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## Melco International Development Limited

新 濠 國 際 發 展 有 限 公 司

(Incorporated in Hong Kong with limited liability)

Website : <http://www.melco.hk.cn>

(Stock code: 200)

# CONNECTED TRANSACTIONS INFORMATION TECHNOLOGY SERVICES FOR SOCIEDADE DE TURISMO E DIVERSÕES DE MACAU, S.A. AND SOCIEDADE DE JOGOS DE MACAU, S.A.

Financial adviser to Melco International Development Limited



VC CAPITAL LIMITED  
滙盈融資有限公司

### SUMMARY

The Directors are pleased to announce that on 28 December 2006, Elixir, an indirect wholly-owned subsidiary of the Company, has entered into the Service Arrangements on a conditional basis with each of STDM and SJM respectively, pursuant to which Elixir shall provide to each of STDM and SJM System Integration Services for an aggregate value of about HK\$9.1 million and HK\$107.1 million respectively and Maintenance Services for the aggregate value of about HK\$6.0 million for SJM.

Dr. Stanley Ho, the former chairman and executive director of the Company, resigned from these posts with effect from 15 March 2006. Since Dr. Stanley Ho ceased to be a director of the Company within twelve months preceding the date of entering into of the Service Arrangements, he is regarded as a connected person of the Company for the purposes of connected transactions under the Listing Rules. STDM and SJM (a non-wholly-owned subsidiary of STDM), being associates of Dr. Stanley Ho, are also connected persons of the Company for the purposes of the Listing Rules by virtue of the fact that Dr. Stanley Ho has an equity interest in, as well as being a director of, STDM and SJM. As a result, the STDM Service Arrangement and the SJM Service Arrangement in aggregate constitute non-exempt connected transactions of the Company under Rule 14A.16(5) of the Listing Rules (by virtue of the fact that the revenue ratio for STDM Service Arrangement together with the SJM Service Arrangement is more than 2.5% but less than 25% and the total amount payable by STDM and SJM for the Services exceeds HK\$10,000,000) and are subject to the requirements of reporting, announcement and approval by the Independent Shareholders (by way of poll) at the EGM as set out in Chapter 14A of the Listing Rules.

Dr. Stanley Ho, who beneficially owns approximately 1.77% shareholding interest in the Company, and his associates will abstain from voting on the relevant resolution(s) regarding the Service Arrangements and the transactions contemplated thereunder at the EGM.

A circular containing, among other things, (i) further information on the Service Arrangements; (ii) the recommendation from the independent board committee of the Company; (iii) a letter of advice from the independent financial adviser to the independent board committee of the Company; and (iv) a notice of the EGM will be dispatched to the Shareholders within 21 days from the date of this announcement.

### BACKGROUND

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

Since its inception in July 2002, the Elixir Group has been engaged in the business of system integration and supply and provision of various software systems and hardware equipment as well as information technology 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 2003 to 2005, Elixir Group has altogether entered into six separate service arrangements with SJM (excluding the present one) for the provision of information technology related services to SJM.

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, the Directors are pleased to announce that on 28 December 2006, Elixir has entered into another service arrangement, namely, the SJM Service Arrangement, with SJM for the provision of System Integration Services and Maintenance Services for the aggregate values of about HK\$107.1 million and HK\$6.0 million respectively. In addition, the Directors are pleased to announce that on 28 December 2006, Elixir has also entered into another service arrangement, namely the STDM Service Arrangement, with STDM for the provision of System Integration Services for the aggregate value of about HK\$9.1 million.

### THE SERVICE ARRANGEMENTS

#### 1. STDM SERVICE ARRANGEMENT

Date: 28 December 2006

Parties: i. Elixir  
ii. STDM

*Information technology related services to be provided under the STDM Service Arrangement*

Pursuant to the STDM Service Arrangement, Elixir will provide System Integration Services to STDM including the liaison with, and procurement of other hardware and software suppliers to develop, provide and install the extra low voltage systems for server room, warehouse and car park facilities including detection and alarm system, audio and visual system, digital surveillance camera system and data network infrastructure including conduit and cable trunk for the hotel and casino development projects of STDM in Macau.

