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Melco International Development Limited

(Incorporated in Hong Kong with limited liability)

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

(Stock Code : 200)

CONNECTED TRANSACTION - MATERIAL AMENDMENTS TO TERMS OF THE HK\$1,175 MILLION CONVERTIBLE LOAN NOTES DUE 2010 UNDER RULE 28.05 OF THE LISTING RULES

ANNOUNCEMENT MADE PURSUANT TO RULE 3.5 OF THE TAKEOVERS CODE - WHITEWASH WAIVER

BACKGROUND

The Convertible Loan Notes

The Company refers to its announcement dated 13 May 2005 and its circular dated 22 July 2005. As described in the Circular, the Company issued HK\$1,175 million in principal amount of convertible loan notes due 2010 to Great Respect, as consideration for the acquisition by the Company's subsidiary of an interest in a joint venture relating to a parcel of land located on the Cotai Strip in Macau. The principal terms of the Convertible Loan Notes are summarised below in this announcement.

The Issue of the Convertible Loan Notes was approved as a connected transaction under the Listing Rules

The issue of the Convertible Loan Notes was a connected transaction for the Company under Chapter 14A of the Listing Rules and was approved by the independent shareholders of the Company at the extraordinary general meeting of the Company held on 10 August 2005.

Whitewash Waiver

In addition, the Convertible Loan Notes were also issued with the benefit of a whitewash waiver granted under Note 1 of the Notes on Dispensations from Rule 26 of the Takeovers Code. The whitewash waiver was a waiver of the general offer

obligation which would otherwise arise on conversion of the Convertible Loan Notes in full. The whitewash waiver was approved by the independent shareholders of the Company at the extraordinary general meeting held on 10 August 2005 and granted by the SFC on 28 July 2005.

Shareholding structure of the Company as at the date of this announcement and upon full conversion of the Convertible Loan Notes

The issued share capital of the Company (1) as at the date of this announcement and (2) assuming conversion of the Convertible Loan Notes in full, are set out in the table below in this announcement.

The Lawrence Ho Concert Party, as referred below in this announcement, currently holds shares in the Company representing approximately 35.88% of the total voting rights of the Company. In addition, pursuant to Note 7 to the definition of "Acting in concert" in the Takeovers Code and Note 1 to paragraph 3 of Schedule VI (Whitewash Guidance Note) to the Takeovers Code, the presumption in Class 6 of the definition of "Acting in concert" under the Takeovers Code is applicable in the context of a whitewash waiver application. Pursuant to Class 6 of the definition of "Acting in concert", directors of a company (together with their close relatives, related trusts and companies controlled by such directors, their close relatives and related trusts) which is the subject of a whitewash waiver application are presumed to be acting in concert with each other unless the contrary is established. The shareholdings of the directors of the Company are set out below in this announcement. The Lawrence Ho Concert Party and the Additional Class 6 Presumed Concert Parties currently hold shares in the Company representing, in aggregate, approximately 36.06% of the total voting rights of the Company.

On conversion of the Convertible Loan Notes in full, the aggregate shareholding of the Lawrence Ho Concert Party would be increased to approximately 41.48% of the Company's issued share capital and the aggregate shareholding of the Lawrence Ho Concert Party and the other Additional Class 6 Presumed Concert Parties would be increased to approximately 41.66% of the Company's issued share capital.

DEED OF AMENDMENT AMENDING THE TERMS OF THE CONVERTIBLE LOAN NOTES

Proposed amendments of the terms of the Convertible Loan Notes

On 16 December 2009, the Company entered into a Deed of Amendment with Great Respect to amend the terms of the Convertible Loan Notes. The proposed amendments of the terms of the Convertible Loan Notes to be effected by the Deed of Amendment are summarised below in this announcement.

Conditions of the Deed of Amendment

The Deed of Amendment is conditional on, and the proposed amendments thereunder will only become effective subject to:

- (a) (unless waived by Great Respect), the grant in terms satisfactory to Great Respect (acting reasonably) by the SFC of a "whitewash" waiver of the

general offer obligation of Great Respect which would otherwise arise on exercise of the conversion rights under the amended Convertible Loan Notes in full;

- (b) approval of the Deed of Amendment and the issue of new shares on exercise in full of the conversion rights under the Convertible Loan Notes as amended by the Deed of Amendment, by one or more resolutions of the Company's independent shareholders passed at an extraordinary general meeting of the shareholders of the Company;
- (c) the Stock Exchange approving the proposed amendments contemplated by the Deed of Amendment pursuant to Rule 28.05 of the Listing Rules; and
- (d) the Listing Committee of the Stock Exchange granting the listing of and permission to deal in the New Conversion Shares.

Reasons for the proposed amendments

The terms of the Deed of Amendment were agreed following arm's length negotiations between the Company and Great Respect.

