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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-group.com>

(Stock Code: 200)

ANNOUNCEMENT

DISCLOSEABLE AND CONNECTED TRANSACTION SWAPPING OF SHARES IN A SUBSIDIARY WITH A LISTED COMPANY IN SINGAPORE

The Company is pleased to announce that on 27 March 2007, BA, an indirect wholly owned subsidiary of the Company, entered into the Sale and Purchase Agreement with LottVision, a company listed on the Main Board of the Singapore Stock Exchange, for the sale of the Sale Shares, representing approximately 29.47% of the issued share capital of PAL, to LottVision. The consideration for the sale and purchase of the Sale Shares is approximately S\$19,970,416 (equivalent to approximately HK\$101,649,000), to be satisfied by the allotment and issue of the Consideration Shares by LottVision to BA. The Consideration Shares will comprise approximately 28.5% of the issued share capital of LottVision, as enlarged by the allotment and issue of the Consideration Shares.

PAL is currently owned as to 60% by BA and as to 40% by LottVision and is an indirect non-wholly owned subsidiary of the Company. PAL and the PAL Subsidiaries are principally engaged in the businesses of developing and providing technology systems and services for use in connection with sports lottery operations in the PRC and in a number of other lottery business initiatives in other Asian jurisdictions. On completion of the Disposal, PAL will be owned as to approximately 30.53% by BA and as to approximately 69.47% by LottVision and will cease to be a subsidiary of the Company.

LottVision is a substantial shareholder of PAL and, therefore, a connected person of the Company for the purposes of the Listing Rules. Accordingly, the transaction is a connected transaction for the Company under Chapter 14A of the Listing Rules and is, therefore, subject to approval by a resolution, by way of poll, of the Company's Shareholders. Since the applicable percentage ratios (as defined in the Listing Rules) for the Disposal and the acquisition of the Consideration Shares respectively are more than 5% but less than 25%, pursuant to Rule 14.06(2) of the Listing Rules, such transactions also constitute discloseable transactions for the Company under Chapter 14 of the Listing Rules.

An independent committee of the board of directors of the Company, comprising the Company's independent non-executive directors, has been appointed to advise the Shareholders as to whether the terms of the transaction are fair and reasonable and in the interests of the Company and its Shareholders as a whole. An independent financial advisor will be appointed to advise the independent board committee and the Shareholders in this regard.

A circular containing further details of the Sale and Purchase Agreement and the transactions contemplated thereby, together with the advice of the independent board committee and the independent financial advisor and a notice convening an extraordinary general meeting of the Company to consider and, if thought fit, approve the Sale and Purchase Agreement and the transactions contemplated thereby will be dispatched to Shareholders as soon as practicable.

The Company is pleased to announce that on 27 March 2007, BA, an indirect wholly owned subsidiary of the Company, entered into the Sale and Purchase Agreement with LottVision, for the sale of the Sale Shares, representing approximately 29.47% of the issued share capital of PAL, to LottVision in consideration of the allotment and issue of the Consideration Shares by LottVision to BA.

BACKGROUND

PAL was established between BA and LottVision in September 2006 to conduct the businesses of developing and providing technology systems and services for use in connection with sports lottery operations in the PRC and in a number of other lottery business initiatives in other Asian jurisdictions. PAL is owned as to 60% by BA and as to 40% by LottVision. PAL has acquired or established a number of subsidiaries and further information in relation to the businesses of PAL and its subsidiaries is set out below in the section headed "Information on PAL and the PAL Subsidiaries". On completion of the Sale and Purchase Agreement, PAL will be owned as to approximately 30.53% by BA and as to approximately 69.47% by LottVision and will cease to be a subsidiary of the Company.

On the same date that the agreement to establish PAL was entered into, for the purpose of tightening the co-operative relationship of the two companies, the Call Option was granted to BA by LottVision in consideration of the payment of HK\$100 by BA to LottVision. The Call Option is conditional on approval by shareholders of LottVision. If approved by LottVision's shareholders, the Call Option will grant BA the right to subscribe, at any time within a period of one year from 8 September 2006, for up to approximately 20% of the issued share capital of LottVision as at the date of the option deed at an exercise price of S\$0.1034 (equivalent to approximately HK\$0.526) per LottVision's share representing a discount of 6% to the closing price of an ordinary share of LottVision of S\$0.11 (equivalent to approximately HK\$0.56) on the business day immediately preceding the date of the option deed. In addition to the Consideration Shares, upon exercise of the Call Option, BA may subscribe up to a maximum of 88,000,000 LottVision shares, representing approximately 12.49% of the enlarged issued share capital of LottVision following the issue of the Consideration Shares and the exercise of the Call Option in full. Assuming the exercise in full of the Call Option, the aggregate of the Consideration Shares and the LottVision shares to be issued on the exercise in full of the Call Option would represent approximately 37.43% of the enlarged issued share capital of LottVision.