*Consideration*

The consideration payable by STDM under the STDM Service Arrangement was determined by arm's length negotiations between the parties thereto. Pursuant to the terms of the STDM Service Arrangement, the aggregate service charge for the System Integration Services is about HK\$9.1 million. Such aggregate service charge was 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 other customers. Elixir will ascertain the relevant hardware systems and equipment and manpower required to provide the relevant System Integration Services to STDM upon receiving its orders and arrange to purchase the required hardware systems and equipment from the suppliers. The basis of consideration of the System Integration Services was determined according to the required hardware systems and equipment (with a mark up on the costs charged by the suppliers, the rate of such mark up is comparable with the rate that Elixir normally adopts in dealings with other independent customers).

*Payment terms*

Subject to the terms and conditions of the STDM Service Arrangement, STDM shall pay (i) the Services fee in installments in consideration of the extent of services completed by Elixir under the STDM Service Arrangement in respect of each of the hotel and casino development projects and (ii) the contract price for the parts procured by Elixir on behalf of STDM for the extra low voltage systems upon the signing of the agreement in relation to the STDM Service Arrangement.

**2. SJM SERVICE ARRANGEMENT**

Date: 28 December 2006

Parties: i. Elixir  
ii. SJM

*Information technology related services to be provided under the SJM Service Arrangement*

Pursuant to the SJM Service Arrangement, Elixir will provide to SJM such Services comprising:

1. System Integration Services including the liaison with, and procurement of other hardware and software suppliers to develop, provide and install the monitoring security systems, such as the digital surveillance camera system and the access control system as well as the gaming systems such as the electronic gaming machines together with the design and provision of information technology expertise to ameliorate the computer facilities and equipments of SJM;
2. supply of parts to the existing systems installed at the various casinos and slot machine halls operated by SJM;
3. annual Maintenance Services in relation to the existing digital surveillance camera system installed at the casinos operated by SJM (parts excluded); and
4. Maintenance Services for a number of hardware systems and equipment provided in relation to the digital surveillance camera system installed by Elixir under the System Integration Services provided to SJM as mentioned item 1 above. The Maintenance Services are for a term of one year commencing from the expiration of the three months' free warranty period provided by Elixir after completion of installation and the acceptance test on the relevant systems and equipment.

*Consideration*

The consideration payable by SJM under the SJM Service Arrangement was determined by arm's length negotiations between the parties thereto. Pursuant to the terms of the SJM Service Arrangement, the aggregate service charge for the System Integration Services is about HK\$107.1 million (as to about HK\$54.2 million for digital surveillance camera system, as to about HK\$0.1 million for the access control system and as to about HK\$52.8 million for the electronic gaming machines). 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. Elixir will ascertain the relevant hardware systems and equipment and manpower required to provide the relevant System Integration Services to SJM upon receiving its orders and arrange to purchase the required hardware systems and equipment from the suppliers. The basis of consideration of the System Integration Services was determined according to the required hardware systems and equipment (with a mark up on the costs charged by the suppliers, the rate of such mark up is comparable with the rate that Elixir normally adopts in dealings with other independent customers), installation charges and other service charges payable. As for the Maintenance Services for the digital surveillance camera system, both existing and system to be installed in the various casinos and slot machine halls operated by SJM under the SJM Service Arrangement, the aggregate service charge is about HK\$6.0 million and was determined with reference to the estimated market costs of (i) the estimated number of parts that requires for maintaining the relevant hardware systems and equipment and/or (ii) 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 is comparable to the market rate and charge to other independent customers of Elixir.

*Payment terms*

Subject to the terms and conditions of the SJM Service Arrangement, SJM shall pay:

- (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 at each of the casinos and slot machine halls operated by SJM;
- (ii) the full amount in respect of the contract price of parts to be supplied by Elixir to SJM in relation to the existing digital surveillance camera systems and digital surveillance camera system to be installed at the various casinos and slot machine halls operated by SJM upon entering into the SJM Service Arrangement;
- (iii) the full amount of the annual Maintenance Service fees to be provided by Elixir in relation to the existing digital surveillance camera systems installed at the casinos operated by SJM (parts excluded) upon entering into the SJM Service Arrangement;
- (iv) the full amount of the Maintenance Service fees upon the expiration of the three months' free warranty period of the System Integration Services for digital surveillance camera system installed by Elixir;
- (v) the full amount in respect of the contract price of parts to be supplied by Elixir to SJM and the service fee in respect of the System Integration Services for the access control system upon entering into the SJM Service Arrangement;

- (vi) an initial amount representing 50% of the relevant service charge in relation to the System Integration Services for the electronic gaming machines upon entering into the SJM Service Arrangement with the remaining 50% thereof to be paid upon the date of delivery; and
- (vii) the full amount in respect of the contract price of parts to be supplied by Elixir to SJM in relation to the System Integration Services for the electronic gaming machines upon entering into the SJM Service Arrangement.

