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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

The Board announces that on 7 December 2012, Melco LV, a wholly-owned subsidiary of the Company and a holder of the MelcoLot Convertible Bonds, exercised its rights to convert the outstanding MelcoLot Convertible Bonds in the principal amount of HK\$119,000,000 into 170,000,000 MelcoLot Shares at the conversion price of HK\$0.70 per MelcoLot Share, representing approximately 7.64% of the entire issued share capital of MelcoLot as enlarged by the Total Conversion Shares.

Following completion of the Conversion and as at the date of this announcement, the Company holds (i) indirectly through Melco LV, 356,879,747 MelcoLot Shares, representing approximately 16.03% of the issued share capital of MelcoLot as enlarged by the Total Conversion Shares; and (ii) indirectly through Power Way, 1,145,361,487 MelcoLot Shares, representing 51.45% of the issued share capital of MelcoLot as enlarged by the Total Conversion Shares.

The Conversion constitutes a discloseable transaction on the part of the Company as one of the applicable percentage ratios calculated under Rule 14.07 of the Listing Rules exceeds 5% but is less than 25%.

The Board announces that, on 7 December 2012, Melco LV, a wholly-owned subsidiary of the Company and a holder of the MelcoLot Convertible Bonds, exercised its rights to convert the outstanding MelcoLot Convertible Bonds in the principal amount of HK\$119,000,000 into 170,000,000 MelcoLot Shares at the conversion price of HK\$0.70 per MelcoLot Share, representing approximately 7.64% of the entire issued share capital of MelcoLot as enlarged by the Total Conversion Shares.

To the best knowledge, information and belief of the Directors, on the same day, the other two holders of MelcoLot Convertible Bonds, namely Intralot and Firich, have also exercised their respective rights to convert, at the conversion price of HK\$0.70 per MelcoLot Share, the outstanding MelcoLot Convertible Bonds in the principal amounts of HK\$14,428,451 into 20,612,072 MelcoLot Shares and HK\$17,677,251 into 25,253,215 MelcoLot Shares respectively.

To the best knowledge, information and belief of the Directors, MelcoLot is a company incorporated in the Cayman Islands with limited liability, the issued shares of which are listed on the GEM.

Prior to completion of the Conversion, the Company held (i) indirectly through Melco LV, 186,879,747 MelcoLot Shares, representing approximately 9.30% of the issued share capital of MelcoLot before the Conversion; and (ii) indirectly through Power Way, an associate of the Company, 1,145,361,487 MelcoLot Shares, representing approximately 56.98% of the issued share capital of MelcoLot before the Conversion. Pursuant to the definition stated in the Listing Rules 14A.11, MelcoLot is not a connected person of the Company. Further, save for Melco LV and Power Way, MelcoLot did not and does not have any other substantial shareholder either before or immediately after the Conversion who could be considered as a connected person of the Company. The Conversion is therefore not regarded as a connected transaction on the part of the Company.

Following completion of the Conversion and as at the date of this announcement, the Company holds (i) indirectly through Melco LV, 356,879,747 MelcoLot Shares, representing approximately 16.03% of the issued share capital of MelcoLot as enlarged by the Total Conversion Shares; and (ii) indirectly through Power Way, 1,145,361,487 MelcoLot Shares, representing approximately 51.45% of the issued share capital of MelcoLot as enlarged by the Total Conversion Shares.

TERMS OF THE MELCOLOT CONVERTIBLE BONDS

The MelcoLot Convertible Bonds were originally issued by MelcoLot in 2007. The MelcoLot Convertible Bonds (i) bear a coupon rate of 0.1% per annum payable by MelcoLot semi-annually in arrears, (ii) is due on 13 December 2012; and (iii) is convertible into fully paid MelcoLot Shares at the initial conversion price of HK\$0.85 (subject to adjustments), which was adjusted to HK\$0.70 following the completion of the open offer conducted by MelcoLot on 13 November 2012. Under the MelcoLot Convertible Bonds, the events which could lead to adjustment of the conversion price include:

- (i) consolidation or subdivision of the MelcoLot Shares;
- (ii) issue of MelcoLot Shares by way of capitalization of profits or reserves;
- (iii) capital distribution (including distribution in cash or specie) other than distribution made out of the aggregate of net profits attributable to shareholders of MelcoLot;
- (iv) offering new MelcoLot Shares by way of rights at price which is less than 80 percent of the current market price at the date of announcement of the relevant terms; and
- (v) issue of MelcoLot Shares for cash or for acquisition at a price which is less than 80 percent of the current market price at the date of announcement of the relevant terms.