MAIN TERMS OF THE SALE AND PURCHASE AGREEMENT

Date: 27 March 2007

Sale and Purchase of the Sale Shares: BA has agreed to sell, and LottVision has agreed to purchase, the Sale Shares.

Consideration: Approximately S\$19,970,416 (equivalent to approximately HK\$101,649,000) to be satisfied by the allotment and issue of the Consideration Shares by LottVision, credited as fully paid. The initial acquisition cost of the Sale Shares to BA was HK\$73,675,000.

Accordingly, the Consideration Shares will be issued by LottVision at a price of S\$0.1136 (equivalent to approximately HK\$0.578) per LottVision's share, which represents the average price of a share of LottVision for the preceding 30 days before the signing of a non-binding term sheet on 6 February 2007.

The Consideration Shares, when issued, will rank *pari passu* in all respects with the existing issued share capital of LottVision in issue on the date of allotment and issue of the Consideration Shares, including the right to all dividends, distributions and other payments made or to be made, the record date for which falls on or after the date of allotment and issue of the Consideration Shares. There are no restrictions on the subsequent sale of the Consideration Shares by BA.

The Consideration Shares, when issued, will comprise approximately 28.5% of the issued share capital of LottVision, as enlarged by the allotment and issue of the Consideration Shares.

**Basis of the
Consideration:**

The consideration of S\$19,970,416 (equivalent to approximately HK\$101,649,000) was determined after arm's length negotiations between the parties with reference to the unaudited net asset value of PAL and the PAL Subsidiaries as at 31 January 2007 of approximately HK\$244.6 million and represents a premium of approximately 41.01% to HK\$72,085,000 being 29.47% of the aggregate unaudited net asset value of PAL and the PAL Subsidiaries of approximately HK\$244.6 million as of 31 January 2007. The Directors consider that the Sale and Purchase Agreement is on normal commercial terms and that the terms of the transaction are fair and reasonable so far as the Shareholders are concerned.

Conditions:

Completion of the Sale and Purchase Agreement is conditional upon satisfaction of the following conditions precedent:

- (a) approval, by way of poll, of the Sale and Purchase Agreement and the transactions contemplated thereby by the Shareholders, as required by the Listing Rules;
- (b) the warranties provided by BA as set out in the Sale and Purchase Agreement remaining true, accurate and complete in all material respects;
- (c) the shareholders of LottVision passing at its special general meeting the necessary resolutions to approve, ratify and confirm the establishment of PAL and the transactions related thereto, including the grant of the Call Option;
- (d) the shareholders of LottVision passing at its special general meeting the necessary resolutions to approve the Sale and Purchase Agreement and the transactions contemplated thereby;
- (e) the warranties provided by LottVision as set out in the Sale and Purchase Agreement remaining true, accurate and complete in all material respects;
- (f) the approval in principle granted by the Singapore Stock Exchange for the allotment and issue of the Consideration Shares in accordance with the terms of the Sale and Purchase Agreement; and
- (g) the approval in principle granted by the Singapore Stock Exchange for the listing of and quotation for the Consideration Shares on the main board of the Singapore Stock Exchange and the lodgment of an Offer Information Statement with the Monetary Authority of Singapore.

LottVision has the right to waive (in whole or in part) condition (b) above. BA has the right to waive (in whole or in part) condition (e) above. If the conditions precedent referred to above are not fulfilled or (to the extent permitted) waived by LottVision or BA (as the case may be) on or before 4:00 pm on 31 May 2007, or such later date as LottVision and BA may agree, the Sale and Purchase Agreement shall, save as otherwise provided therein, cease and determine and neither party to the Sale and Purchase Agreement shall have any obligations or liabilities towards the other under the Sale and Purchase Agreement, save for any antecedent breaches of the terms of the Sale and Purchase Agreement.

