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Melco International Development Limited

(Incorporated in Hong Kong with limited liability)

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

(Stock Code: 200)

CONTINUING CONNECTED TRANSACTIONS PROVISION OF INFORMATION TECHNOLOGY SERVICES TO SOCIEDADE DE JOGOS DE MACAU, S.A.

Financial adviser to Melco International Development Limited



SUMMARY

The Directors are pleased to announce that on 24 November 2008, Elixir, an indirect wholly-owned subsidiary of the Company, has entered into the Master Agreement for the provision of the Services comprising the System Integration Services and the Maintenance Services to SJM and/or its subsidiaries. The expected annual cap amounts for the System Integration Services and the Maintenance Services are HK\$75 million and HK\$25 million respectively, for each of the next three years ending 31 December 2011.

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 Master 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 in the interests of the Company and the Shareholders as a whole.

Dr. Stanley Ho is currently a director of certain 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. SJM is a connected person of the Company for the purposes of the Listing Rules by virtue of the fact that Dr. Stanley Ho has an equity interest in STD M of approximately 32.204% and STD M, through an intermediary subsidiary, holds an approximate 60% equity interest in SJM. Accordingly, the Continuing Connected Transactions as contemplated under the Master Agreement constitute continuing connected transactions of the Company under the Listing Rules.

As the annual cap amounts of the Continuing Connected Transactions will exceed the 2.5% threshold as provided in Rule 14A.34 of the Listing Rules, the Master Agreement will be subject to the reporting, announcement and Independent Shareholders' approval requirements pursuant to Rule 14A.35 of the Listing Rules.

Dr. Stanley Ho and his associates, STDM, Lanceford, Madam Lucina Laam King Ying, Ms. Ho, Daisy Chiu Fung, Mr. Lawrence Ho, Lasting Legend, Better Joy and The L3G Capital Trust will abstain from voting on the relevant resolution regarding the Master Agreement and the transactions contemplated thereunder at the EGM.

A circular containing, among other things, (i) further information on the Master Agreement and the Continuing Connected Transactions; (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 despatched 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 and maintenance 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 2008, the Elixir Group has entered into several separate service arrangements with SJM for the provision of information technology related services to SJM and/or its subsidiaries.

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, on 14 November 2008, Elixir entered into another service arrangement, namely, the Service Arrangement, with SJM which confirmed the terms agreed for the provision of System Integration Services and Maintenance Services for the aggregate values of approximately HK\$42.68 million and approximately HK\$16.45 million respectively.

The aggregate values for the Services provided by Elixir to SJM and/or its subsidiaries for the four financial years ended/ending 31 December 2008 were/will be as follows:

<i>(HK\$' million)</i>	The aggregate values for the Services provided by Elixir to SJM and/or its subsidiaries for the financial years ended/ending 31 December			
	2005	2006	2007	2008
Services				
System Integration Services	88.16	103.41	42.09	42.68
Maintenance Services	3.81	6.58	7.25	16.45

In order to enhance to efficiency of both Elixir and the Group by saving extra administrative and compliance works, on 24 November 2008, Elixir also entered into another service arrangement, namely, the Master Agreement, with SJM to provide the System Integration Services and Maintenance Services to SJM and/or its subsidiaries. The expected annual cap amounts for the provision of System Integration Services and Maintenance Services are HK\$75 million and HK\$25 million respectively, for each of the next three years ending 31 December 2011.

THE MASTER AGREEMENT

Date: 24 November 2008

Parties: i. Elixir
ii. SJM

Subject: To provide the Services by Elixir to SJM and/or its subsidiaries as detailed under the paragraph headed “Continuing Connected Transactions” below.

Term: Three years ending 31 December 2011.

Condition: The Master Agreement is 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 Master Agreement having abstained from voting at the EGM.

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 Master Agreement. In the event that the condition cannot be fulfilled on or before 31 January 2009 (or such other date(s) as the parties may mutually agree), SJM may, by notice to Elixir, terminate the Master Agreement. None of the parties to the Master Agreement will have any further obligations and liabilities thereunder.