Without the extension, the Convertible Loan Notes will be repayable on 4 September 2010. The board of directors of the Company has concluded that the cost of obtaining alternative sources of medium to long term debt funding to repay the amount due to Great Respect when the Convertible Loan Notes mature next year would have been very high, and hence would not be in the best interests of the Company and its shareholders. Further, if the maturity date of the Convertible Loan Notes is not extended before the Company publishes its 2009 accounts, the Company will have a going concern issue (since its current liabilities will exceed its current assets) and its accounts may be qualified by its auditors. Accordingly, the directors of the Company consider that it would be in the best interests of the Company and its shareholders as a whole to extend the maturity date of the Convertible Loan Notes. The extended maturity date also has the benefit of relieving the immediate funding needs of the Company.

The Company and its directors acknowledge that, following recent volatility in the financial markets, the shares have been trading at prices substantially lower than the initial conversion price under the Convertible Loan Notes. In order to achieve the benefits of an extended maturity date under the Convertible Loan Notes, the Company considers that it would be reasonable to agree to reduce the conversion price under the Convertible Loan Notes, to one that is more in line with the current traded prices of the Company's shares; and that this would be consistent with the commercial rationale underlying the determination of the initial conversion price when the Convertible Loan Notes were originally issued. A future conversion of the Convertible Loan Notes at the revised conversion price would have the benefit of further strengthening the equity capital reserves of the Company and reducing debt levels and the Company's gearing ratio. In connection with the proposed reduction of the conversion price, it is also proposed that the terms of the Convertible Loan Notes will be amended by giving the Company a right to redeem the Convertible Loan Notes at any time prior to their maturity date, at 100% of the principal amount of the Convertible Loan Notes outstanding together with any interest accrued thereon up to

the date of redemption. The early redemption right would be exercisable by the Company in its discretion.

IMPLICATIONS UNDER THE TAKEOVERS CODE

An application will be made to the SFC under Note 1 of the Dispensations from Rule 26 of the Takeovers Code, for a waiver of the general offer obligation of Great Respect which would otherwise arise on exercise of the conversion rights under the amended Convertible Loan Notes in full. Any such Whitewash Waiver would only be granted by the SFC subject to it first being approved by a resolution of the Company's independent shareholders in general meeting.

If the Whitewash Waiver is not granted, Great Respect would be entitled (but not required) to waive that condition under the Deed of Amendment. If it did so, Great Respect would only exercise the conversion rights under the amended Convertible Loan Notes in a manner that would not result in the Concert Party incurring an obligation to make a mandatory general offer under the Takeovers Code to acquire all of the shares of the Company other than those already owned by the Concert Party.

LISTING RULES IMPLICATIONS

The proposed amendments to the Convertible Loan Notes to be effected by the Deed of Amendment constitute a material change to the terms of the Convertible Loan Notes, the issue of which was originally approved as a connected transaction of the Company under the Listing Rules. Accordingly, the proposed amendments to be effected under the Deed of Amendment are subject to approval, as a connected transaction of the Company under the Listing Rules, by the independent shareholders of the Company at an extraordinary general meeting to be convened.

Pursuant to Rule 28.05 of the Listing Rules, any alterations in the terms of convertible debt securities after their issue must be approved by the Stock Exchange, except where the alterations take effect automatically under the existing terms of such convertible debt securities. The Company will apply to the Stock Exchange for its approval of the proposed amendments contemplated by the Deed of Amendment, pursuant to Rule 28.05 of the Listing Rules.

The Listing Approval granted on 15 August 2005 only extends to a maximum number of 117,912,694 Conversion Shares. The Company will apply to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, 298,982,188 New Conversion Shares (subject to adjustment in accordance with the amended terms of the Convertible Loan Notes) which may be issued by the Company pursuant to the exercise of the conversion rights under the amended Convertible Loan Notes. The Listing Approval granted on 15 August 2005 would be superseded accordingly.

APPOINTMENT OF INDEPENDENT BOARD COMMITTEE

An independent committee of the board of directors of the Company comprising its independent non-executive directors (namely, Sir Roger Lobo, Dr. Lo Ka Shui and Mr. Sham Sui Leung, Daniel) will be appointed to advise the independent shareholders in relation to the Whitewash Waiver and whether or not the terms of the

Deed of Amendment are fair and reasonable and in the interests of the independent shareholders of the Company as a whole. The Company will appoint an independent financial adviser to advise the independent board committee. The Company will make an announcement upon the appointment of the independent financial adviser. The remaining non-executive director of the Company, Mr. Ng Ching Wo, is a partner in the law firm which is advising Great Respect in connection with the Deed of Amendment and the Whitewash Waiver. Accordingly, the Company considers that it would not be appropriate for Mr. Ng to serve as a member of the independent board committee.

