11.500
	17,000	0.00%	28.02.2008	01.04.2010 – 27.02.2018	11.500
	17,000	0.00%	28.02.2008	01.04.2011 – 27.02.2018	11.500
	17,000	0.00%	28.02.2008	01.04.2011 – 27.02.2018	11.500

(c) *Shares awarded to the Directors pursuant to the share purchase scheme (share incentive award scheme) adopted by the Company on 18 October 2007*

Name of Director	Number of awarded Shares outstanding as at the Latest Practicable Date	Approximate % in total issued share capital of the Company	Date of award	Vesting date
Mr. Lawrence Ho	87,325	0.007%	01.04.2008	01.04.2009
	87,325	0.007%	01.04.2008	01.04.2010
Mr. Tsui Che Yin, Frank	22,220	0.002%	01.04.2008	01.04.2009
	22,220	0.002%	01.04.2008	01.04.2010
Mr. Chung Yuk Man, Clarence	22,220	0.002%	01.04.2008	01.04.2009
	22,220	0.002%	01.04.2008	01.04.2010
Dr. Lo Ka Shui	15,000	0.001%	28.02.2008	31.03.2009
	15,000	0.001%	28.02.2008	31.03.2010
	4,000	0.000%	28.02.2008	01.04.2009
	4,000	0.000%	28.02.2008	01.04.2010
	4,000	0.000%	28.02.2008	01.04.2011
Sir Roger Lobo	15,000	0.001%	28.02.2008	31.03.2009
	15,000	0.001%	28.02.2008	31.03.2010
	4,000	0.000%	28.02.2008	01.04.2009
	4,000	0.000%	28.02.2008	01.04.2010
	4,000	0.000%	28.02.2008	01.04.2011
Mr. Sham Sui Leung, Daniel	15,000	0.001%	28.02.2008	31.03.2009
	15,000	0.001%	28.02.2008	31.03.2010
	4,000	0.000%	28.02.2008	01.04.2009
	4,000	0.000%	28.02.2008	01.04.2010
	4,000	0.000%	28.02.2008	01.04.2011
Mr. Ng Ching Wo	15,000	0.001%	28.02.2008	31.03.2009
	15,000	0.001%	28.02.2008	31.03.2010
	4,000	0.000%	28.02.2008	01.04.2009
	4,000	0.000%	28.02.2008	01.04.2010
	4,000	0.000%	28.02.2008	01.04.2011

(d) Convertible loan notes issued by the Company

Name of Director	Capacity	Number of underlying Shares held	Approximate % of the total issued share capital of the Company
Mr. Lawrence Ho	Held by trust	117,912,694 <i>(Note 3)</i>	9.60%

Notes:

- As at the Latest Practicable Date, the total number of issued Shares was 1,229,331,116.
- The 115,509,024 Shares are held by Lasting Legend, representing approximately 9.40% of the issued share capital of the Company, 288,532,606 Shares are held by Better Joy, representing approximately 23.47% of the issued share capital of the Company and 7,294,000 Shares are held by The L3G Capital Trust, representing approximately 0.59% of the issued share capital of the Company. Lasting Legend, Better Joy and The L3G Capital Trust are owned by companies, persons and/or 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 (now known as MPEL (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 8.75% 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 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.

(II) Long positions 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*

Name of Director	Capacity	Number of ordinary shares of Value Convergence held	Approximate % of the total issued share capital of Value Convergence
Mr. Lawrence Ho	Held by controlled corporations	165,163,008 <i>(Note 2)</i>	44.50%

(b) Share options of Value Convergence

Name of Director	Capacity	Number of underlying shares of Value Convergence held	Approximate % of the total issued share capital of Value Convergence
Mr. Lawrence Ho	Beneficial owner	491,057 <i>(Note 2)</i>	0.13%

Notes:

1. As at the Latest Practicable Date, the total number of issued shares of Value Convergence was 371,169,772.
2. Mr. Lawrence Ho is deemed to be interested in (i) 160,930,381 shares of Value Convergence as a result of him being beneficially interested in approximately 34.06% of the issued share capital of the Company which in turn holds approximately 43.36% 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 1.14% 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 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 Value Convergence's share.

