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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 AND CONTINUING CONNECTED TRANSACTION

SUMMARY

The Directors are pleased to announce that on 5 March 2008, Elixir, an indirect wholly-owned subsidiary of the Company, has entered into the Design and Development Agreement with Firich, pursuant to which (a) Elixir and Firich have agreed to complete and perfect the conceptual design and development of a next generation slot machine initialed by Elixir on a joint effort basis; (b) subject to completion of the said design and development, the engagement of Firich by Elixir for the manufacturing of a trial lot of 120 units of the slot machine; and (c) the granting of a non-exclusive license for a term of 3 years from the date of the Design and Development Agreement by Elixir to Firich Group enabling the latter to modify, manufacture and/or sell the slot machine to its customers in the lottery business sector. It is set out in the Design and Development Agreement that the total amount payable by Elixir for the design and development effort and expenses incurred by Firich will not exceed HK\$4,000,000 and the amount for the manufacturing of the trial lot will not exceed US\$720,000 (equivalent to approximately HK\$5,616,000). It is also contemplated by the parties that the aggregate royalties payable by Firich to Elixir for the non-exclusive license on an annual basis will not exceed HK\$10,000,000.

Firich, being a substantial shareholder (as defined in the Listing Rules) of Power Way, a company which currently holds approximately 16.58% interest in Wafer Systems Limited (Stock code : 8198) (which will be renamed as Melco LottVentures Limited) and owned as to approximately 54.79% by the Group, 26.95% by Firich, and 18.26% by a company listed on the Singapore Stock Exchange, is a connected person of the Company for the purpose of the Listing Rules. As a result, the design and development part and the manufacturing of the trial lot of the slot machine under the Design and Development Agreement constitute a connected transaction of the Company under Rule 14A.16(2) of the Listing Rules (by virtue of the fact that the applicable percentage ratios (as defined in the Listing Rules) are below 2.5%) and the non-exclusive license granted by Elixir to Firich constitutes a continuing connected transaction under Rule 14A.16(4) of the Listing Rules (by virtue of the fact that the applicable percentage ratios are below 2.5%) and are subject to the reporting and announcement requirements but are exempted from the independent Shareholders' approval requirement under Chapter 14A of the Listing Rules.

BACKGROUND

Elixir Group, based on years of sourcing, installation, maintenance & services, games development and operation experiences in the slot market, has developed a concept and specification for a next generation slot machine operating under a server based platform environment (the "Product") with a huge games library partly developed by Elixir Group and partly licensed from other third parties for Asian market. For the principal purposes of (a) perfecting and completing such design and development of the slot machine; (b) manufacturing of a trial lot of 120 units of the Product; and (c) the granting of a non-exclusive license for a term of 3 years from the date of the Design and Development Agreement by Elixir to Firich Group enabling the latter to modify, manufacture and/or sell the Product to its customers in the lottery business sector, Elixir and Firich have entered into the Design and Development Agreement.

PRINCIPAL TERMS OF THE DESIGN AND DEVELOPMENT AGREEMENT

Date: 5 March 2008

Parties: i. Elixir; and

ii. Firich

Perfection of the design and development of the Product:

Pursuant to the Design and Development Agreement, Elixir and Firich will perfect and complete the design and development of the Product based on the concept and specification initialed by Elixir on a joint effort basis and in this respect, Firich agrees to provide certain engineering resources, including industrial design, mechanical, electrical and electronic skills whilst Elixir agrees to provide project management, architecture, quality assurance and engineering management resources to guide and review the design and development efforts.

Consideration for the design and development :

In consideration for the services provided by Firich, Elixir agrees to pay and/or reimburse the following costs and expenses incurred or to be incurred by Firich :

- (a) the human resources expenses of Firich in the design and development process;
- (b) the tooling costs for prototypes and manufacturing of the Product; and
- (c) the expenses for manufacturing of four prototypes of the Product and the costs for obtaining the relevant safety and regulatory certificates for the Product,

provided that the aggregate of such expenses and costs shall not exceed HK\$4,000,000 (collectively "Development Charges"). The said maximum amount of Development Charges is determined with reference to the market costs of (i) materials for the relevant toolings and prototypes; (ii) the estimated manpower to be incurred by Firich based on past experience for developing other machineries and equipment; and (iii) the relevant certification charges.