DESPATCH OF SHAREHOLDERS' CIRCULAR

A circular containing further details of the Deed of Amendment and the Whitewash Waiver application together with the information required by the Listing Rules and the Takeovers Code, and convening an extraordinary general meeting of shareholders of the Company, will be despatched to shareholders within 21 days from the date of publication of this announcement.

The members of the Lawrence Ho Concert Party, the Additional Class 6 Presumed Concert Parties and persons otherwise involved or interested in the Deed of Amendment and the Whitewash Waiver will abstain from voting on the resolutions to approve the Deed of Amendment and the Whitewash Waiver, to be proposed at the extraordinary general meeting of shareholders of the Company to be convened. In aggregate, those persons hold shares representing approximately 36.06% of the issued share capital of the Company.

VIEWS OF THE DIRECTORS

The directors of the Company (other than the independent non-executive directors whose recommendation will be set out in the circular to be despatched to shareholders of the Company) are of the view that the terms of the Deed of Amendment and the Whitewash Waiver are fair and reasonable and in the interests of the shareholders of the Company as a whole.

BACKGROUND

The Convertible Loan Notes

Melco International Development Limited (the “**Company**”) refers to its announcement dated 13 May 2005 and its circular dated 22 July 2005 (the “**Circular**”). As described in the Circular, the Company issued HK\$1,175 million in principal amount of convertible loan notes due 2010 (the “**Convertible Loan Notes**”) to Great Respect Limited (“**Great Respect**”), as consideration for the acquisition by the Company’s subsidiary of an interest in a joint venture relating to a parcel of land located on the Cotai Strip in Macau (the “**Acquisition**”).

The principal terms of the Convertible Loan Notes issued in 2005 are summarised below:

Principal Amount	:	HK\$1,175 million, equal to the consideration payable to Great Respect on the acquisition of its 49.2% interest in the joint venture.
Status	:	General, unsecured obligations of the Company ranking equally among themselves and pari passu with all other present and future unsecured and unsubordinated obligations of the Company.
Maturity	:	Five years from the date of issue. The maturity date is, therefore, 4 September 2010 (the “ Original Maturity Date ”).
Interest	:	The Convertible Loan Notes do not bear interest.
Conversion	:	The principal amount of the Convertible Loan Notes is currently convertible into shares (the “ Conversion Shares ”) at an initial conversion price of HK\$9.965 per new share (the “ Initial Conversion Price ”), subject to customary adjustments to accommodate, among other things, subdivisions and consolidations of the shares of the Company, in accordance with the terms of the Convertible Loan Notes. The conversion price was equal to the average closing price of the shares (after adjusting for a share subdivision) on the five trading days immediately preceding 10 May 2005, being the last date on which the Company’s shares were traded on the The Stock Exchange of Hong Kong Limited (the “ Stock Exchange ”) prior to the suspension of trading in the shares pending the release of the announcement relating (among other things) to the issue of the Convertible Loan Notes. Shares issued upon an exercise of the conversion rights conferred under the Convertible Loan Notes rank pari passu in all respects with all other existing shares outstanding at the relevant conversion date and all shares issued upon conversion shall include rights to participate in all dividends and other distributions the record date for which falls on or after the relevant conversion date.
Transfer	:	The Convertible Loan Notes are not transferable without the consent of the Company.
Redemption	:	The Convertible Loan Notes (if not already redeemed or converted) must be redeemed by the Company on the Original Maturity Date. The Convertible Loan Notes may be redeemed, at the option of the holder of the Convertible Loan Notes, on the occurrence of certain specified events of default of the Company. In either case, the Convertible Loan Notes shall be redeemed at an amount equal to 100% of the principal

amount of the Convertible Loan Notes being redeemed.

Shareholders are referred to the Circular for further details of the Acquisition and the Convertible Loan Notes.

The issue of the Convertible Loan Notes was approved as a connected transaction under the Listing Rules

The issue of the Convertible Loan Notes was a connected transaction for the Company under Chapter 14A of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”) and was approved by the independent shareholders of the Company at an extraordinary general meeting of the Company held on 10 August 2005.

Whitewash Waiver

In addition, the Convertible Loan Notes were issued with the benefit of a whitewash waiver granted under Note 1 of the Notes on Dispensations from Rule 26 of the Code on Takeovers and Mergers (the “**Takeovers Code**”). The whitewash waiver was a waiver of the general offer obligation of Great Respect which would otherwise arise on conversion of the Convertible Loan Notes in full. The whitewash waiver was approved by the independent shareholders of the Company at the extraordinary general meeting of Company held on 10 August 2005 and granted by the Executive Director of the Corporate Finance Division of the Securities and Futures Commission (the “**SFC**”) on 28 July 2005.