(B) Melco Crown Entertainment Limited ("MPEL")*(a) Ordinary shares of US\$0.01 each of MPEL*

Name of Director	Capacity	Number of ordinary shares of MPEL held	Approximate % of the total issued share capital of MPEL
Mr. Lawrence Ho	Held by controlled corporations	510,746,156 <i>(Note 2)</i>	38.65%
Mr. Tsui Che Yin, Frank	Beneficial owner	11,850	0.00%
Mr. Chung Yuk Man, Clarence	Beneficial owner	21,077	0.00%

(b) Restricted shares awarded by MPEL

Name of Director	Capacity	Number of restricted shares of MPEL held	Approximate % of the total issued share capital of MPEL
Mr. Lawrence Ho	Beneficial owner	947,450 <i>(Note 3)</i>	0.07%
	Beneficial owner	124,584 <i>(Note 4)</i>	0.00%
Mr. Chung Yuk Man, Clarence	Beneficial owner	10,523 <i>(Note 3)</i>	0.00%
	Beneficial owner	6,228 <i>(Note 4)</i>	0.00%

(c) Stock options of MPEL

Name of Director	Capacity	Number of underlying shares of MPEL held	Approximate % of the total issued share capital of MPEL
Mr. Lawrence Ho	Beneficial owner	1,132,587 <i>(Note 5)</i>	0.09%
Mr. Chung Yuk Man, Clarence	Beneficial owner	56,628 <i>(Note 5)</i>	0.00%

Notes:

- As at the Latest Practicable Date, the total number of issued shares of MPEL was 1,321,324,083.60.
- Mr. Lawrence Ho is deemed to be interested in (i) 500,000,000 shares of MPEL which are being held by Melco Leisure and Entertainment Group Limited (“Melco Leisure”), a wholly owned subsidiary of the Company; and (ii) 10,746,156 shares of MPEL which are being held by Melco Crown SPV Limited (formerly known as Melco PBL SPV Limited), a company which is owned by Melco Leisure as to 50%, as a result of him being beneficially interested in approximately 34.06% of the issued share capital of the Company which in turn holds approximately 38.65% of the issued share capital of MPEL.
- The personal interests of these directors represent their interests in MPEL comprising the restricted shares which were granted to them by MPEL on 19 December 2006 pursuant to the restricted shares award agreement under the Share Incentive Plan adopted by MPEL in 2006.

The 947,450 restricted shares held by Mr. Lawrence Ho shall vest on 19 December 2009. Among the 10,523 restricted shares held by Mr. Chung Yuk Man, Clarence, 5,261 shall vest on 19 December 2008 and 5,262 shares shall vest on 19 December 2009.

4. The personal interests of these directors represent their interests in MPEL comprising the restricted shares which were granted to them by MPEL on 18 March 2008 pursuant to the restricted shares award agreement under the Share Incentive Plan adopted by MPEL in 2006.

Among the 124,584 restricted shares held by Mr. Lawrence Ho, 62,292 shall vest on 18 March 2010 and 62,292 shall vest on 18 March 2012. Among the 6,228 restricted shares held by Mr. Chung Yuk Man, Clarence, 3,114 shall vest on 18 March 2010 and 3,114 shares shall vest on 18 March 2012.

5. The personal interests of these directors represent their derivative interests in MPEL comprising the stock options granted to them by MPEL on 18 March 2008 at an exercise price of US\$4.01333 per share (US\$12.04 per American Depositary Share (“ADS”)) of MPEL (Note: 3 shares equal to 1 ADS) pursuant to the share option award agreement under the Share Incentive Plan adopted by MPEL in 2006.

Among the 1,132,587 stock options held by Mr. Lawrence Ho, 283,146.75 may be exercised during the period from 18 March 2009 to 17 March 2018, 283,146.75 may be exercised during the period from 18 March 2010 to 17 March 2018, 283,146.75 may be exercised during the period from 18 March 2011 to 17 March 2018 and 283,146.75 may be exercised during the period from 18 March 2012 to 17 March 2018.

Among the 56,628 stock options held by Mr. Chung Yuk Man, Clarence, 14,157 may be exercised during the period from 18 March 2009 to 17 March 2018, 14,157 may be exercised during the period from 18 March 2010 to 17 March 2018, 14,157 may be exercised during the period from 18 March 2011 to 17 March 2018 and 14,157 may be exercised during the period from 18 March 2012 to 17 March 2018.

