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**Melco International Development Limited**

*(Incorporated in Hong Kong with limited liability)*

Website: <http://www.melco-group.com>

*(Stock Code: 200)*

**CONNECTED TRANSACTION**

**Background**

Reference is made to the announcement of the Company dated 27 March 2007 and the respective circular dated 17 April 2007 in relation to the Sale and Purchase Agreement regarding the disposal of approximately 29.47% of the issued share capital of PAL by Melco LV (formerly known as Bright Ally Investments Limited or “BA”) to LottVision in exchange for the allotment and issue of a certain amount of new shares of LottVision, representing 28.5% of the issued share capital of LottVision, on an enlarged basis.

Since some conditions for completion of the Sale and Purchase Agreement had not been fulfilled by 31 May 2007, being the original long stop date for fulfillment of all the relevant conditions of the Sale and Purchase Agreement, and after negotiation between parties thereto, Melco LV and LottVision decided not to waive such conditions or further extend the said long stop date, accordingly, the Sale and Purchase Agreement has lapsed. The cessation of the Sale and Purchase Agreement does not cause either Melco LV or LottVision to incur any liabilities to each other. Melco LV and LottVision will conduct the Reorganisation in preparation for the transaction as set out below.

**The Reorganisation**

Currently, PAL is being held as to 60% by Melco LV and 40% by LottVision. Firich owns 90% interest in Oasis Rich which in turn owns the entire interest in Wu Sheng.

The Reorganisation will be conducted such that (i) Melco LV and LottVision will respectively inject 60% and 20% of the issued share capital of PAL into PAL Holdco, a wholly-owned subsidiary of Power Way; and (ii) Firich will inject 60% of the issued share capital of Oasis Rich in Power Way, in exchange for approximately 54.79%, 18.26% and 26.95% of the issued share capital of Power Way, to be held by Melco LV, LottVision and Firich respectively. Upon completion of the Reorganisation, Power Way will become the beneficial owner of the PAL Holdco Sale Shares and the Oasis Rich Sale Shares. Details of the Reorganisation are set out in the section headed “The Reorganisation” below.

### **The Transaction**

On 8 October 2007, the Agreement was entered into between Power Way (as vendor), the Purchaser, Wafer and the Vendor Guarantors for the sale of the Sale Shares by Power Way, comprising the PAL Holdco Sale Shares and the Oasis Rich Sale Shares, to the Purchaser. The PAL Holdco Sale Shares represent the entire issued share capital of PAL Holdco and the Oasis Rich Sale Shares represent 60% of the issued share capital of Oasis Rich. The Consideration for the sale and purchase of the Sale Shares is HK\$668 million, to be satisfied by Wafer as to HK\$61.2 million by the issue of 72,000,000 Consideration Shares at the Issue Price and as to HK\$606.8 million by the issue of the Convertible Bonds.

Completion of the Transaction is subject to, among other things, conditions stated in the paragraph headed "Conditions of the Agreement". In particular, the Reorganisation and the Transaction is inter-conditional.

### **Implications under the Listing Rules**

PAL is owned as to 60% by the Company and 40% by LottVision and it is a non wholly-owned subsidiary of the Company within the meaning of the Listing Rules. Hence, LottVision being a controller (as defined in the Listing Rules) of PAL, is a connected person of the Company under the Listing Rules. Accordingly, the proposed disposal of 60% interest held by the Company in PAL to the Purchaser pursuant to the Reorganisation and the Transaction constitutes a connected transaction for the Company. As the applicable percentage ratios (as defined in the Listing Rules) for the proposed disposal are below 2.5%, the Transaction is subject to the reporting and announcement requirements and is exempted from the independent Shareholders' approval requirement under Chapter 14A of the Listing Rules.

## **BACKGROUND**

Reference is made to the announcement of the Company dated 27 March 2007 and the respective circular dated 17 April 2007 in relation to the Sale and Purchase Agreement regarding the disposal of approximately 29.47% of the issued share capital of PAL by Melco LV (formerly known as Bright Ally Investments Limited or "BA") to LottVision in exchange for the allotment and issue of a certain amount of new shares of LottVision, representing 28.5% of the issued share capital of LottVision, on an enlarged basis.