Shareholding structure of the Company as at the date of this announcement and upon full conversion of the Convertible Loan Notes

The issued share capital of the Company (1) as at the date of this announcement and (2) assuming conversion of the Convertible Loan Notes in full (but no other changes to the Company’s issued share capital), are set out in the table below:

<u>Name of shareholder</u>	<u>Existing shareholding as at the date of this announcement</u>		<u>Assuming full conversion of the Convertible Loan Notes</u>	
	number of shares	percentage shareholding	number of shares	percentage shareholding
<u>Mr. Ho, Lawrence Yau Lung (“Mr. Lawrence Ho”) and entities controlled by him</u>				
Mr. Lawrence Ho*	7,793,951	0.63%	7,793,951	0.58%
Better Joy Overseas Ltd.	288,532,606	23.45%	288,532,606	21.40%
Lasting Legend Ltd.	115,509,024	9.39%	115,509,024	8.57%
The L3G Capital Trust	7,294,000	0.59%	7,294,000	0.54%
Lawrence Ho Group sub-total	419,129,581	34.07%	419,129,581	31.09%
Dr. Ho Hung Sun, Stanley (“ Dr. Stanley Ho ”)	18,587,789	1.51%	18,587,789	1.38%

Lanceford Company Limited	3,127,107	0.25%	3,127,107	0.23%
Madam Lucina Laam King Ying	444,574	0.04%	444,574	0.03%
Sociedade de Turismo e Diversoes de Macau, S.A.	222	0.00002%	222	0.00002%
Ms. Ho Daisy Chiu Fung	67,500	0.005%	67,500	0.005%
Great Respect	-	-	117,912,694	8.75%
Lawrence Ho Concert Party (as defined below) sub-total	441,356,773	35.88%	559,269,467	41.48%
Additional Class 6 Presumed Concert Parties (as defined below)	2,319,988	0.19%	2,319,988	0.17%
Total of (1) Lawrence Ho Concert Party and (2) Additional Class 6 Presumed Concert Parties	443,676,761	36.06%	561,589,455	41.66%
Public	786,582,178	63.94%	786,582,178	58.34%
Total	1,230,258,939	100.00%	1,348,171,633	100.00%

* As at the date of this announcement, Mr. Lawrence Ho and the other directors of the Company presumed to be acting in concert under Class 6 of the definition of "Acting in concert" under the Takeovers Code also hold the respective numbers of options granted under the share option scheme of the Company adopted on 8 March 2002 and shares awarded under The Melco Share Purchase Scheme Trust of the Company adopted on 18 October 2007 shown in the table below.

Mr. Lawrence Ho and persons acting in concert with him or presumed to be acting in concert with him for the purposes of the Takeovers Code (the "**Lawrence Ho Concert Party**") currently hold shares representing (in aggregate) approximately 35.88% of the total voting rights of the Company. The Lawrence Ho Concert Party consists of Mr. Lawrence Ho; Better Joy Overseas Ltd. (beneficial interests in which are owned by persons and/or trusts associated with Mr. Lawrence Ho); Lasting Legend Ltd. (beneficial interests in which are owned by persons and/or trusts associated with Mr. Lawrence Ho); The L3G Capital Trust (beneficial interests in which are owned by persons and/or trusts associated with Mr. Lawrence Ho); Dr. Stanley Ho (the father of Mr. Lawrence Ho); Lanceford Company Limited (a company controlled by Dr. Stanley Ho); Madam Lucina Laam King Ying (the mother of Mr. Lawrence Ho); Sociedade de Turismo e Diversoes de Macau, S.A. ("**STDM**", an associate of Dr. Stanley Ho); Ms. Ho Daisy Chiu Fung (the sister of Mr. Lawrence Ho) and Great Respect.

Great Respect is controlled by a discretionary family trust of Dr. Stanley Ho and beneficiaries of such trust are members of Dr. Stanley Ho's family, including but not limited to Dr. Stanley Ho, Mr. Lawrence Ho and Madam Lucina Laam King Ying.

In addition, pursuant to Note 7 to the definition of "Acting in concert" in the Takeovers Code and Note 1 to paragraph 3 of Schedule VI (Whitewash Guidance Note) to the Takeovers Code, the presumption in Class 6 of the definition of "Acting in concert" under the Takeovers Code is applicable in the context of a whitewash

waiver application. Pursuant to Class 6 of the definition of "Acting in concert", directors of a company (together with their close relatives, related trusts and companies controlled by such directors, their close relatives and related trusts) which is the subject of a whitewash waiver application are presumed to be acting in concert with each other unless the contrary is established. The shareholdings of the directors of the Company are set out in the table below. The directors of the Company and their close relatives, related trusts and companies controlled by such directors, their close relatives and related trusts (other than Mr. Lawrence Ho and his close relatives, related trusts and companies controlled by him, his close relatives and related trusts), are referred to in this announcement as the "**Additional Class 6 Presumed Concert Parties**". The Lawrence Ho Concert Party and the Additional Class 6 Presumed Concert Parties hold shares in the Company representing, in aggregate, approximately 36.06% of the total voting rights of the Company.