(C) Melco China Resorts (Holding) Limited (“MCR”)

(a) Common shares (without par value) of MCR

Name of Director	Capacity	Number of common shares of MCR held	Approximate % of the total issued common shares of MCR
Mr. Lawrence Ho	Held by controlled corporation	43,109,134 <i>(Note 2)</i>	49.30%

(b) Class B non-voting shares (without par value) of MCR

Name of Director	Capacity	Number of Class B non-voting shares of MCR held	Approximate % of the total issued Class B non-voting shares of MCR
Mr. Lawrence Ho	Held by controlled corporation	8,437,565 <i>(Note 2)</i>	100%

(c) Warrants issued by MCR

Name of Director	Capacity	Number of underlying shares of MCR held	Approximate % of the total issued common shares of MCR
Mr. Lawrence Ho	Held by controlled corporation	1,000,000 <i>(Note 3)</i>	1.14%

(d) Stock options of MCR

Name of Director	Capacity	Number of underlying shares of MCR held	Approximate % of the total issued common shares of MCR
Mr. Chung Yuk Man, Clarence	Beneficial owner	300,000 <i>(Note 4)</i>	0.34%

Notes:

- As at the Latest Practicable Date, the total number of issued common shares of MCR was 87,439,344 and the total number of issued Class B non-voting shares was 8,437,565.
- Mr. Lawrence Ho is taken to be interested in 43,109,134 common shares and 8,437,565 Class B non-voting shares of MCR, which are being held by Melco (Luxembourg) S.à.r.l., a wholly-owned subsidiary of Melco Leisure, as a result of him being beneficially interested in approximately 34.06% of the issued share capital of the Company which in turn holds approximately 49.30% of the issued common shares of MCR and 100% of the issued Class B non-voting shares of MCR.
- The 1,000,000 underlying shares relate to the 1,000,000 warrants issued by MCR to Melco (Luxembourg) S.à.r.l. on 28 May 2008. Each warrant entitling warrant holder to subscribe for one common share of MCR at an exercise price of CAD\$4.00 per common share at any time on or before 27 May 2010.
- The personal interest of Mr. Chung Yuk Man, Clarence represents his derivative interests in MCR comprising the stock options to acquire common shares of MCR granted by MCR on 28 May 2008 at an exercise price of CAD\$3.00 per common share pursuant to the Stock Option Plan adopted by MCR in 2008.

Among the 300,000 stock options held by Mr. Chung, 100,000 options may be exercised during the period from 28 May 2009 to 27 May 2018, 100,000 options may be exercised during the period from 28 May 2010 to 27 May 2018 and 100,000 options may be exercised during the period from 28 May 2011 to 27 May 2018.

(D) Elixir Gaming Technologies, Inc. (“EGT”)*(a) Shares of common stock of US\$0.001 each of EGT*

Name of Director	Capacity	Number of shares of common stock of EGT held	Approximate % of the total issued share capital of EGT
Mr. Lawrence Ho	Held by controlled corporation	45,800,000 <i>(Note 2)</i>	39.84%

(b) Warrants issued by EGT

Name of Director	Capacity	Number of underlying shares of EGT held	Approximate % of the total issued share capital of EGT
Mr. Lawrence Ho	Held by controlled corporation	10,000,000 <i>(Notes 2 & 3)</i>	8.70%

(c) Stock options of EGT

Name of Director	Capacity	Number of underlying shares of EGT held	Approximate % of the total issued share capital of EGT
Mr. Tsui Che Yin, Frank	Beneficial owner	1,000,000 <i>(Note 4)</i>	0.87%
Mr. Chung Yuk Man, Clarence	Beneficial owner	200,000 <i>(Note 4)</i>	0.17%
	Beneficial owner	30,000 <i>(Note 5)</i>	0.03%
	Beneficial owner	100,000 <i>(Note 6)</i>	0.09%

Notes:

1. As at the Latest Practicable Date, the total number of issued shares of common stock of EGT was 114,956,667.
2. Mr. Lawrence Ho is deemed to be interested in 45,800,000 shares of common stock of EGT and 10,000,000 underlying shares of EGT (which relate to certain EGT warrants as described in Note 3) as a result of him being beneficially interested in approximately 34.06% of the issued share capital of the Company which in turn holds approximately 39.84% of the issued share capital of EGT.
3. The 10,000,000 underlying shares relate to the 10,000,000 warrants issued by EGT to Elixir Group Limited (“Elixir”), a wholly-owned subsidiary of the Company, pursuant to the Securities Purchase Agreement entered into between Elixir and EGT dated 11 October 2006 entitling warrant holder to subscribe for 10,000,000 shares of common stock of EGT at any time during the period from 31 December 2007 to 31 December 2010 at exercise prices ranging from US\$1.00 to US\$3.50 per share.
4. The personal interests of Mr. Tsui Che Yin, Frank and Mr. Chung Yuk Man, Clarence represent their derivative interests in EGT comprising the stock options granted to them by EGT on 17 May 2007 at an exercise price of US\$2.90 per EGT’s share.

