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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

SUMMARY

The Directors are pleased to announce that on 16 December 2004, Melco Technology, a wholly-owned subsidiary of the Company, as purchaser, has entered into the Current Agreements respectively with each of the Vendors for a further acquisition of an aggregate of 12.5% issued share capital of Elixir for a total consideration of HK\$120,730, which has been arrived at after arm's length negotiation between the parties thereto. The completion of the Current Agreements has taken place immediately after the execution of the Current Agreements and the consideration has been fully paid in cash and from the internal resources of the Group.

Immediately after the Group Reorganisation, Elixir became an indirect 77.5% owned subsidiary of the Company. On 1 June 2004, the Group entered into the Previous Agreements respectively with each of the Vendors to acquire an aggregate of 10% issued share capital of Elixir thereby increasing the shareholding interests of the Group in Elixir from 77.5% to 87.5%. As a result of the completion of the Acquisition Agreements, Elixir has become an indirect wholly-owned subsidiary of the Company. The Directors (including the Independent Non-executive Directors) are of the view that the terms of the Acquisition Agreements are entered into after arm's length negotiations between the parties thereto and are fair and reasonable and in the interests of the Group and the Shareholders as a whole.

The Vendors, being substantial shareholders of Elixir (each holding 11.25% of the issued share capital of Elixir prior to the completion of the Previous Agreements), are connected persons for the purpose of the Listing Rules. While the Previous Agreements were regarded as a connected transaction exempted from reporting, announcement and independent shareholders' approval requirements under Rule 14A.31(2) of the Listing Rules, the Acquisition Agreements viewed as a whole constitute a connected transaction of the Company under Rule 14A.32 of the Listing Rules (by virtue of the fact that the revenue ratio is more than 2.5% but less than 25% and the total consideration is less than HK\$10,000,000) and is subject to the reporting and announcement requirements as set out in Chapter 14A of the Listing Rules.

BACKGROUND OF THE ACQUISITION AGREEMENTS

Immediately after the Group Reorganisation, details of which are disclosed in the announcements and the circular of the Company respectively dated 23 March 2004, 2 April 2004 and 23 April 2004, Elixir became an indirect 77.5% owned subsidiary of the Company. The remaining 22.5% equity interests in Elixir were then held as to 12.25% by each of the Vendors. On 1 June 2004, Melco Technology, as purchaser, entered into the Previous Agreements respectively with each of the Vendors to acquire an aggregate of 10% issued share capital of Elixir for a total consideration of HK\$96,606, which was determined by arm's length negotiations between the parties with reference to the unaudited consolidated net asset value of Elixir as at 31 May 2004 of approximately HK\$966,000. The said consideration has been settled by cash and paid from the internal resources of the Group. As a result of the Previous Agreements, the shareholding of the Group in Elixir has been increased from 77.5% to 87.5%.

The Directors are pleased to announce that on 16 December 2004, Melco Technology, as purchaser, has entered into the Current Agreements respectively with each of the Vendors for a further acquisition of an aggregate of 12.5% issued share capital of Elixir such that Elixir has become an indirect wholly-owned subsidiary of the Company.

THE CURRENT AGREEMENTS

Date : 16 December 2004

Parties : Melco Technology as buyer
The Vendors as sellers

Assets acquired

Pursuant to the Current Agreements, Melco Technology agreed to purchase and the Vendors agreed to sell an aggregate of 12.5% issued share capital of Elixir for a total consideration of HK\$120,730.

Consideration and completion

The total consideration of HK\$120,730 for 12.5% issued share capital of Elixir under the Current Agreements was determined by arm's length negotiations between the parties with reference to the unaudited consolidated net asset value of Elixir as at 31 May 2004 of approximately HK\$966,000. The completion of the Current Agreements has taken place immediately after the execution of the Current Agreements and the said consideration has been fully paid in cash and from the internal resources of the Group.

While the Vendors have never been appointed as directors of Elixir nor do they have any rights to nominate any director to the board of directors of Elixir, the Vendors have at all times been engaged by Elixir as its full-time employees overseeing the sales and marketing activities of Elixir. After completion of the Acquisitions Agreements, it is intended that the Vendors shall remain as employees of Elixir and continue to serve the Group.

INFORMATION OF THE GROUP AND ELIXIR

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 was originally incorporated in July 2002 and the then issued share capital of which was owned as to 77.5% by Value Convergence and the remaining 22.5% by the Vendors each holding 11.25%. The then subscription price paid by each of the Vendors for 11.25% issued share capital of Elixir was HK\$112,500. As a result of the Group Reorganisation, Value Convergence transferred, inter alia, 77.5% issued share capital of Elixir to Melco Technology and since then, Elixir has become an indirectly non-wholly owned subsidiary of the Company (prior to the completion of the Acquisition Agreements) and formed part of the technology arm of the Group. Since its inception, the principal businesses of Elixir include system integration and supply and provision of various software systems and hardware equipment as well as information technology services to clients predominantly in Macau and the Pearl River Delta Area of the PRC.