On conversion of the Convertible Loan Notes in full, the aggregate shareholding of the Lawrence Ho Concert Party would be increased to approximately 41.48% of the Company's issued share capital and the aggregate shareholding of the Lawrence Ho Concert Party and the Additional Class 6 Presumed Concert Parties would be increased to approximately 41.66% of the Company's issued share capital.

As at the date of this announcement, the directors of the Company hold the following shares in the Company and options to subscribe for shares:

<u>Name of director of the Company</u>	<u>Existing shareholding in the Company as at the date of this announcement</u>	<u>Number of share options held as at the date of this announcement</u>	<u>Number of unvested awarded shares under The Melco Share Purchase Scheme Trust held as at the date of this announcement</u>
Mr. Lawrence Ho	7,793,951	1,458,520	318,661
Mr. Tsui Che Yin, Frank	103,104	1,018,000	78,556
Mr. Chung Yuk Man, Clarence	80,884	1,618,000	78,556
Dr. Lo Ka Shui	2,034,000	442,000	38,000
Sir Roger Lobo	34,000	442,000	38,000
Mr. Sham Sui Leung, Daniel	34,000	142,000	38,000
Mr. Ng Ching Wo	34,000	442,000	38,000
Total	10,113,939	5,562,520	627,773

As at the date of this announcement:

- (i) No irrevocable commitments to vote in favour of the Whitewash Waiver have been given.

- (ii) Other than the Convertible Loan Notes, the options granted under the share option scheme of the Company adopted on 8 March 2002 and shares awarded under The Melco Share Purchase Scheme Trust (the share award plan of the Company adopted on 18 October 2007), there are no other outstanding convertible securities, warrants, options or derivatives held by members of the Lawrence Ho Concert Party or the Additional Class 6 Presumed Concert Parties.
- (iii) There are no arrangements (whether by way of option, indemnity or otherwise) of the type contemplated by Note 8 to Rule 22 of the Takeovers Code which might be material to the Whitewash Waiver.
- (iv) There are no agreements or arrangements to which Great Respect or any other any member of the Lawrence Ho Concert Party or any Additional Class 6 Presumed Concert Party is a party which relate to the circumstances in which it may or may not invoke or seek to invoke a pre-condition or condition of the Whitewash Waiver.
- (v) None of Great Respect or any other member of the Lawrence Ho Concert Party or any Additional Class 6 Presumed Concert Party has borrowed or lent any shares in the Company or any other securities of the Company (save for any borrowed shares in the Company which have been either on-lent or sold).

DEED OF AMENDMENT AMENDING THE TERMS OF THE CONVERTIBLE LOAN NOTES

Proposed amendments of the terms of the Convertible Loan Notes

On 16 December 2009, the Company entered into a deed of amendment with Great Respect, to amend the terms of the Convertible Loan Notes (the "**Deed of Amendment**"). The amendments of the terms of the Convertible Loan Notes proposed to be effected by the Deed of Amendment are summarised below:

- | | | |
|--|---|--|
| Revised maturity date | : | To extend the maturity date, so that it is eight years from the date of issue of the Convertible Loan Notes. The revised maturity date, therefore, would be 4 September 2013. |
| Revised conversion price (the " Revised Conversion Price ") | : | To reduce the conversion price, to HK\$3.93 per share to be issued by the Company upon exercise of the conversion rights under the amended Convertible Loan Notes, subject to customary adjustments in, amongst others, the following circumstances: <ul style="list-style-type: none"> (a) share consolidation and share subdivision; (b) issue of shares by way of capitalisation of profits or reserves, other than shares issued in lieu of the whole or a part of a cash dividend; (c) capital distribution; (d) issue of shares or options, warrants or other rights to subscribe for shares, by way of rights |

- at less than 95% of the then current market price per share;
- (e) issue of other securities by way of rights;
 - (f) issue of shares other than by way or rights;
 - (g) issue of shares upon conversion or exchange at less than 95% of the then current market price per share;
 - (h) modification of rights of conversion, exchange or subscription so that the consideration receivable by the Company is less than 95% of the then current market price per share;
 - (i) offer for shares; and
 - (j) other events, where the Company or the noteholders holding not less than 75% in value of the outstanding principal amount of the Convertible Loan Notes determine that an adjustment should be made to the conversion price and an independent accountant certifies that the adjustment proposed to be made would be fair and reasonable. In the event that any adjustment is made to the conversion price pursuant to this item (j), the Company will comply with the applicable requirements of the Listing Rules, as and when appropriate.

For the avoidance of doubt, the adjustment events in respect of the Convertible Loan Notes are not being amended by the Deed of Amendment and are the same as those disclosed in the Circular.

Early redemption at the option of the Company : To permit the Company to redeem all or part of the outstanding Convertible Loan Notes in the Company's absolute discretion, at any time prior to the maturity date of the Convertible Loan Notes, at 100% of their principal amount outstanding plus interest (if any) accrued to the date of redemption.

