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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)

**CONNECTED TRANSACTIONS
PROVISION OF INFORMATION TECHNOLOGY SERVICES TO
SOCIEDADE DE TURISMO E DIVERSÕES DE MACAU, S.A.
AND
SOCIEDADE DE JOGOS DE MACAU, S.A.**

Financial adviser to Melco International Development Limited



SUMMARY

The Directors are pleased to announce that on 17 July 2007, 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 such Services comprising System Integration Services for an aggregate value of about HK\$7.05 million and HK\$12.24 million to STDM and SJM respectively and Maintenance Services for the aggregate value of about HK\$3.48 million to SJM.

Dr. Stanley Ho is currently a director of various subsidiaries of the Company and hence 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 respectively. 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 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 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 and his associates, namely, Madam Laam, Mr. Lawrence Ho (son of Dr. Stanley Ho), Lasting Legend and Better Joy will abstain from voting on the relevant resolutions 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 the Independent Shareholders; 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 engaging 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 from 2003 to 2006, the Elixir Group has altogether entered into seven separate service arrangements with SJM (excluding the present one) for the provision of information technology related services to SJM. The Elixir Group has also entered into a service arrangement with STDM in December 2006 for the provision of information technology related services to STDM.

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 17 July 2007, 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\$12.24 million and HK\$3.48 million respectively. In addition, the Directors are pleased to announce that on 17 July 2007, 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\$7.05 million.

THE SERVICE ARRANGEMENTS

1. STDM Service Arrangement

Date: 17 July 2007

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 system 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\$7.05 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 (with a reasonable mark up which is comparable to 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 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.

2. SJM Service Arrangement

Date: 17 July 2007

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, the access control systems, the extra low voltage systems 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 halls operated by SJM; and

3. Maintenance Services in relation to the existing digital surveillance camera system installed at the casinos and slot halls operated by SJM (parts excluded).

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\$12.24 million (as to about HK\$8.21 million for digital surveillance camera system, as to about HK\$0.02 million for the access control system, as to about HK\$3.91 million for the electronic gaming machines and as to about HK\$0.1 million for the electronic low voltage system). 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 (with a reasonable mark up on the costs which is comparable to the rate that Elixir normally adopts in dealings with other independent customers). As for the Maintenance Services for the existing digital surveillance camera system installed in the various casinos and slot machine halls operated by SJM under the SJM Service Arrangement, the aggregate service charge is about HK\$3.48 million and was determined with reference to the estimated market costs of 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 in respect of 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 and digital surveillance camera system to be installed at the various casinos and slot halls operated by SJM upon entering into the SJM Service Arrangement;
- (iii) the full amount of the service fee on the Maintenance Services to be provided by Elixir in relation to its existing digital surveillance camera system installed at the casinos and slot halls operated by SJM upon entering into the SJM Service Arrangement;
- (iv) 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;
- (v) the full amount in respect of the contract price of the relevant service charge in relation to the System Integration Services for the electronic gaming machines upon entering into the SJM Service Arrangement; and

- (vi) the full amount or by installments in respect of the contract price of parts to be supplied by Elixir to SJM in relation to the System Integration Services for the extra low voltage systems 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 30 September 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 hospitality and real estate businesses in Macau. Dr. Stanley Ho is the managing director of STDM. Dr. Stanley Ho and his associates together constitute a controlling shareholder (within the meaning of the Listing Rules) of STDM and 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 indirectly majority owned by STDM with Dr. Stanley Ho as its managing director. SJM is engaged in gaming business in Macau and is one of three concessionaires licensed to carry on casino gaming operations in Macau.

Dr. Stanley Ho is currently a director of various subsidiaries of the Company and hence 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 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 and his associates, namely, Madam Laam, Mr. Lawrence Ho (son of Dr. Stanley Ho), Lasting Legend and Better Joy will abstain from voting on the relevant resolutions regarding the Service Arrangements and the transactions contemplated thereunder at the EGM.

REASONS FOR ENTERING INTO THE SERVICE ARRANGEMENT

Currently, the Group's business is broadly divided into four divisions, namely, (i) gaming, entertainment and hospitality; (ii) technology; (iii) investment banking and financial services; and (iv) property and other investments. Elixir, an indirect wholly-owned subsidiary of the Company, is the major technology arm of the Group based in Macau and is principally engaged in the distribution of electronic gaming machines and other gaming products to casino operators. It also supplies integrated systems to hotels and casino operators such as installation of casino surveillance systems and LED displays. 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 and the Independent Shareholders 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 the Independent Shareholders; and (iv) a notice of the EGM will be dispatched to the Shareholders within 21 days from the date of this announcement.

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
“Better Joy”	Better Joy Overseas, Ltd. holds approximately 23.49% shareholding interest in the Company as at the date of this announcement and is owned by persons and trusts associated with Mr. Lawrence Ho
“Board”	the board of Directors
“Company”	Melco International Development Limited, a company incorporated in Hong Kong, the securities of which are listed on the Main Board of 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, a director of various subsidiaries of the Company, who beneficially owns approximately 1.77% shareholding interest in the Company as at the date of this announcement
“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 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 Shareholders”	shareholders of the Company other than Dr. Stanley Ho and his associates, namely, Madam Laam, Mr. Lawrence Ho, Lasting Legend and Better Joy
“Lasting Legend”	Lasting Legend Ltd. holds approximately 9.40% shareholding interest in the Company as at the date of this announcement and is owned by persons and trusts associated with Mr. Lawrence Ho
“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
“Madam Laam”	Madam Lucina Laam King Ying, who beneficially owns approximately 0.04% shareholding interest in the Company as at the date of this announcement
“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, excludes Hong Kong and Macau and Taiwan
“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
“SJM Service Arrangement”	the service arrangement comprising four separate agreements, entered into between Elixir and SJM, all dated on 17 July 2007, 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; (iii) System Integration Services for the electronic gaming machines; and (iv) System Integration Services for extra low voltage system, 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 dated on 17 July 2007, regarding the provision of System Integration Services for the extra low voltage system, 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, 17 July 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 (Chief Operating Officer); 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.