According to terms of the Sale and Purchase Agreement, all conditions precedent to the completion of the Sale and Purchase Agreement must have been satisfied (or as the case may be waived) by parties thereto by 4:00 p.m. on 31 May 2007, or such later date as Melco LV and LottVision may agree. As some of such conditions, including the relevant approval by the Singapore Stock Exchange for LottVision to carry out the transaction as contemplated under the Sale and Purchase Agreement and the holding of the relevant special general meeting by LottVision to approve such transaction, had not been fulfilled by 31 May 2007, being the original long stop date for fulfillment of all the relevant conditions, and after negotiation in good faith between Melco LV and LottVision, both parties to the Sale and Purchase Agreement decided not to waive the said non-fulfilled conditions or to further extend the said long stop date. Accordingly, the Sale and Purchase Agreement has lapsed. For details of the terms of the Sale and Purchase Agreement, including the relevant conditions precedent, please refer to the Company's announcement and circular respectively dated 27 March 2007 and 17 April 2007. The cessation of the Sale and Purchase Agreement does not cause either Melco LV or LottVision

to incur any liabilities to each other. Melco LV, LottVision and Firich will conduct the Reorganisation in preparation for the Transaction, as described in the section headed “The Transaction” below.

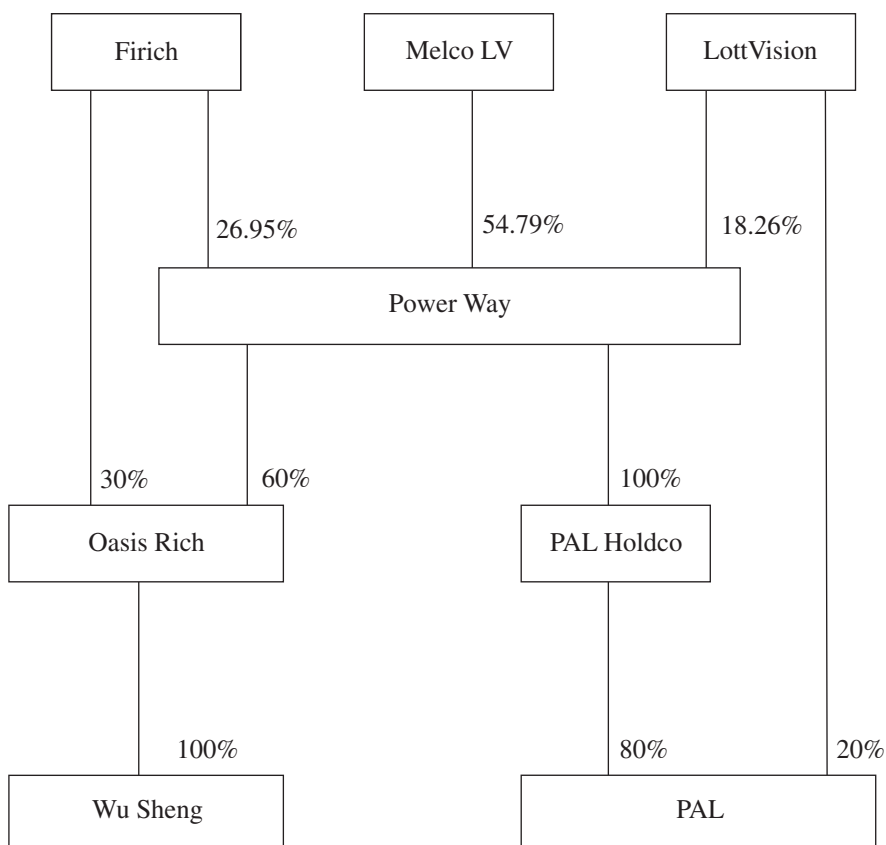
### THE REORGANISATION

Currently, Melco LV and LottVision holds 60% and 40% interest in PAL respectively and Firich holds 90% interest in Oasis Rich. Oasis Rich is an investment holding company which in turn holds 100% interest in Wu Sheng.