Early redemption at the option of the Noteholder : To permit the holder of the Convertible Loan Notes to require the Convertible Loan Notes to be redeemed prior to their maturity in any of the following circumstances:

- (i) the Lawrence Ho Concert Party ceases to be interested (in aggregate) in at least 30% of the issued shares of the Company, except as a result of disposals of shares by members of the Lawrence Ho Concert Party;
- (ii) a general offer by way of takeover (other than one proposed by a member of the Lawrence Ho

Concert Party or such member's associate or a scheme of arrangement contemplated by (iii) below) is made to all or substantially all the holders of shares in the Company (or all or substantially all such holders other than the offeror and persons acting in concert with the offeror) and such offer becomes or is declared unconditional; or

- (iii) a privatisation proposal by way of scheme of arrangement (other than one proposed by a member of the Lawrence Ho Concert Party or such member's associate) is made and approved by the necessary numbers of shareholders of the Company at the requisite meetings.

Conditions of the Deed of Amendment

The Deed of Amendment is conditional on, and the proposed amendments thereunder will only become effective subject to:

- (a) (unless waived by Great Respect), the grant in terms satisfactory to Great Respect (acting reasonably) by the SFC of a "whitewash" waiver of the general offer obligation of Great Respect which would otherwise arise on exercise of the conversion rights under the amended Convertible Loan Notes in full;
- (b) approval of the Deed of Amendment and the issue of new shares on exercise in full of the conversion rights under the Convertible Loan Notes as amended by the Deed of Amendment, by one or more resolutions of the Company's independent shareholders passed at an extraordinary general meeting of the Company;
- (c) the Stock Exchange approving the proposed amendments contemplated by the Deed of Amendment pursuant to Rule 28.05 of the Listing Rules; and
- (d) the Listing Committee of the Stock Exchange granting the listing of and permission to deal in the New Conversion Shares.

The Revised Conversion Price

The Revised Conversion Price of HK\$3.93 per New Conversion Share was determined after arm's length negotiations between the Company and Great Respect with reference to the recent traded prices of the Shares. The Revised Conversion Price represents:

- (i) a premium of approximately 1.81% over the closing price of HK\$3.86 per share as quoted on the Stock Exchange on 15 December 2009, being the last

trading day prior to the publication of this announcement (the "**Last Trading Day**");

- (ii) a premium of approximately 0.77% over the average of the closing prices of approximately HK\$3.90 per share as quoted on the Stock Exchange for the five consecutive trading days up to and including the Last Trading Day;
- (iii) a discount of approximately 2.00% to the average of the closing prices of approximately HK\$4.01 per share as quoted on the Stock Exchange for the ten consecutive trading days up to and including the Last Trading Day;
- (iv) a discount of approximately 60.56% to the Initial Conversion Price; and
- (v) a discount of approximately 38.79% to the audited net assets value per share (calculated based on the net assets attributable to equity holders of the Company as at 31 December 2008 of approximately HK\$7,899,505,000 divided by 1,230,258,939 shares in issue as at the date of this announcement) of approximately HK\$6.42 per share.

The exercise in full of the conversion rights under the amended Convertible Loan Notes, at the Revised Conversion Price, would result in the issue of an aggregate of 298,982,188 shares, representing approximately 24.30% of the existing issued share capital of the Company (prior to any exercise of the conversion rights under the Convertible Loan Notes) or approximately 19.55% of the diluted share capital of the Company assuming the exercise of the conversion rights under the amended Convertible Loan Notes in full.

Reasons for the proposed amendments of the Convertible Loan Notes

The terms of the Deed of Amendment were agreed following arm's length negotiations between the Company and Great Respect.

Without the extension, the Convertible Loan Notes will be repayable on 4 September 2010. The board of directors of the Company has concluded that the cost of obtaining alternative sources of medium to long term debt funding to repay the amount due to Great Respect when the Convertible Loan Notes mature next year would have been very high, and hence would not be in the best interests of the Company and its shareholders. Further, if the maturity date of the Convertible Loan Notes is not extended before the Company publishes its 2009 accounts, the Company will have a going concern issue (since its current liabilities will exceed its current assets) and its accounts may be qualified by its auditors. Accordingly, the directors of the Company consider that it would be in the best interests of the Company and its shareholders as a whole to extend the maturity date of the Convertible Loan Notes. The extended maturity date also has the benefit of relieving the immediate funding needs of the Company.

