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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 TRANSACTION

**Financial adviser to Melco International Development Limited**



**VC CAPITAL LIMITED**

滙盈融資有限公司

*(A wholly-owned subsidiary of Value Convergence Holdings Limited)*

### SUMMARY

The Directors are pleased to announce that on 30 July 2004, Elixir, an indirectly owned subsidiary of the Company, has entered into the Service Arrangement, on a conditional basis, with SJM for the provision of certain information technology related services to SJM. Pursuant to the Service Arrangement, Elixir shall provide to SJM such Services comprising System Integration Services for an aggregate value of about US\$3.95 million (equivalent to approximately HK\$30.73 million) and Maintenance Services for the aggregate value of about US\$0.206 million (equivalent to approximately HK\$1.60 million).

SJM, being a subsidiary of STDM, is a connected person for the purpose of the Listing Rules by reason of the fact that Dr. Stanley Ho, who is the Chairman and Executive Director of the Company, has an equity interest in, as well as being a director of, SJM and STDM respectively. As a result, the Service Arrangement and the transactions contemplated thereunder constitute a non-exempt connected transaction of the Company under Rule 14A.16(5) of the Listing Rules (by virtue of the fact that the respective assets ratio, consideration ratio and/or revenue ratio is more than 2.5% but less than 25% and the total amount payable by 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 3.98% shareholding interest in the Company, and his associates will abstain from voting on the resolution(s) regarding the Service Arrangement and the transactions contemplated thereunder at the EGM.

A circular containing, among other things, (i) further information on the Service Arrangement; (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**

Elixir is formerly owned as to 77.5% by Value Convergence, a company whose securities are listed on the Growth Enterprise Market operated by the Stock Exchange (Stock code: 8101) and a 67.57% owned subsidiary of the Company. Pursuant to the Group Reorganization as disclosed in the announcements and the circular of the Company respectively dated 23 March 2004, 2 April 2004 and 23 April 2004, the Company has acquired, inter alia, the 77.5% shareholding interest in Elixir from Value Convergence.

Since its inception in July 2002 and prior to the said Group Reorganization, Elixir 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 Elixir and SJM commenced in January 2003 and during the year 2003, Elixir has altogether entered into three separate service arrangements with SJM for the provision of information technology related services to SJM for the respective considerations of about US\$570,000, US\$285,000 and US\$7,140,000 (equivalent to approximately HK\$4.43 million, HK\$2.22 million and HK\$55.55 million respectively). Details of the first two service arrangements are disclosed in the announcements of Value Convergence respectively dated 21 January 2003 and 17 July 2003, while information on the last service arrangement is disclosed in the joint announcement of the Company and Value Convergence dated 9 October 2003 and the respective circulars of the Company and Value Convergence both dated 31 October 2003. As certain services under the said last service arrangement are scheduled to be completed by the first quarter of 2005, such previous service arrangement between Elixir and SJM remains valid and subsisting after the Group Reorganization.

Given that Elixir 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 30 July 2004, Elixir has entered into another Service Arrangement with SJM for the provision of System Integration Services and Maintenance Services for the respective aggregate values of about US\$3.95 million and US\$0.206 million respectively (equivalent to approximately HK\$30.73 million and HK\$1.60 million respectively).

## **THE SERVICE ARRANGEMENT**

Date : 30 July 2004

Parties : i. Elixir  
ii. SJM

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

Pursuant to the 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 real-time on-line transmission and monitoring security systems, such as the digital surveillance camera system, the finger print access control system and the facial recognition 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; and
2. Maintenance Services including the continuing maintenance and support services, such as rectification of any error and provision of spare parts, if necessary, for a number of hardware systems and equipment provided under the Service Arrangement. The Maintenance Services are for a term of one year commencing from the expiration of the three month 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 Service Arrangement is determined by arm's length negotiations between both parties. Pursuant to the terms of the Service Arrangement, the aggregate service charge for the System Integration Services is about US\$3.95 million (equivalent to approximately HK\$30.73 million) (as to about US\$2.66 million for digital surveillance camera system, as to about US\$0.016 million for the finger print access control system, as to US\$0.43 million for the facial recognition system and as to about US\$0.84 million for the electronic gaming machines). Such aggregate service charge is determined with reference to the estimated costs of (i) the relevant hardware systems and equipment; and (ii) the resources to be incurred by Elixir for installing the same and provision of the related technical services to SJM. As for the Maintenance Services, the aggregate service charge of US\$0.206 million (equivalent to approximately HK\$1.60 million) is determined with reference to (i) the estimated costs for the estimated number of spare parts that requires for maintaining the relevant hardware systems and equipment and (ii) the resources to be incurred by Elixir during the relevant agreed service period.