Wu Sheng is a wholly owned foreign enterprise established in Shanghai, PRC and is principally engaged in the manufacturing of lottery terminals for China’s sports lottery and China’s welfare lottery through contracting with local authorised retailers, lottery-related point of sales (“POS”) products to worldwide lottery runners through contracting with Firich. Other operations involve the supply of POS products for retail and hospitality industries. From 2006 to 2010, only six authorised distributors are allowed to distribute POS machine to sport lottery in the PRC. Wu Sheng is the POS machine supplier to the largest authorised distributor and the production capacity of Wu Sheng is considered by the Purchaser entirely complimentary to the sports lottery related business of PAL in the PRC.

The Reorganisation will be conducted such that (i) Melco LV and LottVision will respectively inject 60% and 20% of the issued share capital of PAL into PAL Holdco, a wholly-owned subsidiary of Power Way; and (ii) Firich will inject 60% of the issued share capital of Oasis Rich in Power Way, in exchange for approximately 54.79%, 18.26% and 26.95% of the issued share capital of Power Way, to be held by Melco LV, LottVision and Firich respectively.

The following table shows the simplified shareholding structure of PAL and Oasis Rich after the Reorganisation:



## **Condition of the Reorganisation**

The Reorganisation is for the purpose of consolidating the Sale Shares comprising the PAL Holdco Sale Shares and the Oasis Rich Sale Shares in the level of Power Way, which in turn will be sold by Power Way to the Purchaser pursuant to the terms of the Agreement. Thus the Reorganisation is inter-conditional and forms part of the Transaction.

## **THE TRANSACTION**

On 8 October 2007, the Agreement was entered into between Power Way (as vendor), the Purchaser, Wafer and the Vendor Guarantors for the sale of the Sale Shares by Power Way, comprising the PAL Holdco Sale Shares and the Oasis Rich Sale Shares, to the Purchaser. The PAL Holdco Sale Shares represent the entire issued share capital of PAL Holdco, which in turn represent an aggregate of 80% of the existing issued share capital of PAL after the Reorganisation and the Oasis Rich Sale Shares represent 60% of the issued share capital of Oasis Rich which in turn represent 60% interest in Wu Sheng after the Reorganisation.

## **Consideration**

The Consideration for the sale and purchase of the Sale Shares is HK\$668 million, to be satisfied by Wafer as to HK\$61.2 million by the issue of 72,000,000 Consideration Shares at the Issue Price of HK\$0.85 per Wafer share and as to HK\$606.8 million by the issue of the Convertible Bonds.

The Consideration was determined after arm's length negotiations between the Vendor and the Purchaser with reference to (1) the industrial prospects of lottery business in the PRC; (2) market comparables of price earnings ratios and price to book ratios of companies engaging in the same businesses as the PAL Group and Wu Sheng; and (3) the guaranteed profit provided by Firich to the Purchaser that the audited consolidated net profits after tax and any extraordinary or exceptional items of Wu Sheng will not be less than HK\$30,000,000 for the financial year ending 31 December 2008 and the profit attributable to the Oasis Rich Sale Shares shall be not less than HK\$18,000,000.

The audited net asset value of the PAL Group was approximately HK\$196,252,797 as at 31 December 2006. The audited net loss before and after tax of the PAL Group for the period from 17 August 2006, being the date of incorporation of PAL, to 31 December 2006 were both approximately HK\$(3,772,507).

The unaudited net asset value of Wu Sheng was approximately RMB 2,415,000 (equivalent to approximately HK\$2,487,000) as at 30 June 2007. The unaudited net loss before and after tax of Wu Sheng for the period from 17 April 2007, being the date of incorporation of Wu Sheng, to 30 June 2007 were both approximately RMB (1,425,000) (equivalent to approximately HK\$(1,467,000)).