The Company and its directors acknowledge that, following recent volatility in the financial markets, the shares have been trading at prices substantially lower than the initial conversion price under the Convertible Loan Notes. In order to achieve the benefits of an extended maturity date under the Convertible Loan Notes, the Company considers that it would be reasonable to agree to reduce the conversion price under the

Convertible Loan Notes, to one that is more in line with the current traded prices of the Company's shares; and that this would be consistent with the commercial rationale underlying the determination of the initial conversion price when the Convertible Loan Notes were originally issued. A future conversion of the Convertible Loan Notes at the Revised Conversion Price would have the benefit of further strengthening the equity capital reserves of the Company and reducing debt levels and the Company's gearing ratio. In connection with the proposed reduction of the conversion price, it is also proposed that the terms of the Convertible Loan Notes will be amended by giving the Company a right to redeem the Convertible Loan Notes at any time prior to their maturity date, at 100% of the principal amount of the Convertible Loan Notes outstanding together with any interest accrued thereon up to the date of redemption. The early redemption right would be exercisable by the Company at its discretion.

IMPLICATIONS UNDER THE TAKEOVERS CODE

As at the date of this announcement, none of the conversion rights under the Convertible Loan Notes have been exercised by Great Respect.

If the Deed of Amendment becomes unconditional and the proposed amendments become effective, the total number of shares which would be issued on exercise in full of the conversion rights under the Convertible Loan Notes would increase from 117,912,694 shares to 298,982,188 shares (subject to adjustment in accordance with the amended terms of the Convertible Loan Notes).

The table below shows the issued share capital of the Company (1) as at the date of this announcement and (2) assuming conversion of the amended Convertible Loan Notes in full (but no other changes to the Company's issued share capital):

<u>Name of shareholder</u>	<u>Existing shareholding as at the date of this announcement</u>		<u>Assuming full conversion of the amended Convertible Loan Notes</u>	
	<u>number of shares</u>	<u>percentage shareholding</u>	<u>number of shares</u>	<u>percentage shareholding</u>
<u>Mr. Lawrence Ho and entities controlled by him</u>				
Mr. Lawrence Ho	7,793,951	0.63%	7,793,951	0.51%
Better Joy Overseas Ltd.	288,532,606	23.45%	288,532,606	18.87%
Lasting Legend Ltd.	115,509,024	9.39%	115,509,024	7.55%
The L3G Capital Trust	7,294,000	0.59%	7,294,000	0.48%
Mr. Lawrence Ho Group sub-total	419,129,581	34.07%	419,129,581	27.41%
Dr. Ho Hung Sun, Stanley	18,587,789	1.51%	18,587,789	1.22%
Lanceford Company Limited	3,127,107	0.25%	3,127,107	0.20%
Madam Lucina Laam King Ying	444,574	0.04%	444,574	0.03%
STDM	222	0.00002%	222	0.00001%
Ms. Ho Daisy Chiu Fung	67,500	0.005%	67,500	0.004%
Great Respect	-	-	298,982,188	19.55%

Lawrence Ho Concert Party sub-total	441,356,773	35.88%	740,338,961	48.41%
Additional Class 6 Presumed Concert Parties	2,319,988	0.19%	2,319,988	0.15%
Total of (1) Lawrence Ho Concert Party and (2) Additional Class 6 Presumed Concert Parties	443,676,761	36.06%	742,658,949	48.56%
Public	786,582,178	63.94%	786,582,178	51.44%
Total	1,230,258,939	100.00%	1,529,241,127	100.00%

An application will be made to the SFC under Note 1 of the Dispensations from Rule 26 of the Takeovers Code, for a waiver of the general offer obligation of Great Respect which would otherwise arise on exercise of the conversion rights under the amended Convertible Loan Notes in full ("**Whitewash Waiver**"). Any such Whitewash Waiver would only be granted by the SFC subject to it first being approved by a resolution of the Company's independent shareholders in general meeting.

If the Whitewash Waiver is not granted, Great Respect would be entitled (but not required) to waive that condition under the Deed of Amendment. If it did so, Great Respect would only exercise the conversion rights under the amended Convertible Loan Notes in a manner that would not result in Great Respect incurring an obligation to make a mandatory general offer under the Takeovers Code to acquire all of the shares of the Company other than those already owned by Great Respect and persons acting in concert with it.

Three directors of the Company were awarded shares on 17 December 2008 under The Melco Share Purchase Scheme Trust, which are subject to a vesting schedule whereby one-third of the shares awarded to the relevant director vested on each of 1 May 2009, 1 August 2009 and 1 November 2009. The directors and the number of shares involved are as follows:

- (a) Mr. Lawrence Ho - 289,998 shares in total, vesting in three equal tranches on the dates specified above.
- (b) Mr. Tsui Che Yin, Frank - a total of 43,998 shares vesting in three equal tranches on the dates specified above.
- (c) Mr. Chung Yuk Man, Clarence - a total of 43,998 shares vesting in three equal tranches on the dates specified above.

Application will be made to the Executive for a ruling that the vesting of those shares do not constitute disqualifying transactions for the purpose of the Whitewash Waiver application.