#### *Condition Precedent*

Both the STDM Service Arrangement and the SJM Service Arrangement are 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 Arrangements having abstained from voting at the EGM. The STDM Service Arrangement and the SJM Service Arrangement are not interconditional.

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 Arrangements. In the event that the condition cannot be fulfilled on or before 31 March 2007 (or such other date as the parties may subsequently agree), STDM may, by notice to Elixir, terminate the STDM Service Arrangement and SJM may, by notice to Elixir, terminate the SJM Service Arrangement. Upon any such termination, Elixir shall return to STDM and/or SJM (as the case may be) any payment made under the relevant Service Arrangements (without interest) and subject to that none of the parties to the STDM Service Arrangement and/or SJM Service Arrangement will have any obligations and liabilities save to any antecedent breach of the terms thereof.

### **CONNECTED PERSON AND INDEPENDENT SHAREHOLDERS' APPROVAL**

STDM is a company incorporated under the laws of Macau and engaged in a wide range of businesses including gaming and hospitality businesses in Macau. Dr. Stanley Ho is a director of STDM. Dr. Stanley Ho and his associates together constitute a controlling shareholder (within the meaning of the Listing Rules) of STDM and the company (i.e. STDM) is an associate of Dr. Stanley Ho.

SJM, being a non-wholly-owned subsidiary of STDM, is a company incorporated under the laws of Macau and is majority owned by STDM with Dr. Stanley Ho as its managing director. SJM is principally engaged in gaming and hospitality businesses in Macau and is one of six concessionaires/sub-concessionaires licensed to carry on casino gaming operations in Macau.

Dr. Stanley Ho, the former chairman and executive director of the Company, resigned from these posts with effect from 15 March 2006. Since Dr. Stanley Ho ceased to be a director of the Company within twelve months preceding the date of entering into of the Service Arrangements, he is regarded as a connected person of the Company for the purposes of connected transactions under the Listing Rules. STDM and SJM (a non-wholly-owned subsidiary of STDM), being associates of Dr. Stanley Ho, are also connected persons of the Company for the purposes of the Listing Rules by virtue of the fact that Dr. Stanley Ho has an equity interest in, as well as being a director of, STDM and SJM.

Based on the above, STDM Service Arrangement together with the SJM Service Arrangement constitute non-exempt connected transactions of the Company under Rule 14A.16(5) of the Listing Rules (by virtue of the fact that the revenue ratio for STDM Service Arrangement together with the SJM Service Arrangement is more than 2.5% but less than 25% and the total amount payable by STDM and SJM for the Services exceeds HK\$10,000,000) and are subject to the requirements of reporting, announcement and approval by the Independent Shareholders (by way of poll) at the EGM as set out in Chapter 14A of the Listing Rules.

Dr. Stanley Ho, who beneficially owns approximately 1.77% shareholding interest in the Company, and his associates, namely, Madam Lucina Laam King Ying, Mr. Lawrence Ho (son of Dr. Stanley Ho), Lasting Legend Ltd. (a company controlled by Mr. Lawrence Ho) and Better Joy Overseas Ltd. (a company owned as to 65% by Mr. Lawrence Ho, as to 23% by the Cotai Trust and as to 12% by Sharen Lo Trust, a discretionary family trust founded by Mr. Lawrence Ho) will abstain from voting on the relevant resolution(s) regarding the Service Arrangements and the transactions contemplated thereunder at the EGM.

### **REASONS FOR ENTERING INTO THE SERVICE ARRANGEMENTS**

Currently, the Group's business is broadly divided into four divisions, namely, (i) gaming, entertainment and hospitality division; (ii) technology division; (iii) investment banking and financial service division; and (iv) property and other investments division. Elixir, an indirect wholly-owned subsidiary of the Company, belongs to the technology arm of the Group and is principally engaged in the business of system integration and supply and provision of various software systems and hardware equipment as well as information technology services to clients predominately in Macau and the Pearl River Delta Area of the PRC. The provision of the Services to STDM and SJM are transactions 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 STDM and SJM, the Group would be able to further promote its products and services to other potential customers in the gaming and entertainment industries in Macau.