However, the issue of MelcoLot Shares pursuant to conversion of part of the MelcoLot Convertible Bonds and exercise of options granted to the employees of MelcoLot are not classified as events which have the effect of triggering an adjustment of the conversion price.

Under the terms of the MelcoLot Convertible Bonds, (i) Melco LV is not required to pay any consideration for the Conversion, and (ii) there is no condition precedent to conversion (except for surrender of the relevant certificate of the MelcoLot Convertible Bonds and service of the conversion notice). For further details on the MelcoLot Convertible Bonds, please refer to the announcement and circular of MelcoLot dated 21 October 2007 and 17 November 2007 respectively.

MelcoLot is solely responsible for the stamp duty, if any, payable for the allotment and issue of the MelcoLot Shares issued upon the Conversion. The MelcoLot Shares issued upon the Conversion rank pari passu with the MelcoLot Shares in issue upon the date of such allotment or issue, and, accordingly, carry the right to receive dividends or other distributions declared, paid or made on or after the date of Conversion. There is also no restriction on Melco LV to dispose of the MelcoLot Shares issued to it upon Conversion.

REASONS FOR THE CONVERSION

The Group is principally engaged in leisure, gaming and entertainment and other investments.

MelcoLot is primarily an investment holding company and its subsidiaries are principally engaged in lottery business in the PRC.

According to the audited consolidated financial statements of MelcoLot for the year ended 31 December 2010, the revenue and loss from operation of MelcoLot for such financial year were approximately HK\$80.6 million and HK\$171.3 million respectively. According to the audited consolidated financial statements of MelcoLot for the year ended 31 December 2011, the revenue and loss from operation of MelcoLot for such financial year were approximately HK\$96.6 million and HK\$215.9 million respectively. The audited total assets of MelcoLot Group as at 31 December 2011 were approximately HK\$304.5 million and the audited net liabilities of MelcoLot Group as at 31 December 2011 were approximately HK\$590.5 million.

Despite the losses recorded by MelcoLot in the past two financial years, following the completion of group reorganisation of MelcoLot in mid November 2012 (details of which were disclosed in the announcement and circular of MelcoLot dated 14 August 2012 and 26 September 2012), the Directors believe that the financial position of MelcoLot is much healthier than before and the group reorganisation has facilitated MelcoLot to (i) realign the focus of the MelcoLot Group to lottery terminal distribution business in the PRC and divest the capital intensive manufacturing operations; (ii) reduce the liabilities of the MelcoLot Group; (iii) improve its gearing ratio; and (iv) provide additional working capital for MelcoLot Group's operations.

The Directors take the view that the Conversion together with the conversion of the outstanding MelcoLot Convertible Bonds held by Intralot and Firich will further reduce the liabilities of MelcoLot as well as increase the Company's interest in MelcoLot.

Following completion of the Conversion and as at the date of this announcement, the Group is the sole holder of the MelcoLot Convertible Bonds holding the outstanding principal amount of HK\$280,505,732, the largest shareholder of MelcoLot and the largest creditor of MelcoLot. Upon exercise of the conversion rights attached to the outstanding MelcoLot Convertible Bonds in full, Melco LV is entitled to subscribe for 400,722,474 MelcoLot Shares at the prevailing conversion price of HK\$0.70 per MelcoLot Share.

The Directors believe that the Conversion is fair and reasonable and is in the interests of the Company and the Shareholders as a whole.

GENERAL

The Conversion constitutes a discloseable transaction on the part of the Company as one of the applicable percentage ratios calculated under Rule 14.07 of the Listing Rules exceeds 5% but is less than 25%.

POSSIBLE FURTHER CONVERSION OF MELCOLOT CONVERTIBLE BONDS AND DISTRIBUTION BY POWER WAY

Melco LV intends to further exercise its rights to convert the outstanding MelcoLot Convertible Bonds in the principal amount of HK\$40,000,000 into 57,142,857 MelcoLot Shares (the “**Further Conversion Shares**”) at the conversion price of HK\$0.70 per MelcoLot Share (the “**Further Conversion**”) before the maturity date of the MelcoLot Convertible Bonds, i.e. 13 December 2012. If the Further Conversion is materialized, Melco LV will, in aggregate, hold 414,022,604 MelcoLot Shares, representing approximately 18.13% of the entire issued share capital of MelcoLot as enlarged by the Total Conversion Shares and the Further Conversion Shares.

Following completion of the Further Conversion, the Group is the sole holder of the MelcoLot Convertible Bonds holding the outstanding principal amount of HK\$240,505,732, the largest shareholder of MelcoLot and the largest creditor of MelcoLot. Upon exercise of the conversion rights attached to the outstanding MelcoLot Convertible Bonds in full, Melco LV is entitled to subscribe for 343,579,617 MelcoLot Shares at the prevailing conversion price of HK\$0.70 per MelcoLot Share.