As at the date of this announcement, Elixir has evolved to become a premier gaming information technology infrastructure specialist in Macau with the provision of the latest gaming technology solutions including intelligent surveillance system, finger print access control system and facial recognition systems, as well as electronic gaming machines and systems. It also offers clients in Macau, Hong Kong and the PRC full range of hardware systems, system integration services and system network services and its customers base has expanded to comprise government organizations, banks and gaming clients. According to the consolidated profit and loss account of Elixir for the year ended 31 December 2003, the total revenue and the profit before taxation for the financial year ended 31 December 2003 was HK\$28,444,233 and HK\$25,944 respectively and according to the unaudited consolidated management accounts of Elixir as at 31 May 2004, the unaudited consolidated net asset value of Elixir was approximately HK\$966,000.

REASONS FOR ENTERING INTO THE ACQUISITION AGREEMENTS

With the completion of the Acquisition Agreements, Elixir has become an indirect wholly-owned subsidiary of the Company and the Directors consider that this would enable the Company to fully consolidate the results, assets and liabilities of Elixir and to gain complete operational and administrative control of Elixir, which in turn, will facilitate future expansion of Elixir's business. The Directors (including the Independent Non-executive Directors) are of the view that the terms of the Acquisition Agreements are entered into after arm's length negotiations between the parties thereto and are fair and reasonable and in the interests of the Group and the Shareholders as a whole.

IMPLICATIONS UNDER THE LISTING RULES

The Vendors, being substantial shareholders of Elixir (each holding 11.25% of the issued share capital of Elixir prior to the completion of the Previous Agreements), are connected persons for the purpose of the Listing Rules. While the Previous Agreements were regarded as a connected transaction exempted from reporting, announcement and independent shareholders' approval requirements under Rule 14A.31(2) of the Listing Rules, the Acquisition Agreements viewed as a whole constitute a connected transaction of the Company under Rule 14A.32 of the Listing Rules (by virtue of the fact that the revenue ratio is more than 2.5% but less than 25% and the total consideration is less than HK\$10,000,000) and is subject to the reporting and announcement requirements as set out in Chapter 14A of the Listing Rules.

GENERAL

As at the date of this announcement, the Board comprises three Executive Directors, namely, Dr. Stanley Ho, Mr. Lawrence Ho and Mr. Frank Tsui, two Non-executive Directors, namely, Mr. Ng Ching Wo and Mr. Ho Cheuk Yuet and three Independent Non-executive Directors, namely, Sir Roger Lobo, Mr. Robert Kwan and Dr. Lo Ka Shui.

DEFINITION

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

“Acquisition Agreements”	the Previous Agreements and the Current Agreements
“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
“Current Agreements”	two share sale and purchase agreements with identical terms both dated 16 December 2004 respectively entered into between Melco Technology and each of the Vendors for acquisition of 6.25% issued share capital of Elixir by Melco Technology from each of the Vendors

“Director(s)”	the director(s) of the Company
“Elixir”	Elixir Group Limited, a company incorporated in Hong Kong with limited liability on 2 July 2002
“Group”	the Company and its subsidiaries
“Group Reorganisation”	Reorganisation of the Group involving a number of transactions concerning, inter alia, transfer of 77.5% shareholding interest in Elixir from Value Convergence to Melco Technology, details of which are disclosed in the announcements and the circular of the Company respectively dated 23 March 2004, 2 April 2004 and 23 April 2004
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Macau”	the Macau Special Administrative Region of the PRC
“Melco Technology”	Melco Technology Group Limited, a company incorporated in Hong Kong with limited liability and a wholly-owned subsidiary of the Company
“Listing Rules”	The Rules Governing the Listing of Securities on the Stock Exchange
“PRC”	the People’s Republic of China
“Previous Agreements”	two share sale and purchase agreements with identical terms both dated 1 June 2004 respectively entered into between Melco Technology and each of the Vendors for acquisition of 5% issued share capital of Elixir by Melco Technology from each of the Vendors
“Shareholders”	shareholders of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“substantial shareholders”	has the same meaning as ascribed to it in the Listing Rules
“Vendors”	Messrs. Gordon Lee and Leong Van Tat

“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

By order of the board of
Melco International Development Limited
Ho, Lawrence Yau Lung
Managing Director

Hong Kong, 16 December 2004

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