The Board (save for the Independent Non-executive Directors who would reserve their views until receipt of the letter of advice from the independent financial adviser) is of the view that the terms of the Service Arrangements 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 Shareholders as a whole.

### **GENERAL**

An independent board committee of the Company comprising its independent non-executive Directors will be appointed to advise the Independent Shareholders on whether or not the terms of the Service Arrangements are fair and reasonable and in the interests of the Independent Shareholders as a whole. An independent financial adviser will be appointed to advise the independent board committee of the Company in respect of the terms of the Service Arrangements.

A circular containing, among other things, (i) further information on the Service Arrangements; (ii) the recommendation from the independent board committee of the Company; (iii) a letter of advice from the independent financial adviser to the independent board committee of the Company; and (iv) a notice of the EGM will be dispatched to the Shareholders within 21 days from the date of this announcement.

As at the date of this announcement, the Board comprises the following members:

#### *Executive Directors:*

Mr. Ho. Lawrence Yau Lung  
(Chairman and Chief Executive Officer)  
Mr. Tsui Che Yin, Frank  
Mr. Chung Yuk Man, Clarence

#### *Non-executive Director:*

Mr. Ng Ching Wo

#### *Independent Non-executive Directors:*

Sir Roger Lobo  
Dr. Lo Ka Shui  
Mr. Sham Sui Leung, Daniel

## DEFINITION

In this announcement, the following expressions have the meanings set out below unless the context requires otherwise:

“associate”	has the same meaning as ascribed to it in the Listing Rules
“Board”	the board of Directors
“Company”	Melco International Development Limited, a company incorporated in Hong Kong, the shares of which are listed on the Stock Exchange
“connected person”	has the same meaning as ascribed to it in the Listing Rules
“Director(s)”	the director(s) of the Company
“Dr. Stanley Ho”	Dr. Ho Hung Sun, Stanley, the former chairman and executive director of the Company
“EGL”	Elixir Group Limited, a company incorporated in Hong Kong with limited liability on 2 July 2002 and a wholly-owned subsidiary of the Company
“EGM”	an extraordinary general meeting of the Company to be convened for the purpose of considering and approving the Service Arrangements and all transactions contemplated thereunder
“Elixir”	Elixir Group (Macau) Limited, a company incorporated in Macau with limited liability on 29 July 2002 and a wholly-owned subsidiary of EGL and an indirect wholly-owned subsidiary of the Company
“Elixir Group”	EGL and Elixir
“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 Shareholders”	shareholders of the Company other than Dr. Stanley Ho and his associates, namely, Madam Lucina Laam King Ying, Mr. Lawrence Ho, Lasting Legend Ltd. and Better Joy Overseas Ltd.
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Macau”	the Macau Special Administrative Region of the PRC
“Maintenance Services”	after sales services to be provided by Elixir for the relevant hardware systems and equipment provided under the SJM Service Arrangement
“Mr. Lawrence Ho”	Mr. Ho, Lawrence Yau Lung, the chairman and chief executive officer of the Company and son of Dr. Stanley Ho
“PRC”	The People’s Republic of China
“Services”	the System Integration Services and (if applicable) the Maintenance Services
“Service Arrangements”	the STDM Service Arrangement and the SJM Service Arrangement
“Shareholders”	shareholders of the Company
“SJM”	Sociedade de Jogos de Macau, S.A., a company incorporated under the laws of Macau and a non-wholly-owned subsidiary of STDM
“SJM Service Arrangement”	the service arrangement comprising three separate agreements, entered into between Elixir and SJM, all dated on 28 December 2006, regarding the respective provision of: (i) System Integration Services and Maintenance Services for the digital surveillance camera system; (ii) System Integration Services for the access control system; and (iii) System Integration Services for the electronic gaming machines, by Elixir to SJM
“STDM”	Sociedade de Turismo e Diversões de Macau, S.A. a company incorporated under the laws of Macau
“STDM Service Arrangement”	the service arrangement entered into between Elixir and STDM on 28 December 2006, regarding the provision of System Integration Services for the extra low voltage systems, by Elixir to STDM
“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 develop, provide and install the monitoring security systems, gaming systems and extra low voltage systems as well as the design and provision of information technology expertise to ameliorate the computer equipment of STDM and SJM respectively
“%”	per cent.

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

Hong Kong, 28 December 2006

Please also refer to the published version of this announcement in South China Morning Post - Classified.