Subject to approval of the Power Way’s shareholders, the board of Power Way will propose to declare and distribute special dividend to all its shareholders by way of the distribution in specie (the “**Distribution**”) of all the 1,145,361,487 MelcoLot Shares held by Power Way. If the Distribution is materialized, 767,735,805 MelcoLot Shares will be transferred by Power Way to Melco LV. As a result, Melco LV will directly hold 1,181,758,409 MelcoLot Shares (assuming the Further Conversion has taken place), representing approximately 51.76% of the issued share capital of MelcoLot as enlarged by the Total Conversion Shares and the Further Conversion Shares, assuming no MelcoLot Shares will be allotted and issued from the date of this announcement and upon completion of the Distribution (save and except for the allotment and issue of the Further Conversion Shares).

To the best knowledge of the Directors, both Further Conversion and Distribution are targeted to be completed simultaneously on a date before the maturity date of the MelcoLot Convertible Bonds, i.e. 13 December 2012.

Shareholders and potential investors of the Company should note that the Further Conversion and the Distribution may or may not be materialized. Accordingly, the Shareholders and potential investors of the Company should exercise caution when dealing in the Shares. If Shareholders and potential investors have any doubt about their position, they should consult their professional advisers.

DEFINITIONS

In this announcement, unless the context otherwise requires, the following words and expressions shall have the following meanings when used herein:

“Board”	the board of Directors
“Company”	Melco International Development Limited, a company incorporated in Hong Kong with limited liability, the issued shares of which are listed on the main board of the Stock Exchange
“Conversion”	the conversion of outstanding principal amount of HK\$119,000,000 into 170,000,000 MelcoLot Shares by the Company
“Director(s)”	the director(s) of the Company
“Firich”	Firich Enterprises Co., Ltd., a company with its shares listed on the Taiwan Gre Tai Securities Market, a MelcoLot Shareholder and one of the holders of the MelcoLot Convertible Bonds in the principal amount of HK\$17,677,251
“GCH”	Global Crossing Holdings Ltd., a company incorporated in Independent State of Samoa with limited liability, a MelcoLot Shareholder and a shareholder of Power Way
“GEM”	Growth Enterprise Market of the Stock Exchange
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Intralot”	Intralot International Limited, a company incorporated in the Republic of Cyprus with limited liability, a MelcoLot Shareholder and one of the holders of the MelcoLot Convertible Bonds in the principal amount of HK\$14,428,451

“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Melco LV”	Melco LottVentures Holdings Limited, a company incorporated in the British Virgin Islands with limited liability and a wholly-owned subsidiary of the Company
“MelcoLot”	MelcoLot Limited, a company incorporated in the Cayman Islands with limited liability, the issued shares of which are listed on the GEM
“MelcoLot Convertible Bonds”	the 0.1% convertible bonds due on 13 December 2012 which before the Conversion were owned (i) as to HK\$399,505,732 by Melco LV; (ii) as to HK\$17,677,251 by Firich; and (iii) as to HK\$14,428,451 by Intralot
“MelcoLot Group”	MelcoLot and its subsidiaries
“MelcoLot Shares”	shares of HK\$0.01 each in the share capital of MelcoLot
“Power Way”	Power Way Group Limited, a company incorporated in the British Virgin Islands with limited liability, in which, as at the date of this announcement, approximately 67.03% equity interest is owned by Melco LV and approximately 32.97% equity interest is owned by GCH.
“PRC”	the People’s Republic of China, which, for the purpose of this announcement, excludes Hong Kong, Macau Special Administration Region of the PRC and Taiwan
“Shareholder(s)”	holder(s) of the Shares
“Share(s)”	ordinary share(s) of HK\$0.5 each in the share capital of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited

“Total Conversion Shares” altogether 215,865,287 MelcoLot Shares issued upon the conversion of outstanding principal amounts of HK\$119,000,000, HK\$14,428,451 and HK\$17,677,251 into 170,000,000 MelcoLot Shares, 20,612,072 MelcoLot Shares and 25,253,215 MelcoLot Shares by the Company, Intralot and Firich on 7 December 2012 respectively

“%” per cent.

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

Hong Kong, 7 December 2012

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; one non-executive Director, namely Mr. Ng Ching Wo; and three independent non-executive Directors, namely Sir Roger Lobo, Mr. Sham Sui Leung, Daniel and Dr. Tyen Kan Hee, Anthony.