Subject to the foregoing, no person acting in concert, or deemed under the Takeovers Code to be acting in concert, with Great Respect has dealt in any shares or other

securities of the Company within the period of 6 months immediately preceding the date of this announcement.

LISTING RULES IMPLICATIONS

The proposed amendments to the Convertible Loan Notes to be effected by the Deed of Amendment constitute a material change to the terms of the Convertible Loan Notes, the issue of which was originally approved as a connected transaction of the Company under the Listing Rules. Accordingly, the proposed amendments to be effected under the Deed of Amendment are subject to approval, as a connected transaction of the Company under the Listing Rules, by the independent shareholders of the Company at an extraordinary general meeting to be convened (the "EGM").

The members of the Lawrence Ho Concert Party, the Additional Class 6 Presumed Concert Parties, and persons otherwise involved or interested in the Deed of Amendment and the Whitewash Waiver will abstain from voting on the resolutions to approve the Deed of Amendment and the Whitewash Waiver, to be proposed at the EGM. In aggregate, those persons hold shares representing approximately 36.06% of the issued share capital of the Company.

Pursuant to Rule 28.05 of the Listing Rules, any alterations in the terms of convertible debt securities after issue must be approved by the Stock Exchange, except where the alterations take effect automatically under the existing terms of such convertible debt securities. The Company will apply to the Stock Exchange for its approval of the proposed amendments contemplated by the Deed of Amendment.

The Listing Approval granted on 15 August 2005 only extends to a maximum number of 117,912,694 Conversion Shares. The Company will apply to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, 298,982,188 New Conversion Shares (subject to adjustment in accordance with the amended terms of the Convertible Loan Notes) which may be issued by the Company pursuant to the exercise of the conversion rights under the amended Convertible Loan Notes. The Listing Approval granted on 15 August 2005 would be superseded accordingly.

APPOINTMENT OF INDEPENDENT BOARD COMMITTEE

An independent committee of the board of directors of the Company comprising its independent non-executive directors (namely, Sir Roger Lobo, Dr. Lo Ka Shui and Mr. Sham Sui Leung, Daniel) will be appointed to advise the independent shareholders in relation to the Whitewash Waiver and whether or not the terms of the Deed of Amendment are fair and reasonable and in the interests of the independent shareholders of the Company as a whole. The Company will appoint an independent financial adviser to advise the independent board committee. The Company will make an announcement upon the appointment of the independent financial adviser. The remaining non-executive director of the Company, Mr. Ng Ching Wo, is a partner in the law firm which is advising Great Respect in connection with the Deed of Amendment and the Whitewash Waiver. Accordingly, the Company considers that it would not be appropriate for Mr. Ng to serve as a member of the independent board committee.

DESPATCH OF SHAREHOLDERS' CIRCULAR

A circular containing further details of the Deed of Amendment and the Whitewash Waiver application, together with the information required by the Listing Rules and the Takeovers Code, and convening the EGM, will be despatched to shareholders within 21 days from the date of publication of this announcement. The information to be incorporated in that circular will include the following:

- A description of the principal terms of the Deed of Amendment and the proposed amendments, which are also described above in this announcement.
- The recommendations from the independent board committee of the Company in respect of the Deed of Amendment and in respect of the Whitewash Waiver.
- A letter of advice from the independent financial adviser to the independent board committee of the Company in respect of the Deed of Amendment and in respect of the Whitewash Waiver.

The circular will also contain information required under the Takeovers Code in respect of the Whitewash Waiver.

VIEWS OF THE DIRECTORS

The directors of the Company (other than the independent non-executive directors whose recommendation will be set out in the circular to be despatched to shareholders of the Company) are of the view that the terms of the Deed of Amendment and the Whitewash Waiver are fair and reasonable and in the interests of shareholders of the Company as a whole.

GENERAL

The Group is principally engaged in: (i) leisure and entertainment; and (ii) property and other investments.

The principal business activity of Great Respect is to hold the Convertible Loan Notes.

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

Hong Kong, 16 December, 2009

As at the date of this announcement, the Board comprises three Executive Directors, namely, Mr. Ho, Lawrence Yau Lung (Chairman and Chief Executive Officer), Mr. Tsui Che Yin, Frank and Mr. Chung Yuk Man, Clarence; one Non-executive Director, namely, Mr. Ng Ching Wo, and three Independent non-executive Directors, namely, Sir Roger Lobo, Dr. Lo Ka Shui and Mr. Sham Sui Leung, Daniel.

All the directors of the Company jointly and severally accept full responsibility for the accuracy of the information contained in this announcement and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in this announcement have been arrived at after due and careful consideration and there are no other facts not contained in this announcement, the omission of which would make any statement in this announcement misleading.

This announcement will remain on the ‘Latest Listed Company Information’ page of the Stock Exchange’s website at www.hkexnews.hk for at least seven days from the day of its publication and will be published and remains on the website of the Company at <http://www.melco-group.com>.