**Intellectual property rights
and title :**

It is agreed that all intellectual property rights that related to the Product and its related specifications, concept, design, drawings and other documentations shall belong to and be vested in Elixir or such other party as it nominates. It is also agreed that subject to full payment of the tooling costs by Elixir, all property rights and titles to such toolings shall belong to and be owned by Elixir.

**Payment terms for the
Development Charges:**

In accordance with the terms of the Design and Development Agreement, Elixir shall pay to Firich the Development Charges according to the following schedule :

- (i) 30% thereof upon the date of the Design and Development Agreement;
- (ii) 60% thereof upon the date on which the parties have agreed on the detailed breakdown of the Development Charges; and
- (iii) the remaining balance of 10% upon the date of completion of delivery by Firich of all deliverables (including the prototypes of the Product and all related drawings and documentations) under the design and development project to the reasonable satisfaction of Elixir.

Manufacturing of trial lot :

Subject to the completion of the development of the Product, Elixir agrees to engage Firich for the manufacturing of 120 units of the Product as trial lot.

Consideration for the manufacturing of trial lot:

According to the terms of the Design and Development Agreement, the parties shall continue to negotiate and agree on the manufacturing costs (subject to the final confirmation on the suppliers of the relevant materials and components comprising the Product) and other relevant terms relating to the manufacturing of the trial lot, such as payment terms, warranties as to the Product and delivery schedule and all such terms will be contained in the purchase order to be given by Elixir within 30 days after the Design and Development Agreement. While the exact manufacturing costs and the payment terms have not been finalized as at the date hereof, it is agreed by the parties that such manufacturing costs for the trial lot shall not exceed US\$720,000 (equivalent to approximately HK\$5,616,000) (“Manufacturing Costs”). The said maximum amount of Manufacturing Costs is determined with reference to the market costs of (i) the proposed materials and components comprising the Product; and (ii) the estimated manpower to be incurred by Firich based on past experience for manufacturing other machineries and equipment of similar complexity and quantity.

Also, it is tentatively agreed by the parties that the payment terms of the Manufacturing Costs will generally include a down payment of not more than 60% at the time of issuance of the purchase order and the balance payment after delivery.

Non-exclusive license for Firich Group to modify, manufacture and sell the Product for lottery business sector:

Since all the intellectual property rights of the Product are owned by Elixir and in the light of the fact that Firich Group is engaged in the business of manufacturing and selling point of sales systems and lottery vending terminals for lottery industry, Elixir has agreed to grant to Firich Group a non-exclusive license for a term of 3 years from the date of the Design and Development Agreement enabling Firich Group to modify, manufacture and/or sell the Product for its other customers in the lottery business sector.

Royalties to be paid by Firich :

In consideration for the grant of the said non-exclusive license, Firich shall pay to Elixir a royalty of US\$250 (equivalent to approximately HK\$1,950) per unit of Product sold (whether with or without any modifications) by Firich Group to its lottery business customers provided that no such royalty is required to be paid if, upon request of Elixir, Firich could produce reasonable evidence confirming that the products sold to such customers are manufactured according to the design developed or prescribed by such customers and do not involve any design effort by Firich Group.

The said royalty of US\$250 per unit of Product sold is determined with reference to a formula agreed by the parties based on (i) the Development Charges payable by Elixir under the Design and Development Agreement; (ii) the pre-development costs incurred by Elixir for formulating the initial concept and specification of the Product; (iii) the estimated number of Product to be sold by Elixir to its customers during the license term; and (iv) the estimated number of Product to be sold by Firich Group to its customers in lottery business sector during the license term.

The annual cap of royalty payment:

According to the existing estimation by the parties on the number of Product to be sold by Firich Group to its customers in lottery business sector during the license term, it is expected that the annual cap of total royalties to be paid by Firich in relation to the license will not exceed HK\$10,000,000 for each of the 3 years ending 31 December 2010.

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 lottery vending terminals and point of sales systems used in restaurants and retail businesses.