The Directors (including the Independent Non-executive Directors) consider that the Agreement is on normal commercial terms and that the terms of the transactions as contemplated under the Agreement are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

The principal terms of the Convertible Bonds are summarised as follows:

<b>Issuer</b>	Wafer
<b>Initial subscriber</b>	Power Way or its nominees
<b>Amount</b>	HK\$606,800,000
<b>Bonds Issue Price</b>	100 per cent of the principal amount of the Convertible Bonds
<b>Coupon</b>	0.1% interest per annum, payable semi-annually in arrears
<b>Security</b>	secured by pro-rated quantity of the Sale Shares
<b>Maturity Date</b>	5 years from the date of issue of the Convertible Bonds
<b>Issue of the Convertible Bonds</b>	upon completion of the Agreement in accordance with the terms thereof
<b>Conversion Period</b>	from the date of issue of the Convertible Bonds to and include the maturity date of the Convertible Bonds
<b>Conversion Price</b>	initial conversion price of HK\$0.85 per Conversion Share but subject to standard adjustments clauses including, consolidations or subdivisions of shares of Wafer, capitalisation of profits or reserves, capital distributions, issue of shares of Wafer by way of rights, issues of new shares of Wafer or securities convertible of new shares of Wafer at a discount of more than 20% to the then market price of shares of Wafer
<b>Conversion Shares</b>	the Convertible Bonds may be converted at any time from the date of issue of the Convertible Bonds up to the maturity date of the Convertible Bonds in multiples of HK\$1,000,000 subject to the limitation on conversion set out below
<b>Ranking of the Conversion Shares</b>	the Conversion Shares, when allotted and issued, will rank <i>pari passu</i> in all respects with each other and all shares of Wafer in issue at the date of allotment and issue of such Conversion Shares

**Limitation on conversion**

No conversion of the Convertible Bonds shall be made, if immediately upon such conversion, (1) the Bondholder and its parties acting in concert (as defined under the Takeovers Code) with it, will be interested in 30% (or such amount as may from time to time be specified in the Takeovers Code as being the level for triggering a mandatory general offer) or more of the then enlarged issued share capital of Wafer at the date of the relevant conversion; (2) each of (i) any of the existing shareholders of Wafer holding more than 20% or more of the voting rights of Wafer as at the date of the Agreement; and (ii) the Bondholder and its parties acting in concert (as defined under the Takeovers Code) will hold 20% or more of the voting rights of Wafer respectively; or (3) the public float of the shares of Wafer falls below 25% (or any given percentage as required by the Listing Rules) of the issued shares of Wafer

**Redemption**

the Convertible Bonds may be redeemed by the Bondholders if (1) upon occurrence of an event of default (as defined below) and if so requested in writing by the Bondholders; or (2) at maturity date of the Convertible Bonds, any outstanding Convertible Bonds could not be converted subject to the limitation on conversion will be mandatorily redeemed

Redemption will be at par on the principal amount of the outstanding amounts of the Convertible Bonds

**Transferability**

Save for the part of the Convertible Bonds in the principal amount of HK\$18,000,000 as security for the guaranteed profit provided by Firich to Wafer, the Convertible Bonds may be transferred or assigned in whole or in part by the Bondholders to any person or company not being a connected person (as defined under the Listing Rules) of the Company, unless relevant disclosures and/or shareholders approval (if applicable) requirements as prescribed under the Listing Rules have been complied with provided that the Bondholders shall serve not less than seven days' prior written notice on Wafer before the transfer take place.

**Events of default**

Events of default shall include the following:

- (i) non-payment of any amount due under the Convertible Bonds and such failure continues for a period of seven days in the case of principal or 14 days in the case of interest;
- (ii) appointment of receivership, declaration of insolvency or a winding up order made against Wafer;

- (iii) the Wafer Group as a whole ceases to carry on its ordinary course of business;
- (iv) material change in the business nature of the Wafer Group;
- (v) material adverse change in the financial condition of Wafer;
- (vi) any material default made by Wafer in the performance or observance of any undertaking, warranty or representation given by it under these terms (other than the covenant to pay the principal and interest in respect of the Convertible Bonds) and such default is incapable of remedy (in which event no such notice as is referred to below shall be required), or if capable of remedy is not remedied within thirty days of service by any Bondholder on Wafer of notice requiring such default to be remedied; or
- (vii) it is or becomes unlawful for Wafer to perform or comply with any of its obligations under the instrument or any Convertible Bonds, or due to no fault on the part of any Bondholder any such obligation is not or ceases to be enforceable or is claimed by Wafer not to be enforceable.