### **Payment terms**

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

- (i) an initial amount of US\$1.33 million (equivalent to approximately HK\$10.35 million) representing 50% of the relevant service charge in relation to the System Integration Services for the digital surveillance camera system upon entering into the Service Arrangement. The balance of the relevant service charge will be payable by three installments of amounts equivalent to 30%, 10% and 10% thereof upon (a) the date of delivery of the relevant system, (b) the date of completion of installation and acceptance test on such system and (c) the expiry date of the three month free warranty period after completion of the acceptance test respectively. According to the terms and conditions of the Service Arrangement, these three milestone dates are expected to take place in around mid September 2004, early October 2004 and early January 2005 respectively;

- (ii) the full amount of US\$0.016 million (equivalent to approximately HK\$0.13 million) in respect of the System Integration Services for the finger print access control system upon the date of delivery of the relevant system, which is expected to be around mid September 2004;
- (iii) an initial amount of about US\$0.215 million (equivalent to approximately HK\$1.67 million) representing 50% of the relevant service charge in relation to the System Integration Services for the facial recognition system upon entering into the Service Arrangement with the remaining 50% thereof to be paid upon the date of completion of installation and acceptance test on such systems and equipment, which is expected to be around early October 2004;
- (iv) an initial amount of about US\$0.42 million (equivalent to approximately HK\$3.28 million) representing 50% of the relevant service charge in relation to the System Integration Services for the electronic gaming machines upon entering into the Service Arrangement with the remaining 50% thereof to be paid upon the date of delivery, which is expected to be around mid September 2004; and
- (v) the full amount of US\$0.206 million (equivalent to approximately HK\$1.60 million) for the Maintenance Services upon the expiration of the three month free warranty period, which is expected to be around early January 2005.

The different payment schedules that apply to the different hardware systems and equipment are consistent with the relevant terms offered by different suppliers to Elixir.

#### **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.

Unless the parties thereto otherwise agree (but nevertheless subject to the relevant requirements under the Listing Rules), the above condition cannot be waived by parties to the Service Arrangement. In the event that the condition cannot be fulfilled on or before 30 September 2004 (or such other date as the parties may subsequently agree), SJM, may by notice to Elixir, terminate the Service Arrangement. Upon any such termination, Elixir shall return to SJM any payment made under the Service Arrangement (without interest) and subject to that none of the parties to the Service Arrangement will have any obligations and liabilities save to any antecedent breach of the terms thereof.

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

SJM is a company incorporated under the laws of Macau and is majority owned by STDM with Dr. Stanley Ho as its managing director. SJM has been selected by the Macau Government as one of the three concessionaires to engage in casino gaming operations in Macau from 1 April 2002 to 31 March 2020.

By reason of the fact that Dr. Stanley Ho, who is the Chairman and Executive Director of the Company, has an equity interest in, as well as being a director of, SJM and STDM respectively, SJM is considered as a connected person under the Listing Rules. As a result, the Service Arrangement and the transactions contemplated thereunder constitute a non-exempt connected transaction of the Company under Rule 14A.16(5) of the Listing Rules (by virtue of the fact that the respective assets ratio, consideration ratio and/or revenue ratio is more than 2.5% but less than 25% and the total amount payable by 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 3.98% shareholding interest in the Company, and his associates, namely, Madam Lucina Laam King Ying, Mr. Lawrence Ho (son of Dr. Stanley Ho), Lasting Legend Limited (a company controlled by Mr. Lawrence Ho) and Better Joy Overseas Limited (a company owned as to 77% by Mr. Lawrence Ho and as to 23% by Dr. Stanley Ho) will abstain from voting on the resolution(s) regarding the Service Arrangement and the transactions contemplated thereunder at the EGM.