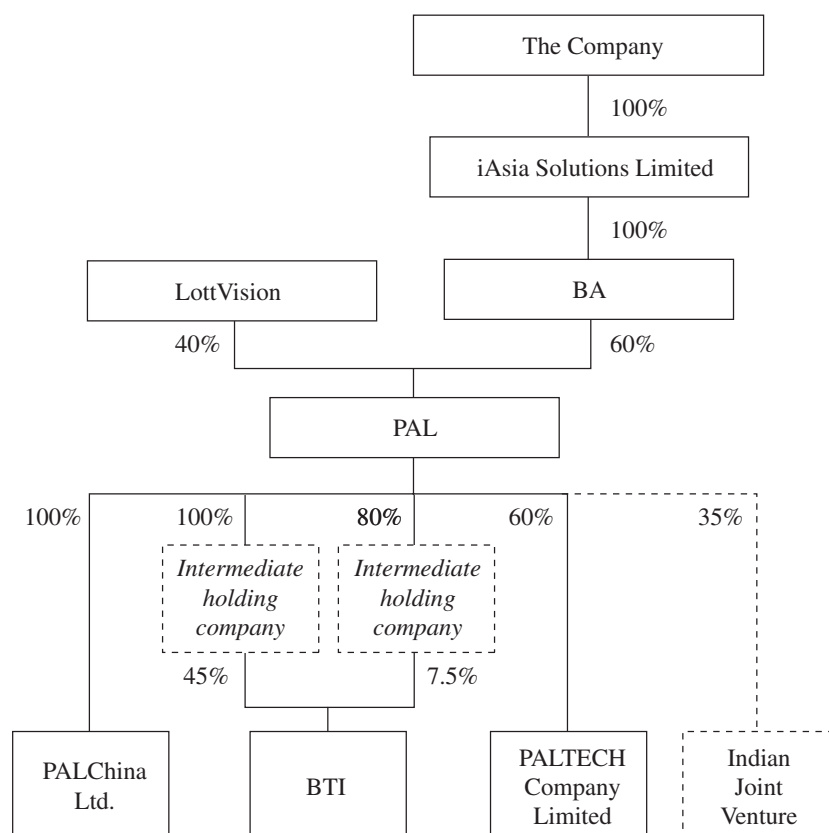
If condition (c) above is not satisfied on or before 4:00 p.m. on 31 May 2007, or such later date as LottVision and BA may agree, the parties will discuss in good faith, and use their reasonable endeavors to agree, the terms on which LottVision can withdraw from the PAL joint venture on a fair and equitable basis as between the parties. In this eventuality, further announcement(s) would be made by the Company as appropriate.

Following the completion of the Sale and Purchase Agreement, PAL will be owned as to approximately 30.53% by BA and as to approximately 69.47% by LottVision and in return BA will own approximately 28.5% of the issued share capital of LottVision (as enlarged by the allotment and issue of the Consideration Shares) on the basis that the Call Option will not be exercised before or immediately after the completion of the Sale and Purchase Agreement. If the Company decides to exercise the Call Option, the Company will take necessary steps to fulfill the relevant disclosure and/or approval requirements in the light of Rules 14.06 and 14.75 of the Listing Rules and all the applicable rules and regulations as prescribed in Singapore and by the Singaporean authorities.