**Governing Law**

the Convertible Bonds shall be governed by and construed in accordance with the laws of Hong Kong

**Conditions of the Agreement**

The completion of the Agreement is subject to the following conditions:

- a. the Purchaser being reasonably satisfied with the results of the due diligence review to be conducted under the terms of the Agreement, such review to be concluded within 32 days after the signing of the Agreement;
- b. all necessary consents and approvals required to be obtained on the part of the Vendor, the Purchaser, Firich, LottVision, the Company (including the approval of shareholders of the Firich, LottVision and the Company, if necessary) and Wafer in respect of the Agreement and the transactions contemplated thereby having been obtained;



- c. without prejudice to the generality of (b) above, the passing by the shareholders of Wafer at an extraordinary general meeting of Wafer to be convened and held of an ordinary resolution to approve the Agreement and the transactions contemplated thereunder, including but not limited to (1) the allotment and issue of the Consideration Shares at the Issue Price to the Vendor credited as fully paid; (2) the issue of the Convertible Bonds to the Vendor or its nominees and the allotment and issue of the Conversion Shares upon conversion of the Convertible Bonds; and (3) the amendment of the memorandum and articles of association of Wafer to increase its authorised share capital from HK\$ 5,000,000 comprising 500 million Wafer shares to HK\$ 20,000,000 comprising 2,000 million Wafer shares;
- d. without prejudice to the generality of (b) above, the passing by way of a written resolution of all the shareholders of the Vendor to approve the Agreement and the transactions contemplated thereunder;
- e. the warranties provided by the Vendor regarding PAL and Wu Sheng under the Agreement remaining true and accurate in all material respects and there shall have been compliance in all material respects with the covenants and obligations on the part of the Vendor and/or the Vendor Guarantors contained in the Agreement which are to be complied with at or prior to the time of completion of the Transaction;
- f. the GEM Listing Committee granting listing of and permission to deal in the Consideration Shares and the Conversion Shares;
- g. completion of the Reorganisation; and
- h. the warranties provided by Wafer under the Agreement remaining true and accurate in all material respects and there shall have been compliance in all respects with the covenants and obligations on the part of the Purchaser and/or Wafer contained in the Agreement which are to be complied with at or prior to the time of completion of the Transaction.

### **Completion**

Completion of the Transaction will take place on the date falling two Business Days after the fulfillment (or waiver) of the conditions precedent above. Immediately after the completion of the Transaction, Wafer will indirectly hold 60% interest in Wu Sheng and 80% interest in PAL. Power Way or its nominees will hold approximately 19.47% interest in Wafer on an enlarged basis and the Convertible Bonds. The Company will cease to have any direct interest in PAL upon completion of the Transaction.

### **GAIN ON DISPOSAL**

The Directors estimate that, upon completion of the Transaction, the Group will record a gain on the proposed disposal of approximately HK\$308.7 million, which will be reflected in the consolidated profit and loss account of the Company for the year ending 31 December 2007.



## **REASONS FOR THE TRANSACTION**

The Directors believe that the proposed disposal of the Company's 60% interest in PAL as contemplated under the Agreement will create benefits for the Company for the following reasons:

- (a) the Transaction would enhance the liquidity of the Company's investment in PAL (by virtue of the issuance of the Consideration Shares and the Convertible Bonds by Wafer to Power Way or its nominees) although the Company currently does not have any intention to dispose of (via Power Way or its nominees) the Consideration Shares or Convertible Bonds; and
- (b) after the Transaction, it is contemplated that Wafer could independently access equity or debt capital markets for obtaining all or a majority of the financing required for the continuation of the business development and expansion of PAL.

## **INFORMATION ON THE COMPANY, MELCO LV AND POWER WAY**

The Company currently engages in four main business streams, namely, (i) leisure, gaming and entertainment; (ii) technology; (iii) investment banking and financial services; and (iv) property and other investments.

