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**Melco International Development Limited**

*(Incorporated in Hong Kong with limited liability)*

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

(Stock Code: 200)

**DISCLOSEABLE TRANSACTION  
SALE OF WARRANTS OF  
ELIXIR GAMING TECHNOLOGIES, INC.**

The Company is pleased to announce that on 11 December 2007, Elixir, EGT and Investors entered into the Warrant Purchase Agreement whereby Elixir has agreed to sell, and the Investors have agreed to purchase an aggregate of 16 million warrants of EGT currently held by Elixir, at a price of US\$0.86 per Sale Warrant, for a total consideration of US\$13,760,000 (equivalent to approximately HK\$107,328,000).

All the Sale Warrants are readily exercisable at an exercise price of US\$2.65 per Sale Warrant and upon completion of the Warrant Purchase Agreement, the Investors are obliged to exercise the Sale Warrants in full. It is contemplated that EGT will receive approximately US\$42.4 million in gross proceeds from the exercise of the Sale Warrants.

As a result of the sale of the Sale Warrants, EGT will cease to be a subsidiary of the Company and as such the transactions as contemplated under the Warrant Purchase Agreement will be regarded as a disposal of EGT by the Company. Since the applicable percentage ratios (as defined in the Listing Rules) for the disposal are more than 5% but less than 25%, pursuant to Rule 14.06(2) of the Listing Rules, the disposal constitutes a discloseable transaction for the Company under Chapter 14 of the Listing Rules. A circular containing further details of the Warrant Purchase Agreement and the transactions contemplated therein, will be dispatched to Shareholders as soon as practicable.

Elixir, EGT and the Investors entered into the Warrant Purchase Agreement whereby Elixir has agreed to sell, and the Investors have agreed to purchase, an aggregate of 16 million warrants of EGT currently held by Elixir.

**BACKGROUND**

**Participation Agreement**

As disclosed in the Company's announcement and circular respectively dated 14 June 2007 and 6 July 2007, Elixir completed the subscription of 1 million new shares in EGT (which was then known as VendingData Corporation) and obtained the grant from EGT of 16 million warrants to purchase 16 million new EGT shares in January 2007. The current exercise prices

of the 16 million warrants are ranging from US\$1 to US\$3.5 per warrant. Subsequent to that, Elixir entered into a Securities Purchase and Product Participation Agreement with EGT in June 2007 (“**Participation Agreement**”). Pursuant to the terms of the Participation Agreement, Elixir has agreed to provide certain services to EGT, which, in return, has agreed to issue its new shares and warrants to Elixir upon fulfillment of various performance milestones. Details of the Participation Agreement and the related transactions are contained in the aforesaid announcement and circular.

On 10 September 2007, following the approval of the Participation Agreement by EGT’s shareholders and the fulfillment of the first performance milestone as set out in the Participation Agreement, EGT issued (a) 25 million of its new shares and (b) 88 million warrants to purchase an additional 88 million shares of EGT to Elixir. On 13 September 2007, by virtue of the fulfillment of the second performance milestone as set out in the Participation Agreement, EGT issued an additional 15 million of its new shares to Elixir and out of the aforesaid 88 million warrants, 22 million of them have become exercisable with the exercise price of US\$2.65 per warrant. As disclosed in the Company’s interim report dated 13 September 2007, based on the aggregate holdings of 41 million shares of EGT, representing approximately 53% of the then total issued share capital of EGT, EGT has become a direct non-wholly owned subsidiary of Elixir and an indirect non-wholly owned subsidiary of the Company.

#### **EGT’s Placement**

As disclosed in the Company’s “overseas regulatory announcement” dated 23 October 2007, EGT carried out a private placement of 15 million of its new shares to various institutional investors in the United States. As a result of such issuance of new shares, the actual shareholding interest in EGT held by Elixir was diluted and reduced from approximately 53% to 44%. Nevertheless, after consultation with the auditors, the Company has continued to treat EGT as its indirect non-wholly owned subsidiary based on the two criteria set out in the section headed “Impact of the Warrant Purchase Agreement on the Subsidiary Status of EGT” below.

#### **THE WARRANT PURCHASE AGREEMENT**

**Date:** 11 December 2007

**Parties Involved:**

- (1) Elixir, as vendor;
- (2) EGT, as the issuer of the Warrants and the Warrant Shares upon their exercise; and
- (3) 19 Investors, as purchasers

To the best of the Directors’ knowledge, information and belief having made all reasonable enquiry, all of the Investors and the ultimate beneficial owners of the Investors are Independent Third Parties and are not connected persons of the Company.

#### **Sale and Purchase of Sale Warrants :**

Elixir has agreed to sell and the Investors have agreed to purchase, the Sale Warrants, representing 16 million readily exercisable warrants to purchase up to 16 million new shares of EGT at an exercise price of US\$2.65 each. The closing price of EGT shares as at 11 December 2007, being the last trading day before the date of this announcement, is US\$4.19 per EGT share.