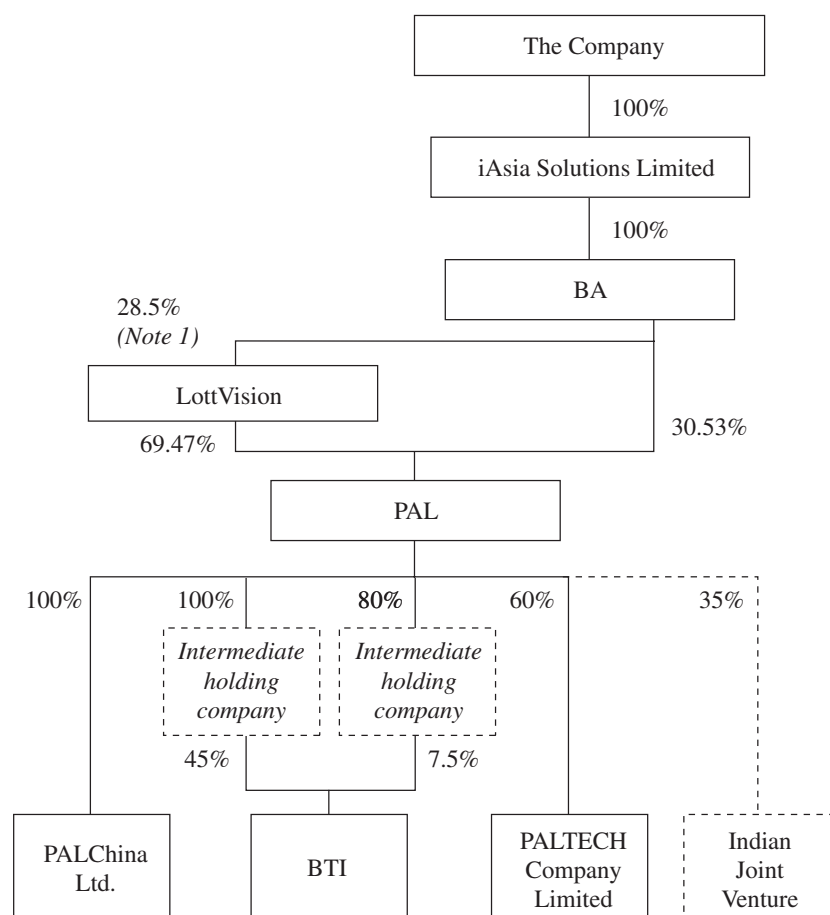
Subsequent to the issuance of the Consideration Shares and prior to any exercise of the Call Option, LottVision will be held as to, approximately 28.5% by BA, approximately 9.7% by Mr. Terence Luk Chung Po (including direct interest and deemed interest at Compelling Vision Management Limited), approximately 4.1% by Mr. Louis Mak Fuk Sang (including direct interest and deemed interest at TriVision Limited) and approximately 57.7% by the public. Mr. Luk is a director of both LottVision and PAL.

The corporate structure of PAL and the PAL Subsidiaries before and immediately after the completion of the Sale and Purchase Agreement is set out below:

Before completion of the Sale and Purchase Agreement:



Immediately after completion of the Sale and Purchase Agreement:



Note 1: Prior to any exercise of the Call Option.

GAIN ON DISPOSAL

Based on the unaudited consolidated management accounts of PAL and the PAL Subsidiaries as of 31 January 2007, the Directors estimate that, upon completion of the Sale and Purchase Agreement, the Company will record a gain on Disposal of approximately HK\$68.5 million, which will be reflected in the consolidated profit and loss account of the Company for the year ending 31 December 2007. The estimated gain on Disposal of approximately HK\$68.5 million represents the difference between the unaudited enlarged net asset value of LottVision as at 31 December 2006 being acquired and the unaudited net asset value of PAL and the PAL Subsidiaries as at 31 January 2007 being disposed.

REASONS FOR THE TRANSACTION

The Directors believe that the transactions as contemplated under the Sale and Purchase Agreement would create benefits for the Company for the following reasons:

- (a) since there are no restrictions on the subsequent sale of the Consideration Shares by BA, the transactions would enhance the liquidity of the Company's investment in PAL and the PAL Subsidiaries, although the Company currently does not have any intention to dispose of the Consideration Shares;
- (b) after the transaction, it is contemplated that LottVision could independently access both equity and debt capital markets in order to provide all or a majority of the financing required for future development and expansion of the businesses of PAL and the PAL Subsidiaries, whereas without the transaction the majority of the financing burden would fall on the Company; and
- (c) following the transaction, the Company will continue to hold, both directly and indirectly, an aggregate effective interest of approximately 50.33% in PAL and would thereby be able to continue to capture the benefits of any future prospects of PAL and the PAL Subsidiaries.

INFORMATION ON THE COMPANY

Currently, the Company's business is broadly divided into four divisions, namely, (i) gaming, entertainment and hospitality division; (ii) technology division; (iii) investment banking and financial services division; and (iv) property and other investments division.

INFORMATION ON PAL AND THE PAL SUBSIDIARIES

PAL is an investment holding company established by BA and LottVision in September 2006 and belongs to the technology division of the Company. PAL has acquired or established the following principal operating subsidiaries:

- (a) **PAL China Ltd.** is a company incorporated under the laws of the PRC and is wholly-owned by PAL. PAL China Ltd. is currently engaged in the business of providing technology related systems and consultancy services to authorized operators of lottery halls across the PRC.
- (b) **BTI** is a company incorporated under the laws of the PRC. An aggregate equity interest of 52.5% of BTI is owned by PAL and its subsidiaries, with 45% of BTI held by a wholly owned subsidiary of PAL and 7.5% of BTI held by an 80% owned subsidiary of PAL. The remaining 47.5% of BTI is held by persons who are (except for their shareholdings in and directorships of BTI) otherwise Independent Third Parties. BTI is principally engaged in the business of supplying of technology systems, namely, the point of sale systems and related equipment, for use in connection with the sports lottery in the PRC.
- (c) On 24 September 2006 PAL agreed with a Korean company which was an Independent Third Party at the time:
 - (i) to establish **PALTECH Company Limited** as a joint venture company incorporated in Hong Kong and owned as to 60% by PAL and as to 40% by the Korean company; and
 - (ii) to establish a joint venture company incorporated in the British Virgin Islands and to be owned as to 35% by PAL and as to 65% by the Korean company, into which joint venture company PAL would inject an aggregate of US\$2.5 million (equivalent to approximately HK\$19,450,000) and the Korean company would inject the entire issued share capital of its Indian subsidiary.

The joint venture company referred to in (i) above is principally engaged in the development, modification, customization, promotion and exploitation of computer systems and software applications and related technologies in connection with the printed lottery and/or online or mobile lottery operations worldwide with particular focus on Asian markets and it is anticipated that PALTECH Company Limited will provide the technology platform to support PAL's business development. The establishment of the joint venture referred to in (ii) above is expected to be completed in early May 2007 and it is intended that the principal business of that joint venture company will include the provision of technology systems and other services to the authorized lottery games operator in India.

PAL is being accounted for as a jointly controlled entity using equity accounting method in the consolidated financial statements of the Company for the year ended 31 December 2006.

The accounts of BTI were prepared in accordance with relevant accounting principles and financial regulations applicable to enterprises in the PRC. The net profits of BTI for the financial year ended 31 December 2005 was RMB4,338,177 both before and after taxation and extraordinary items. The net profits of BTI for the financial year ended 31 December 2006 (unaudited) were RMB 1,250,891 and RMB 1,239,935 before and after taxation and extraordinary items, respectively. PAL and its other subsidiaries are recently established and are yet to become profit making. Since PAL was only established in September 2006, set out below is the unaudited consolidated results of PAL and the PAL Subsidiaries (including BTI) for the four month period ended 31 December 2006 prepared under Hong Kong Financial Reporting Standards:

For the four-month period ended 31 December 2006

	<i>(HKD'000)</i>
Turnover	<u>18,450</u>
(Loss) Profit before taxation	<u>(4,195)</u>
(Loss) Profit after taxation	<u>(4,206)</u>
Attributable to:	
Equity holders of the Company	(3,499)
Minority Interest	<u>(707)</u>
	<u>(4,206)</u>
Net Asset Value (attributable to equity holders)	<u>196,501</u>

INFORMATION ON LOTTVISION

LottVision is a company incorporated in Bermuda and having its shares listed on the Main Board of the Singapore Stock Exchange since December 2002. The principal business of LottVision includes the development and provision of lottery-related technology systems and services in the PRC and other Asia markets. Apart from that, LottVision also engages in the business of providing outsourced security systems and services, such as video surveillance systems and manufacturing of special purpose devices, such as smart identity card devices.

Set out below is the financial information of LottVision based on its audited consolidated accounts for the two years ended 31 March 2005 and 31 March 2006 and the unaudited results for the nine month periods respectively ended 31 December 2005 and 31 December 2006 prepared under International Financial Reporting Standards:

For the year ended 31 March

	2005 (HKD'000)	2006 (HKD'000)
Turnover	<u>168,259</u>	<u>141,339</u>
(Loss) Profit before taxation	<u>26,332</u>	<u>208,048</u>
(Loss) Profit after taxation	<u>28,646</u>	<u>207,970</u>
Attributable to:		
Equity holders of the Company	29,725	208,374
Minority Interest	(1,079)	(404)
	<u>28,646</u>	<u>207,970</u>
Net Asset Value (attributable to equity holders)	<u>287,271</u>	<u>419,936</u>

For the nine-month period ended 31 December

	2005 (HKD'000)	2006 (HKD'000)
Turnover	<u>136,062</u>	<u>15,262</u>
(Loss) Profit before taxation	<u>25,703</u>	<u>952</u>
(Loss) Profit after taxation	<u>25,703</u>	<u>845</u>
Attributable to:		
Equity holders of the Company	26,009	91
Minority Interest	(306)	(936)
	<u>25,703</u>	<u>(845)</u>
Net Asset Value (attributable to equity holders)	<u>340,139</u>	<u>421,084</u>

LISTING RULES IMPLICATIONS

LottVision is a substantial shareholder of PAL and, therefore, a connected person of the Company for the purposes of the Listing Rules. Accordingly, the transaction is a connected transaction for the Company under Chapter 14A of the Listing Rules and is, therefore, subject to approval by a resolution, by way of poll, of the Shareholders. Since the applicable percentage ratios (as defined in the Listing Rules) for the Disposal and the acquisition of the Consideration Shares respectively are more than 5% but less than 25%, pursuant to Rule 14.06(2) of the Listing Rules, such transactions also constitute discloseable transactions for the Company under Chapter 14 of the Listing Rules.