Continuing Connected Transactions

Pursuant to the Master Agreement, Elixir will provide SJM and/or its subsidiaries the Services, on a project basis, comprising:

1. System Integration Services including the liaison with, and procurement of other hardware and software suppliers to provide and install the digital surveillance camera system, the extra low voltage systems and the gaming products together with the provision of information technology expertise to ameliorate the computer facilities and equipments of SJM and/or its subsidiaries; and any other system(s) of SJM and/or its subsidiaries as may be mutually agreed between Elixir and SJM;
2. supply of any relevant parts constituting and/or maintaining the systems and the gaming products installed or to be installed at the SJM's Premises; as well as assist in the system tests as contemplated under the Master Agreement;
3. Maintenance Services in relation to (i) the maintenance services of the existing digital surveillance camera system installed at the casinos and slot halls operated by SJM and/or its subsidiaries (parts excluded); (ii) the maintenance services to be provided by Elixir for the systems to be installed at the SJM's Premises (parts excluded); and (iii) the maintenance and support services to be provided by Elixir for the gaming products owned or to be owned by SJM and/or its subsidiaries.

It is proposed that the annual cap amounts of the Continuing Connected Transactions for each of the three financial years ending 31 December 2011 will not exceed the following:

<i>(HK\$' million)</i>	Annual cap amounts of the Continuing Connected Transactions for financial years ending 31 December		
	2009	2010	2011
Services			
System Integration Services	75	75	75
Maintenance Services	25	25	25

The annual cap amounts for the Continuing Connected Transactions are determined with reference to (i) previous transaction amounts between Elixir and SJM; (ii) the market prices of the hardware and/or the software involved in the provision of the System Integration Services; (iii) 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); (iv) the existing number of casinos, slot halls and hotels that are currently operated by SJM and/or its subsidiaries; and (v) the planned increase in the number of the casinos, slot halls and/or hotels to be launched/operated by SJM and/or its subsidiaries where the Services would be substantially utilised by SJM and/or its subsidiaries.

Payment terms

In accordance with the terms of the Master Agreement, the consideration and the payment terms of the Services are determined on a project basis between Elixir and SJM and/or its subsidiaries, after an arm's length negotiation, with reference to (i) the then market prices of the relevant hardware systems and equipment; (ii) the then market costs of 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 and/or its subsidiaries (with a reasonable mark up on the costs which is comparable to the rate that Elixir normally adopts in dealings with other independent customers); (iii) 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).

REASONS FOR ENTERING INTO THE MASTER AGREEMENT

The Group's business can be principally segregated into four divisions, namely, (i) leisure and entertainment; (ii) technology; (iii) 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 gaming products 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 SJM and/or its subsidiaries is a transaction 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 SJM and/or its subsidiaries, the Group would be able to further promote its products and services to other potential customers in the gaming and entertainment industries in Macau.

IMPLICATION OF THE LISTING RULES

SJM is a company incorporated under the laws of Macau owned as to 10% by Dr. Stanley Ho and 90% by SJM Holdings. SJM Holdings is owned as to 60% by STDM-Investments Limited, a company incorporated under the laws of Macau and owned as to 0.01% by Dr. Stanley Ho and as to 99.99% by STDM, which in turn is owned as to approximately 32.204% by Dr. Stanley Ho. SJM is principally engaged in gaming business in Macau and is one of the six concessionaires/sub-concessionaires licensed to carry on casino operations in Macau.

Dr. Stanley Ho is currently a director of certain 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. SJM is a connected person of the Company for the purposes of the Listing Rules by virtue of the fact that Dr. Stanley Ho has an equity interest in STDM of approximately 32.204% and STDM, through an intermediary subsidiary, holds an approximate 60% equity interest in SJM. Accordingly, the Continuing Connected Transactions as contemplated under the Master Agreement constitute continuing connected transactions of the Company under the Listing Rules.

As the annual cap amounts of the Continuing Connected Transactions will exceed the 2.5% threshold as provided in Rule 14A.34 of the Listing Rules, the Master Agreement will be subject to the reporting, announcement and Independent Shareholders' approval requirements pursuant to Rule 14A.35 of the Listing Rules.

