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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

SUMMARY

The Directors are pleased to announce that on 13th April 2005, Elixir, an indirect wholly-owned subsidiary of the Company, has entered into the Service Arrangements on a conditional basis with each of SJM and Mocha respectively, pursuant to which Elixir shall provide to each of SJM and Mocha such Services comprising System Integration Services for an aggregate value of about HK\$48.18 million and HK\$22.61 million respectively and Maintenance Services for the aggregate value of about HK\$2.75 million and HK\$0.6 million respectively.

SJM, being a subsidiary of STDM, is a connected person of the Company 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 STDM, parent company of SJM. Also, Mocha, being a subsidiary of the Company, is a connected person of the Company for the purpose of the Listing Rules by reason of the fact that Dr. Stanley Ho has an equity interest in, as well as being a director of, Mocha. As a result, each of the SJM Service Arrangement and the Mocha Service Arrangement constitutes a non-exempt connected transaction of the Company under Rule 14A.16(5) of the Listing Rules (by virtue of the fact that the revenue ratio in each case is more than 2.5% but less than 25% and the total amount payable by SJM or Mocha (as the case may be) for the Services exceeds HK\$10,000,000) and is 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 3.085% 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

Elixir and EGL 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 and 2004, EGL has altogether entered into four separate service arrangements with SJM 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 13th April 2005, 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\$48.18 million and HK\$2.75 million respectively. In addition, the Directors are pleased to announce that on 13th April 2005, Elixir has also entered into the Mocha Service Arrangement with Mocha for the provision of System Integration Services and Maintenance Services for the aggregate values of about HK\$22.61 million and HK\$0.6 million respectively.

THE SERVICE ARRANGEMENTS

1. SJM Service Arrangement

Date : 13th April 2005

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 real-time on-line transmission and monitoring security systems, such as the digital surveillance camera system, the finger print 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 equipment 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 Arrangements. 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\$48.18 million (as to about HK\$31.42 million for digital surveillance camera system, as to about HK\$0.074 million for the finger print access control system and as to about HK\$16.69 million for the electronic gaming machines). Such aggregate service charge is determined with reference to the estimated market costs of (i) the relevant hardware systems and equipment; and (ii) the manpower to be incurred by Elixir 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 vendors. The aggregate service charges of the System Integration Services will then be calculated based on the required hardware systems and equipment (with a mark up on the costs charged by the vendors, 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, the aggregate service charge is about HK\$2.75 million and was determined with reference to the estimated market costs of (i) 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. 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 customers of Elixir.

Payment terms

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

- (i) an initial amount of about HK\$15.71 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 SJM 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 SJM Service Arrangement, these three milestone dates are expected to take place in around mid May 2005, early June 2005 and early September 2005 respectively;
- (ii) the full amount of about HK\$0.074 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 May 2005;
- (iii) an initial amount of about HK\$8.345 million 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, which is expected to be around mid May 2005; and
- (iv) the full amount of about HK\$2.75 million for the Maintenance Services upon the expiration of the three months' free warranty period, which is expected to be around early September 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.

2. Mocha Service Arrangement

Date : 13th April 2005

Parties : i. Elixir
ii. Mocha

Information technology related services to be provided under the Mocha Service Arrangement

Pursuant to the Mocha Service Arrangement, Elixir will provide to Mocha such Services comprising the System Integration Services and Maintenance Services (for a term of one year) which are identical as those to be provided to SJM under the SJM Service Arrangement, details of which are contained in the paragraph headed "Information technology related services to be provided under the SJM Service Arrangement" above.

Consideration

The consideration payable by Mocha under the Mocha Service Arrangement was determined by arm's length negotiations between the parties thereto. Pursuant to the terms of the Mocha Service Arrangement, the aggregate service charge for the System Integration Services is about HK\$22.61 million (as to about HK\$2.08 million for digital surveillance camera system, as to about HK\$3.31 million for the finger print access control system and as to about HK\$17.22 million for the electronic gaming machines). Such aggregate service charge was determined with reference to the estimated market costs of (i) the relevant hardware systems and equipment; and (ii) the manpower to be incurred by Elixir for installing the same and provision of the related technical services to Mocha. Elixir will ascertain the relevant hardware systems and equipment and manpower required to provide the relevant System Integration Services to Mocha upon receiving its orders and arrange to purchase the required hardware systems and equipment from the vendors. The aggregate service charges of the System Integration Services will then be calculated based on the required hardware systems and equipment (with a mark up on the costs charged by the vendors, 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 and the electronic gaming machines, the aggregate service charge is about HK\$0.6 million. As for the Maintenance Services for the digital surveillance camera system, the aggregate service charge is about HK\$0.12 million and was determined with reference to the estimated market costs of (i) 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. As for the Maintenance Services for the electronic gaming machines, the aggregate service charge is about HK\$0.48 million and was determined by the relevant supplier supplying the relevant systems. The aggregate service charge for the System Integration Services to be provided by Elixir to Mocha is comparable to the market rate and charge to other customers of Elixir.