Melco LV is an investment holding company and a wholly-owned subsidiary of the Company.

Power Way is an investment holding company and a wholly-owned subsidiary of Melco LV as at the date of this announcement. Upon completion of the Reorganisation, Power Way will be owned as to 54.79% by Melco LV, 18.26% by LottVision and 26.95% by Firich, and it will be treated as a jointly controlled entity of the Company and be equity accounted for in the consolidated accounts of the Company.

## **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.

## **INFORMATION ON FIRICH**

Firich is a company incorporated in Taiwan and having its shares listed on the Taiwan Gre Tai Securities Market. It is principally engaged in the assembly, manufacture and trade of lotto and sports lotto systems and touch terminals used in restaurants and retail businesses.

## **INFORMATION ON WAFER AND THE PURCHASER**

Wafer is a company incorporated in the Cayman Islands and having its shares listed on the Growth Enterprise Market of the Stock Exchange. It is principally engaged in the provision of network infrastructure solutions including network infrastructure, network management services and network software.

The audited net asset value of the Wafer Group was approximately HK\$65,213,000 as at 31 December 2006. The audited net profit before and after tax of the Wafer Group for the financial year ended 31 December 2006 was approximately HK\$6,057,000 and HK\$5,101,000 respectively. The audited net profit before and after tax of the Wafer Group for the financial year ended 31 December 2005 was approximately HK\$2,075,000 and HK\$1,443,000 respectively.

The Purchaser is a company incorporated in the British Virgin Islands with limited liability. It is an investment holding company and a wholly-owned subsidiary of Wafer.

## **INFORMATION ON PAL GROUP**

PAL is a company incorporated in Hong Kong with limited liability and 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 PAL Group is focused on lottery business in the Pan-Asia region.

## **GENERAL**

To the best of the knowledge, information and belief of the directors of the Company and having made all reasonable enquiries, Firich, Wafer and their respective substantial shareholders, are third parties independent of each of the Company and its connected persons (as defined under the Listing Rules).

## **IMPLICATIONS UNDER THE LISTING RULES**

PAL is owned as to 60% by the Company and 40% by LottVision and it is a non wholly-owned subsidiary of the Company within the meaning of the Listing Rules. Hence, LottVision being a controller (as defined in the Listing Rules) of PAL, is a connected person of the Company under the Listing Rules. Accordingly, the proposed disposal of 60% interest held by the Company in PAL to the Purchaser pursuant to the Reorganisation and the Transaction constitutes a connected transaction for the Company. As the applicable percentage ratios (as defined in the Listing Rules) for the proposed disposal are below 2.5%, the transaction is subject to the reporting and announcement requirements and is exempted from the independent Shareholders' approval requirement under Chapter 14A of the Listing Rules.

## **DEFINITIONS**

In this announcement, unless the context otherwise requires, the following terms have the following meanings:

“Agreement”	the agreement dated 8 October 2007 entered into between Power Way (as vendor), the Purchaser, Wafer, the Vendor Guarantors, in relation to the sale and purchase of the Sale Shares
“Board”	the board of directors of the Company
“Bondholder(s)”	a holder or holder(s) in whose name the Convertible Bonds is registered in the Register

“Company”	Melco International Development Limited, a company incorporated under the laws of Hong Kong and the shares of which are listed on the Stock Exchange
“Consideration”	the consideration in the total amount of HK\$668 million, payable by the Purchaser to the Vendor for the purchase of the Sale Shares under the Agreement
“Consideration Shares”	72,000,000 new shares of Wafer to be allotted and issued to Power Way or its nominees under the Agreement to satisfy part of the Consideration
“Convertible Bonds”	the convertible bonds in the principal amount of HK\$606.8 million to be issued by Wafer to Power Way or its nominees to satisfy part of the Consideration
“Conversion Shares”	new shares of Wafer to be issued and allotted by Wafer upon the exercise of the conversion rights under the Convertible Bonds
“Directors”	directors of the Company
“Firich”	Firich Enterprises Co., Ltd., a company incorporated under the laws of Taiwan and shares of which are listed on the Taiwan Gre Tai Securities Market
“GEM Listing Committee”	the listing sub-committee of the board of directors of the Stock Exchange with responsibility for the Growth Enterprise Market of the Stock Exchange
“Group”	the Company and its subsidiaries from time to time
“Issue Price”	the initial issue price of HK\$0.85 per Consideration Share, subject to customary adjustments to accommodate, any subdivision and consolidation of shares of Wafer, in accordance with the terms of the Agreement
“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
“LottVision”	LottVision Limited, a company incorporated under the laws of Bermuda, shares of which are listed on the Singapore Stock Exchange