Among the 1,000,000 stock options granted to Mr. Tsui, 333,334 options may be exercised during the period from 17 May 2008 to 17 May 2012, 333,333 options may be exercised during the period from 17 May 2009 to 17 May 2012 and 333,333 options may be exercised during the period from 17 May 2010 to 17 May 2012.

Among the 200,000 stock options granted to Mr. Chung, 66,666 options may be exercised during the period from 17 May 2008 to 17 May 2012, 66,666 options may be exercised during the period from 17 May 2009 to 17 May 2012 and 66,668 options may be exercised during the period from 17 May 2010 to 17 May 2012.

5. The personal interest of Mr. Chung Yuk Man, Clarence represents his derivative interests in EGT comprising the stock options granted to him by EGT on 22 January 2008 at an exercise price of US\$3.62 per EGT’s share. The stock options may be exercised during the period from 23 July 2008 to 22 January 2018.
6. The personal interest of Mr. Chung Yuk Man, Clarence represents his derivative interests in EGT comprising the stock options granted to him by EGT on 12 February 2008 at an exercise price of US\$4.59 per EGT’s share. The stock options may be exercised during the period from 15 May 2008 to 14 November 2017.

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.

3. 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:

(I) Long positions of substantial Shareholders in the Shares of the Company

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

Name	Capacity	Number of ordinary Shares held	Approximate % of the total issued share capital of the Company
Better Joy	Beneficial owner	288,532,606 (Note 2)	23.47%
Lasting Legend	Beneficial owner	115,509,024 (Note 2)	9.40%
Mr. Lawrence Ho	Held by controlled corporations	411,335,630 (Note 3)	33.46%
	Beneficial owner	7,319,962	0.60%
Ms. Lo Sau Yan, Sharen	Family	418,655,592 (Note 4)	34.06%
Janus Capital Management LLC	Investment manager	123,792,000	10.07%
State Street Corporation	Custodian	73,284,261 (Note 5)	5.96%

(II) Long positions of substantial Shareholders in the underlying Shares of the Company

(a) Convertible loan notes issued by the Company

Name	Capacity	Number of underlying Shares held (long position)	% of issued share capital of the Company
Great Respect Limited	Beneficial owner	117,912,694 (Note 6)	9.59%
Mr. Lawrence Ho	Held by trust	117,912,694 (Note 6)	9.59%
Ms. Lo Sau Yan, Sharen	Held by trust	117,912,694 (Note 6)	9.59%
Dr. Stanley Ho	Held by trust	117,912,694 (Note 6)	9.59%
SG Trust (Asia) Ltd.	Held by controlled corporations	117,912,694 (Note 6)	9.59%

Notes:

- As at the Latest Practicable Date, the total number of issued Shares was 1,229,331,116.
- The Shares held by Better Joy and Lasting Legend also represent the corporate interests of Mr. Lawrence Ho in the Company.
- The 411,335,630 Shares relate to 115,509,024 Shares, 288,532,606 Shares and 7,294,000 Shares held by Lasting Legend, Better Joy and The L3G Capital Trust respectively, representing approximately 9.40%, 23.47% and 0.59% of the issued share capital of the Company. Lasting Legend, Better Joy and The L3G Capital Trust are owned by companies, persons and/or 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 of the Company in which Mr. Lawrence Ho is interested under the SFO.
- The 73,284,261 Shares are held in lending pool.
- Pursuant to an agreement dated 11 May 2005 entered into between Great Respect Limited, Melco PBL Entertainment (Greater China) Limited (now known as MPEL (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 8.75% 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 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. Stanley Ho also holds 3,127,107 Shares and 18,587,789 Shares of the Company through a controlled corporation, Lanceford and in person respectively.

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.

4. DIRECTORS' SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors or proposed Directors had any existing or proposed service agreement with any member of the Group which will not expire or is not determinable within one year without payment of compensation (other than statutory compensation).

5. INTEREST IN ASSETS

The Directors confirm that none of the Directors have any interest, direct or indirect, in any assets which had been, since 31 December 2007, being 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.

6. MATERIAL CHANGES

The Directors are not aware of any material adverse change in the financial or trading position of the Group since 31 December 2007, being the date to which the latest published audited financial statements of the Group were made up.

7. INTEREST IN CONTRACT

The Directors confirm that there is no contract or arrangement subsisting at the Latest Practicable Date in which a Director was materially interested and which was significant in relation to the business of the Group.