**Consideration:**

Based on the agreed sale price of US\$0.86 per Sale Warrant, the total consideration for the sale of the Sales Warrants is US\$13,760,000 (equivalent to approximately HK\$107,328,000).

**Basis of the Consideration:**

The consideration for the Sale Warrants was determined after arm's length negotiations between the parties with reference to (a) the exercise price of US\$2.65 per Sale Warrant; (b) the placing price of US\$3.50 per new share of EGT at the recent EGT's Placement, as referred to in the Company's "overseas regulatory announcement" dated 23 October 2007; and (c) the prevailing equity market condition in the United States.

**Conditions Precedent:**

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

- (i) if applicable, the obtaining of all necessary governmental, regulatory or third party consents and approvals for the sale of the Sale Warrants by Elixir and EGT;
- (ii) the representations and warranties provided by Elixir, EGT and the Investors respectively as set forth in the Warrant Purchase Agreement remaining true, accurate and complete in all material respects;
- (iii) each party of the Warrant Purchase Agreement having performed its obligations thereunder;
- (iv) there being no legal or regulatory impediments restraining or prohibiting the transactions contemplated under the Warrant Purchase Agreement;
- (v) there being no occurrence of event or series of events resulting or reasonably expected to result in a material adverse effect on the assets, business, operations or financial position of EGT and its subsidiaries; and
- (vi) the shares of EGT being continued to be listed on AMEX for trading.

Any party to the Warrant Purchase Agreement shall have the right to waive any of the above conditions which is/are to its own benefit and if all the conditions above are not satisfied (or as the case may be waived) on or before 19 December 2007, the Warrant Purchase Agreement shall cease and terminate and neither party thereto shall have any obligations or liabilities towards the other under the Warrant Purchase Agreement save for any antecedent breaches of the terms of the Warrant Purchase Agreement.

## **IMPACT OF THE WARRANT PURCHASE AGREEMENT ON THE SUBSIDIARY STATUS OF EGT**

As mentioned in the sub-section headed “EGT’s Placement” of the section titled “Background” above, immediately after completion of EGT’s Placement, the actual shareholding interest by Elixir in EGT was approximately 44%. After consultation with the auditors, the Company has continued to treat EGT as its indirect non-wholly owned subsidiary based on the following two criterions:

- (i) Elixir has maintained control over the board of directors of EGT; and
- (ii) The Collective Voting Rights held by Elixir, representing the aggregate of actual voting rights attached to the 41 million shares and the potential voting rights attached to the 38 million exercisable warrants then held by Elixir, exceed 50.1% of all actual and potential voting rights attached to all issued shares and readily exercisable convertible securities of EGT on a fully diluted basis.

Since immediately after the sale of the Sale Warrants, the Collective Voting Rights held by Elixir will fall below 50.1% of all actual and potential voting rights attached to all issued shares and readily exercisable convertible securities of EGT on a fully diluted basis, as a result, the above criterions could no longer be fulfilled and EGT will cease to be a subsidiary of the Company and will not be consolidated in the accounts of the Group and EGT will become an associate of the Company.

The following table depicts the Collective Voting Rights of Elixir in EGT (before and immediately after the sale of the Sale Warrants) :

		Actual shareholdings held as at the date hereof	% of shareholding held as at the date hereof	Collective Voting Rights held before the sale of the Sale Warrants	% of Collective Voting Rights held before the sale of the Sale Warrants	Collective Voting Rights held immediately after the sale of the Sale Warrants	% of Collective Voting Rights held immediately after the sale of the Sale Warrants
Elixir	Issued shares of EGT held	41,000,000	43.7%	41,000,000	29.5%	41,000,000	29.5%
	Exercisable warrants of EGT held	N/A	N/A	38,000,000	27.4%	22,000,000	15.9%
	Sub-total :	N/A	N/A	79,000,000	56.9%	63,000,000	45.4%
Others	Issued shares of EGT held	52,781,022	56.3%	52,781,022	38.0%	52,781,022	38.0%
	Exercisable warrants and other convertible securities of EGT held	N/A	N/A	6,972,394	5.0%	22,972,394	16.6%
	Sub-total :	N/A	N/A	59,753,416	43.1%	75,753,416	54.6%
	Total :	<u>93,781,022</u>	<u>100.0%</u>	<u>138,753,416</u>	<u>100.0%</u>	<u>138,753,416</u>	<u>100.0%</u>

## GAIN ON THE TRANSACTION

Since following the sale of the Sale Warrants, EGT will cease to be considered as a subsidiary of the Company, the Directors, subject to further confirmation with the auditors, expect that the Group will record a gain of approximately HK\$95 million by the sale of the Sales Warrants and the consequential cessation of EGT as a subsidiary of the Company for the year ending 31 December 2007.