“Melco LV”	Melco LottVentures Holdings Limited (formerly known as Bright Ally Investments Limited or “BA”), a company incorporated under the laws of the British Virgin Islands and is an indirect wholly-owned subsidiary of the Company
“Oasis Rich”	Oasis Rich International Limited, a company incorporated under the laws of the Republic of Mauritius with limited liability and is indirectly owned as to 90% by Firich
“Oasis Rich Sale Shares”	such number of shares of Oasis Rich, represents 60% of the issued share capital of Oasis Rich which in turn represents 60% interest in Wu Sheng after the Reorganisation
“PAL”	PAL Development Limited, a company incorporated under the laws of Hong Kong with limited liability and currently owned as to 60% by Melco LV and as to 40% by LottVision
“PAL Holdco”	Precious Success Holdings Limited, a company incorporated under the laws of the British Virgin Islands with limited liability and as at the date hereof a wholly-owned subsidiary of Power Way
“PAL Holdco Sale Shares”	such number of shares of PAL Holdco, represents the entire issued share capital of PAL Holdco which in turn represents an aggregate of 80% of the existing issued share capital of PAL after the Reorganisation
“Power Way” or “Vendor”	Power Way Group Limited, a company incorporated under the laws of the British Virgin Islands and it is wholly-owned subsidiary of the Company as at the date of this announcement and following the Reorganisation, it will be owned as to approximately 54.79%, 18.26% and 26.95% by Melco LV, LottVision and Firich respectively
“PRC”	the People’s Republic of China
“Reorganisation”	the reorganisation to be conducted by the Company, LottVision and Firich forming part of the Transaction, details of which are set out in the section headed “The Reorganisation” in this announcement
“Rising Move” or “Purchaser”	Rising Move International Limited, a company incorporated under the laws of the British Virgin Islands and a wholly-owned subsidiary of Wafer

“Sale and Purchase Agreement”	the conditional sale and purchase agreement entered into between Melco LV and LottVision dated 27 March 2007 relating to the disposal of approximately 29.47% of the issued share capital of PAL by Melco LV to LottVision in exchange for the allotment and issue of a certain amount of new shares of LottVision
“Sale Shares”	the PAL Holdco Sale Shares and the Oasis Rich Sale Shares
“Shareholder(s)”	shareholder(s) of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Singapore Stock Exchange”	Singapore Exchange Securities Trading Limited
“Takeovers Code”	the Hong Kong Code on Takeovers and Mergers
“Transaction”	the entering into of the Agreement and the transactions contemplated thereunder
“Vendor Guarantors”	the Company, LottVision and Firich for guaranteeing on a several basis the due performance of the obligations of Power Way, as vendor, under the Agreement
“Wafer”	Wafer Systems Limited, a company incorporated under the laws of the Cayman Islands, and the shares of which are listed on the Growth Enterprise Market of the Stock Exchange (Stock code: 8198)
“Wafer Group”	Wafer and its subsidiaries from time to time
“Wu Sheng”	Wu Sheng Computer Technology (Shanghai) Co., Ltd, a wholly owned foreign enterprise established in Shanghai, the PRC by Oasis Rich and is indirectly owned as to 90% by Firich as at the date of this announcement
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“RMB”	Renminbi, the lawful currency of the PRC

“US\$” United States dollars, the lawful currency of the United States of America

“%” per cent.

*For the purpose of this announcement, amounts in RMB is translated into HK\$ at the exchange rate of RMB1.00 : HK\$1.03.*

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

Hong Kong, 18 October 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.*