Payment terms

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

- (i) an initial amount of about HK\$1.04 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 Mocha 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 Mocha Service Arrangement, these three milestone dates are expected to take place in around mid May 2005, early June 2005 and early September 2005 respectively;
- (ii) the full amount of about HK\$3.31 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 May 2005;
- (iii) an initial amount of about HK\$8.61 million representing 50% of the relevant service charge in relation to the System Integration Services for the electronic gaming machines upon entering into the Mocha Service Arrangement with the remaining 50% thereof to be paid upon the date of delivery, which is expected to be around mid May 2005;
- (iv) the amount of about HK\$0.12 million for the Maintenance Services for the digital surveillance camera system upon the expiration of the three months' free warranty period, which is expected to be around early September 2005; and
- (v) the initial amount of about HK\$0.24 million representing 50% for the Maintenance Services for the electronic gaming machines upon subscription of the maintenance services by Mocha with the remaining 50% thereof to be paid 15 days after the date of delivery, which is expected to be around early June 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

Both the SJM Service Arrangement and the Mocha 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. However, the SJM Service Arrangement and the Mocha Service Arrangement are not inter-conditional.

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 30th June 2005 (or such other date as the parties may subsequently agree), SJM may, by notice to Elixir, terminate the SJM Service Arrangement and Mocha may, by notice to Elixir, terminate the Mocha Service Arrangement. Upon any such termination, Elixir shall return to SJM and/ or Mocha (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 SJM Service Arrangement and/ or Mocha 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 concessionaries to engage in casino gaming operations in Macau from 1st April 2002

to 31st 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 STDM, parent company of SJM, SJM is considered as a connected person of the Company under the Listing Rules.

Mocha is a company incorporated under the laws of Macau and is a subsidiary of the Company. Mocha engages in the leasing of a wide variety of electronic gaming machines, including state-of-the-art slot machines and electronic multiplayer machines and the provision of related management services to casino operators in Macau. By reason of the fact that Dr. Stanley Ho has an equity interest in, as well as being a director of, Mocha, Mocha is considered as a connected person of the Company under the Listing Rules.

Based on the above, each of the SJM Service Arrangement and the Mocha Service Arrangement constitutes a non-exempt connected transaction of the Company under Rule 14A.16(5) of the Listing Rules (by virtue of the fact that the revenue ratio in each case is more than 2.5% but less than 25% and the total amount payable by SJM and Mocha (as the case may be) for the Services exceeds HK\$10,000,000) and is 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 3.085% 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 Ltd. (a company owned as to 77% by Mr. Lawrence Ho and as to 23% by Dr. Stanley 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) leisure and entertainment division; (ii) investment banking and financial services division; (iii) technology division; and (iv) property 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 SJM and Mocha 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 and Mocha, 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 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 three Executive Directors, namely, Dr. Stanley Ho (Chairman), Mr. Lawrence Ho (Managing Director) and Mr. Frank Tsui; two Non-executive Directors, namely, Mr. Ho Cheuk Yuet and Mr. Ng Ching Wo; 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:

“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
“EGL”	Elixir Group Limited, a company incorporated in Hong Kong with limited liability on 2nd 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 29th July 2002 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 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 Ltd.
“Listing Rules”	The Rules Governing the Listing of Securities on the Stock Exchange
“Macau”	the Macau Special Administrative Region of the People’s Republic of China
“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 Arrangements

“Mocha”	Mocha Slot Group Limited, a company incorporated under the laws of British Virgin Islands and the equity interests in which are held as to 80% by Melco Entertainment Limited, a subsidiary of the Company, and 20% by Dr. Stanley Ho
“Mocha Service Arrangement”	the service arrangement comprising three separate agreements, entered into between Elixir and Mocha, all dated 13th April 2005, 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; and (iii) System Integration Services for the electronic gaming machines, by Elixir to Mocha
“Mr. Lawrence Ho”	Mr. Ho, Lawrence Yau Lung, 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 Arrangements”	the SJM Service Arrangement and the Mocha Service Arrangement
“Shareholders”	shareholders of the Company
“SJM”	Sociedade de Jogos de Macau, S.A., a company incorporated under the laws of Macau
“SJM Service Arrangement”	the service arrangement comprising three separate agreements, entered into between Elixir and SJM, all dated 13th April 2005, 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; and (iii) System Integration Services for the electronic gaming machines, by Elixir to SJM
“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 and gaming systems as well as the design and provision of information technology expertise to ameliorate the computer facilities and equipment of SJM and Mocha respectively
“%”	Per cent

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

Hong Kong, 13th April 2005

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