## REASONS FOR THE TRANSACTION

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

- (a) it is expected that the gross proceeds from the sale of the Sale Warrants would amount to approximately US\$13,760,000 (equivalent to approximately HK\$107,328,000). It is intended that such proceeds will be used as general working capital; and

- (b) upon completion of the Warrant Purchase Agreement, the Investors are obliged to exercise the Sale Warrants in full and EGT will receive approximately US\$42.4 million in gross proceeds from the exercise of the Sale Warrants. The proceeds are intended to fund the purchase of electronic gaming machines pursuant to the Participation Agreement and for its general working capital purposes.

The Directors (including the non-executive Directors) consider the terms of the Warrant Purchase Agreement are fair and reasonable and in the interests of the Company and Shareholders as a whole.

### **INFORMATION ON THE COMPANY AND ELIXIR**

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.

Elixir is a wholly-owned subsidiary of the Company and it is the major arm of the Company's technology division, principally engaged in providing gaming technology solutions to casino operators, including the distribution of electronic gaming machines and other gaming products and provision of integrated security system to the hotels and casino operators.

### **INFORMATION ON EGT**

EGT is a company incorporated in the Nevada State of the United States of America and having its shares listed on the AMEX since May 2004. EGT is principally engaged in the provision of electronic gaming machines to gaming operators in the Asian Pacific Region on a revenue-sharing basis. Since the announcement of the Participation Agreement in June 2007, EGT has established a business presence in various Asian countries including the Philippines, Cambodia and Vietnam by securing clients therein. In addition, EGT also engages in the developments, manufacturing and distribution of products and services to the gaming industry that automate the current manual processes supporting the casino table games business. Its principal products include playing card security devices, playing cards shuffling devices and gaming chips washer that are commonly used in a casino.

Set out below is the financial information of EGT based on its audited consolidated accounts for the two years ended 31 December 2005 and 31 December 2006 which have been prepared in accordance with the US GAAP:

	<b>For the year ended</b>	
	<b>31 December</b>	
	<b>2005</b>	<b>2006</b>
	<i>(HK\$'000)</i>	<i>(HK\$'000)</i>
Turnover	18,420	61,368
Loss before taxation	<u>(182,536)</u>	<u>(113,927)</u>
Loss after taxation	<u>(182,536)</u>	<u>(113,927)</u>
Attributable to :		
Equity holders of the Company	(182,536)	(113,927)
(Net Deficit) Net Asset Value (attributable to equity holders)	<u>(71,542)</u>	<u>33,790</u>

#### **LISTING RULES IMPLICATIONS**

As a result of the sale of the Sale Warrants, EGT will cease to be a subsidiary of the Company and as such the transactions as contemplated under the Warrant Purchase Agreement will be regarded as a disposal of EGT by the Company. Since the applicable percentage ratios (as defined in the Listing Rules) for the disposal are more than 5% but less than 25%, pursuant to Rule 14.06(2) of the Listing Rules, the disposal constitutes a discloseable transaction for the Company under Chapter 14 of the Listing Rules. A circular containing further details of the Warrant Purchase Agreement and the transactions contemplated therein, will be dispatched to Shareholders as soon as practicable.

#### **DEFINITIONS**

“AMEX”	American Stock Exchange
“Collective Voting Rights”	the aggregate of actual voting rights attached to the issued shares and the potential voting rights attached to the readily exercisable convertible securities of EGT on a fully diluted basis held by the relevant party
“Company”	Melco International Development Limited
“Directors”	directors of the Company
“Elixir”	Elixir Group Limited, a company incorporated in Hong Kong with limited liability and a wholly-owned subsidiary of the Company

“EGT”	Elixir Gaming Technologies, Inc., a company incorporated under the laws of the State of Nevada, the United States of America and having its shares listed on the AMEX
“EGT’s Placement”	the private placement of 15 million new shares by EGT carried out in October 2007, details of which are contained in the Company’s “overseas regulatory announcement” dated 23 October 2007
“Investors”	institutional investors in the United States
“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
“Participation Agreement”	the Securities Purchase and Product Participation Agreement entered into between Elixir and EGT in June 2007, details of which are contained in the announcement and circular of the Company respectively dated 14 June 2007 and 6 July 2007
“Sale Warrants”	the 16 million readily exercisable warrants to purchase up to 16 million new shares of EGT at an exercise price of US\$2.65 each
“Shareholders”	shareholders of the Company
“Warrant Purchase Agreement”	the agreement regarding the sale and purchase of the Sale Warrants and the exercise of the same entered into amongst Elixir, EGT and the Investors dated 11 December 2007
“Warrant Shares”	the underlying shares of EGT to be issued upon exercise of the Sale Warrants by the Investors
“US\$”	United States dollars, the lawful currency of the United States of America
“%”	Percentage

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

US\$1.00:HK\$7.8

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

Hong Kong, 12 December 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.*