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

Currently, the Group's business is broadly divided into three divisions, namely, (i) leisure and entertainment division; (ii) investment banking and financial services division; and (iii) technology division. Elixir, an indirectly 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 SJM forms part of the normal business activities of Elixir and generates income for the Group. Besides, by leveraging on the established track record of providing technology systems and services to 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 Arrangement 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 Arrangement are fair and reasonable and in the interests of the Shareholders as a whole. An independent financial adviser will be appointed to advise the independent board committee in respect of the terms of the Service Arrangement.

A circular containing, among other things, (i) further information on the Service Arrangement; (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:*

Dr. Stanley Ho (*Chairman*)  
Mr. Lawrence Ho (*Managing Director*)  
Mr. Frank Tsui

*Non-executive Director:*

Mr. Ho Cheuk Yuet

*Independent Non-executive Directors:*

Sir Roger Lobo  
Mr. Robert Kwan  
Mr. Ng Ching Wo

**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 securities 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 Chairman and an Executive Director of the Company  |
| “EGM”                         | an extraordinary general meeting of the Company to be convened for the purpose of considering and approving the Service Arrangement and all transactions contemplated thereunder                 |
| “Elixir”                      | Elixir Group Limited, a company incorporated in Hong Kong with limited liability on 2 July 2002 and an indirectly owned subsidiary of the Company  |
| “Group”                       | the Company and its subsidiaries   |
| “Hong Kong”                   | the Hong Kong Special Administrative Region of the People’s Republic of China  |
| “HK\$”                        | Hong Kong dollars, the lawful currency of Hong Kong  |
| “Independent Board Committee” | an independent committee of the Board to be appointed by the Directors to advise the Independent Shareholders in respect of the Service Arrangement and all transactions contemplated thereunder |

|                            |   |
|----------------------------|---|
| “Independent Shareholders” | shareholders of the Company other than Dr. Stanley Ho and his associates, Madam Lucina Laam King Ying, Mr. Lawrence Ho, Lasting Legend Limited and Better Joy Overseas Limited  |
| “Macau”                    | the Macau Special Administrative Region of the People’s Republic of China   |
| “Listing Rules”            | The Rules Governing the Listing of Securities on the Stock Exchange   |
| “Maintenance Services”     | after sales services to be provided by Elixir including rectification of any error and provision of spare parts, if necessary, for the relevant hardware systems and equipment provided under the Service Arrangement   |
| “Mr. Lawrence Ho”          | Mr. Ho Yau Lung, Lawrence, the Managing Director and Executive Director of the Company and son of Dr. Stanley Ho  |
| “PRC”                      | The People’s Republic of China  |
| “Services”                 | the System Integration Services and the Maintenance Services  |
| “Service Arrangement”      | the Service Arrangement comprising four separate agreements, entered into between Elixir and SJM, all dated on 30 July 2004, regarding the respective provision of: (i) System Integration Services and Maintenance Services for the digital surveillance camera system; (ii) System Integration Services for the finger print access control system; (iii) System Integration Services and Maintenance Services for the facial recognition system; and (iv) System Integration Services for the electronic gaming machines, by Elixir to SJM |
| “Shareholders”             | shareholders of the Company   |
| “SJM”                      | Sociedade de Jogos de Macau, S.A., a company incorporated under the laws of Macau   |
| “STDM”                     | Sociedade de Turismo e Diversoes de Macau, S.A.R.L. a company incorporated under the laws of Macau  |
| “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 real-time on-line transmission and monitoring security systems, such as the digital surveillance camera system, the finger print access control system and the facial recognition 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 equipment of SJM |
| “US\$”                        | United States dollars, the lawful currency of the United States of America   |
| “Value Convergence”           | Value Convergence Holdings Limited, a company incorporated in Hong Kong, the securities of which are listed on the Growth Enterprise Market operated by the Stock Exchange (Stock Code: 8101) and a 67.57% owned subsidiary of the Company   |
| “%”                           | Per cent   |

For the purpose of this announcement, the amount in US\$ is translated into HK\$ at the exchange rate of US\$1.00 to HK\$7.78.

By order of the board of  
**Melco International Development Limited**  
**Lawrence Ho**  
*Managing Director*

Hong Kong, 30 July 2004

Please also refer to the published version of this announcement in The Standard.