REASONS FOR ENTERING INTO THE DESIGN AND DEVELOPMENT AGREEMENT

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

Elixir, an indirect wholly-owned subsidiary of the Company, belongs to the technology arm of the Group but fits perfectly into the mix of the Company's gaming and entertainment focus. Elixir Group is a full-fledged gaming products supplier based in Asia specialized in the design, development and supply of gaming products, such as slot machines, shufflers, deck-checkers and gaming chips for the Asian market. Elixir Group is also an information and communications technology provider with consulting, design and building capabilities offering technology related services for gaming and hospitality enterprises.

The Directors believe that the successful completion of Elixir's own branded next generation slot machine will not only enhance the Group's sales but will also facilitate the brand-building exercise of Elixir Group across the Asian markets. Since Firich Group has been a leading lottery vending terminal and point of sales system manufacturer and supplier in Asia since 1995, the Directors believe that its established technology know-how and experience in developing other machineries and equipment could assist in improving the efficiency of the design and development process and could enhance the quality of the end Product.

The Directors (including the Independent Non-executive Directors) are of the view that the terms of the Design and Development Agreement 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 are in the interests of the Shareholders as a whole.

IMPLICATIONS OF THE LISTING RULES

Firich, being a substantial shareholder (as defined in the Listing Rules) of Power Way, a company which currently holds approximately 16.58% interest in Wafer Systems Limited (Stock code : 8198) (which will be renamed as Melco LottVentures Limited) and owned as to approximately 54.79% by the Group, 26.95% by Firich, and 18.26% by a company listed on the Singapore Stock Exchange, is a connected person of the Company for the purpose of the Listing Rules. As a result, the design and development part and the manufacturing of the trial lot of the slot machine under the Design and Development Agreement constitute a connected transaction of the Company under Rule 14A.16(2) of the Listing Rules (by virtue of the fact that the applicable percentage ratios (as defined in the Listing Rules) are below 2.5%) and the non-exclusive license granted by Elixir to Firich constitutes a continuing connected transaction under Rule 14A.16(4) of the Listing Rules (by virtue of the fact that the applicable percentage ratios are below 2.5%) and are subject to the reporting and announcement requirements but are exempted from the independent Shareholders' approval requirement under Chapter 14A of the Listing Rules.

DEFINITION

In this announcement, the following expressions have the meanings set out below unless the context requires otherwise:

“associates”	has the same meaning as ascribed to it in the Listing Rules
“Company”	Melco International Development Limited, a company incorporated in Hong Kong, the securities of which are listed on the Stock Exchange
“connected person”	has the same meaning as ascribed to it in the Listing Rules
“Director(s)”	the director(s) of the Company
“Design and Development Agreement”	the Design and Development Agreement entered into between Elixir and Firich dated 5 March 2008
“Development Charges”	has the meaning as ascribed to it in the section headed “Consideration for the design and development” in this announcement
“Elixir”	Elixir International Limited, a company incorporated in Macau and an indirect wholly-owned subsidiary of the Company
“Elixir Group”	Elixir and its immediate holding company, Elixir Group Limited
“Firich”	Firich Enterprise Co., Ltd., a company incorporated in Taiwan and the securities of which are listed on the Taiwan Gre Tai Securities Market
“Firich Group”	Firich, its subsidiaries and associates
“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

“Listing Rules”	The Rules Governing the Listing of Securities on the Stock Exchange
“Manufacturing Costs”	has the meaning as ascribed to it in the section headed “Consideration for the manufacturing of trial lot” in this announcement
“Power Way”	Power Way Group Limited, a company which currently holds approximately 16.58% interest in Wafer Systems Limited (Stock code : 8198) (which will be renamed as Melco LottVentures Limited) and owned as to approximately 54.79% by the Group, 26.95% by Firich, and 18.26% by a company listed on the Singapore Stock Exchange
“Shareholders”	shareholders of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“substantial shareholder”	has the same meaning as ascribed to it in the Listing Rules
“US\$”	US dollars, the lawful currency of the United States

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

HK\$7.80 : US\$1.00

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

5 March 2008

As at the date of this announcement, the board of directors of the Company 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.