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. LITIGATION

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

10. EXPERT'S QUALIFICATION AND CONSENT

The following is the qualification of the expert who has given opinion or advice which is contained in this circular:

Name	Qualification
Hantec	a licensed corporation to carry out type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities under the SFO

As at the Latest Practicable Date, Hantec did not have any shareholding, directly or indirectly, 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.

As at the Latest Practicable Date, Hantec did not have any direct or indirect interest in any asset which had been acquired, or disposed of by, or leased to any member of the Group, or was proposed to be acquired, or disposed of by, or leased to any member of the Group since 31 December 2007, the date on which the latest published audited financial statements of the Group were made up.

Hantec has given and has not withdrawn its written consent to the issue of this circular, with the inclusion of its letter and references to its name in the form and context in which they respectively appear.

11. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at 38th Floor, The Centrium, 60 Wyndham Street, Central, Hong Kong, during normal business hours on any weekday, except Saturday, Sunday and public holidays, from the date of this circular up to and including the date of the EGM:

- (a) the memorandum and articles of association of the Company;
- (b) the letter from the Independent Board Committee, the text of which is set out on page 15 of this circular;
- (c) the letter of advice from Hantec to the Independent Board Committee and the Independent Shareholders, the text of which is set out on pages 16 to 24 of this circular;
- (d) the written consent of Hantec as referred to in the paragraph headed "Expert's Qualification and Consent" in this appendix;
- (e) the three separate agreements constituting the Service Arrangement, entered into between Elixir and SJM, all dated 14 November 2008, regarding the respective provision of the Services by Elixir to SJM and/or its subsidiaries; and
- (f) the Master Arrangement entered into between Elixir and SJM dated 24 November 2008, regarding the respective possible provision of the Services by Elixir to SJM and/or its subsidiaries.

12. MISCELLANEOUS

- (1) The registered office of the Company is at 38th Floor, The Centrium, 60 Wyndham Street, Central, Hong Kong.
- (2) The secretary of the Company is Mr. Tsang Yuen Wai, Samuel, a solicitor admitted in Hong Kong, England and Wales and Australia.
- (3) 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.
- (4) In the event of inconsistency, the English text of this circular shall prevail over the Chinese text.

NOTICE OF EGM



Melco International Development Limited

(Incorporated in Hong Kong with limited liability)

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

(Stock Code: 200)

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN that an extraordinary general meeting (the “EGM”) of Melco International Development Limited (the “**Company**”) will be held at 38th Floor, The Centrium, 60 Wyndham Street, Central, Hong Kong on Monday, 22 December 2008 at 10:30 a.m. for the purpose of considering and, if thought fit, passing (with or without amendments), the following resolutions of the Company:

ORDINARY RESOLUTIONS

(A) “**THAT**

- (i) the Service Arrangement (as defined and more particularly described in the circular dated 4 December 2008 despatched to the shareholders of the Company) and all transactions contemplated thereunder between the Company’s subsidiary, Elixir International Limited and Sociedade de Jogos de Macau, S.A. be and are hereby approved, ratified and confirmed; and
- (ii) the directors of the Company (the “**Directors**”) be and are hereby authorised to execute all such documents and do all such acts and things as they consider desirable, necessary or expedient in connection with and to give effect to the Service Arrangement and all transactions contemplated thereunder.”

(B) “**THAT**

- (i) the Master Agreement (as defined and more particularly described in the circular dated 4 December 2008 despatched to the shareholders of the Company) and all transactions contemplated thereunder between the Company’s subsidiary, Elixir International Limited and Sociedade de Jogos de Macau, S.A. be and are hereby approved, ratified and confirmed;
- (ii) the cap amounts in respect of the continuing connected transactions as set out in the circular of the Company dated 4 December 2008 for each of the three years ending 31 December 2011 be and are hereby approved; and

NOTICE OF EGM

- (iii) the Directors be and are hereby authorised to execute all such documents and do all such acts and things as they consider desirable, necessary or expedient in connection with and to give effect to the Master Agreement and all transactions contemplated thereunder.”

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

Hong Kong, 4 December 2008

Registered Office:
38th Floor, The Centrium
60 Wyndham Street
Central
Hong Kong

Notes:

- (i) 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.
- (ii) 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.
- (iii) 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.
- (iv) Whether or not you propose to attend the Meeting in person, you are strongly urged to complete and return the proxy form in accordance with the instructions printed thereon. Completion and return of the proxy form will not preclude you from attending the Meeting and voting in person if you so wish. In the event that you attend the Meeting after having lodged the proxy form, it will be deemed to have been revoked.