An independent committee of the Board, comprising the Company's independent non-executive directors, has been appointed to advise the Shareholders as to whether the terms of the transaction are fair and reasonable and in the interests of the Company and its Shareholders as a whole. An independent financial advisor will be appointed to advise the independent board committee and the Shareholders in this regard.

As according to the best knowledge and belief of LottVision, none of LottVision nor any of its subsidiaries, controlling shareholders, directors, chief executive or substantial shareholders, or any associate of any of them under the Listing Rules holds any shares of the Company, accordingly, no Shareholder is required to abstain from voting, by way of poll, at the relevant extraordinary general meeting.

A circular containing further details of the Sale and Purchase Agreement and the transaction contemplated thereby, together with the advice of the independent board committee and the independent financial advisor and a notice convening an extraordinary general meeting of the Company to consider and, if thought fit, approve the Sale and Purchase Agreement and the transaction contemplated thereby will be dispatched to Shareholders as soon as practicable.

DEFINITIONS

“BA”	Bright Ally Investments Limited, a company incorporated under the laws of the British Virgin Islands and is an indirect wholly-owned subsidiary of the Company;
“Board”	the board of directors of the Company;
“BTI”	Beijing Telenet Information Technology Limited, a company incorporated under the laws of PRC and an indirect non-wholly owned subsidiary of PAL as at the date hereof;
“Call Option”	a call option granted to BA by LottVision under an option deed dated 18 August 2006, whereby BA has the right to subscribe for up to approximately 20% of the issued share capital of LottVision as at the date of the option deed at a subscription price of S\$0.1034 per share of LottVision;
“Company”	Melco International Development Limited;
“Consideration”	the aggregate consideration for the sale and purchase of the Sale Shares to be satisfied by the allotment and issue of the Consideration Shares by LottVision to BA;
“Consideration Shares”	approximately 175,795,912 new shares of HK\$0.07 each of LottVision to be allotted and issued to BA under the Sale and Purchase Agreement in consideration for the purchase of the Sale Shares;
“Directors”	directors of the Company;
“Disposal”	the disposal of the Sale Shares by BA pursuant to the terms of the Sale and Purchase Agreement;
“Group”	the Company and its subsidiaries from time to time;
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong;
“Independent Third Party(ies)”	independent third party(ies) not connected with the Company and its subsidiaries, the controlling shareholders, directors, chief executive or substantial shareholders of the Company and its subsidiaries, or an associate of any of them under the Listing Rules;
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited;
“LottVision”	LottVision Limited, a company incorporated in Bermuda and having its shares listed on the Main Board of the Singapore Stock Exchange;
“PAL”	PAL Development Limited, a company incorporated in Hong Kong;
“PAL Subsidiaries”	the subsidiaries of PAL, information of which is contained in the section headed “Information on PAL and the PAL Subsidiaries” above;
“PRC”	the People’s Republic of China;

“RMB”	Reminbi, the lawful currency of PRC;
“Sale and Purchase Agreement”	the conditional sale and purchase agreement entered into between BA and LottVision dated 27 March 2007 relating to the sale and purchase of the Sale Shares;
“Sale Shares”	73,675,000 shares of HK\$1.00 each of PAL, representing approximately 29.47% of the issued share capital of PAL;
“Shareholders”	shareholders of the Company;
“Singapore Stock Exchange”	Singapore Exchange Securities Trading Limited;
“S\$”	Singapore dollars, the lawful currency of Singapore;
“US\$”	United States dollars, the lawful currency of the United States of America; and
“%”	percentage.

For the purpose of this announcement, amounts in S\$ and US\$ are respectively translated into HK\$ at the following exchange rates:

S\$1.00: HK\$5.09
US\$1.00: HK\$7.78
RMB1.00: HK\$1.00

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

Hong Kong, 27 March 2007

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.

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