Dr. Stanley Ho and his associates, STD M, Lanceford, Madam Lucina Laam King Ying, Ms. Ho, Daisy Chiu Fung, Mr. Lawrence Ho, Lasting Legend, Better Joy and The L3G Capital Trust will abstain from voting on the relevant resolution(s) regarding the Master Agreement and the transactions contemplated thereunder at the EGM.

GENERAL

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 Master 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 in the interests of the Company and the Shareholders as a whole.

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 Master Agreement 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 Master Agreement.

A circular containing, among other things, (i) further information on the Master Agreement and the Continuing Connected Transactions; (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 despatched 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 23.47% 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
“Continuing Connected Transactions”	the transactions contemplated under the Master Agreement
“Director(s)”	the director(s) of the Company
“Dr. Stanley Ho”	Dr. Ho Hung Sun, Stanley, a director of certain subsidiaries of the Company, who beneficially owns approximately 1.51% 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 and an indirect 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 Master Agreement and all transactions contemplated thereunder
“Elixir”	Elixir International Limited (formerly known as Elixir Group (Macau) Limited), a company incorporated in Macau with limited liability 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 PRC
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Independent Shareholders”	shareholders of the Company other than Dr. Stanley Ho and his associates, STDM, Lanceford, Madam Lucina Laam King Ying, Ms. Ho, Daisy Chiu Fung, Mr. Lawrence Ho, Lasting Legend, Better Joy and The L3G Capital Trust

“Lanceford”	Lanceford Company Limited holds approximately 0.25% shareholding interest in the Company as at the date of this announcement, and is 100% owned by Dr. Stanley Ho
“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 PRC
“Maintenance Services”	(i) the maintenance services being provided by Elixir for the existing digital surveillance camera system installed at the casinos and slot halls operated by SJM and/or its subsidiaries (parts excluded); (ii) the maintenance services to be provided by Elixir for the systems to be installed at the SJM’s Premises (parts excluded); and (iii) the maintenance and support services to be provided by Elixir to SJM and/or its subsidiaries for the gaming products as contemplated under the Master Agreement
“Master Agreement”	the master agreement entered into between Elixir and SJM dated 24 November 2008, regarding the provision of: (i) the System Integration Services; and (ii) the Maintenance Services, by Elixir to SJM and/or its subsidiaries for the three years ending 31 December 2011
“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, excluding Hong Kong, Macau and Taiwan
“Service Arrangement”	the service arrangement entered into between Elixir and SJM dated 14 November 2008, in relation to the provision of the Services by Elixir to SJM and/or its subsidiaries, details of which are set out in the announcement of the Company dated 14 November 2008

“Services”	the System Integration Services and (if applicable) the Maintenance Services
“Shareholder(s)”	shareholder(s) of the Company
“SJM”	Sociedade de Jogos de Macau, S.A., a company incorporated under the laws of Macau
“SJM Holdings”	SJM Holdings Limited, a company incorporated in Hong Kong, whose shares are listed on the Stock Exchange
“SJM’s Premises”	any premises in Macau (and/or such other place(s) as may be mutually agreed by Elixir and SJM from time to time) where SJM and/or its subsidiaries operate their businesses, including without limitation, various casinos and slot halls currently operated by SJM and/or its subsidiaries
“STDM”	Sociedade de Turismo e Diversões de Macau, S.A., a company incorporated under the laws of Macau
“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 provide and install the digital surveillance camera systems, the extra low voltage systems and the gaming products together with the provision of information technology expertise to ameliorate the computer facilities and equipments of SJM and/or its subsidiaries; and any other system(s) of SJM and/or its subsidiaries as may be mutually agreed between Elixir and SJM
“The L3G Capital Trust”	The L3G Capital Trust holds approximately 0.59% shareholding interest in the Company as at the date of this announcement and is owned by persons associated with Mr. Lawrence Ho

“%”

per cent.

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

Hong Kong, 24 November 2008

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.