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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**

### **PROPOSED INVESTMENT IN GAMING AND RESORT DEVELOPMENT PROJECT IN THE RUSSIAN FEDERATION**

#### **AMENDED AND RESTATED PRELIMINARY AGREEMENT**

On 10 July 2013, New Crescent, a wholly owned subsidiary of the Company, entered into an Amended and Restated Preliminary Agreement with Summit Ascent and Elegant City.

The Amended and Restated Preliminary Agreement provides that New Crescent will make an investment in a gaming and resort development project in Russia, by acquiring 5% of the issued share capital of Oriental Regent. The Amended and Restated Preliminary Agreement also provides that Summit Ascent, a connected person of the Company, will be a co-investor in the project and will acquire 46% of the issued share capital of Oriental Regent.

Oriental Regent is an investment holding company which currently owns 50% of FGCE. FGCE holds a gaming license awarded by the Administration of the Primorye Region, to conduct gaming activities in the IEZ established in the Primorye Region. The Primorye Region is in the Far Eastern economic region of Russia and has the city of Vladivostok as its administrative center. The gaming license held by FGCE has been granted for an indefinite period and commenced on 22 April 2012.

FGCE is also the tenant under a lease of two land lots in the IEZ. The principal land lot (Lot 9) is approximately 90,245m<sup>2</sup> and has a total planned gross floor area of approximately 31,630m<sup>2</sup>. The other land lot (Lot 8) is mainly the utility zone for the location of mechanical, electrical and plumbing infrastructure servicing Lot 9 and possibly other land lots within the IEZ.

The Amended and Restated Preliminary Agreement contemplates that FGCE will become a wholly owned subsidiary of Oriental Regent (pursuant to the Reorganization summarized below) and will develop a casino resort complex on Lot 9; which is planned to have approximately 119 hotel rooms, with approximately 800 slot machines, 25 VIP gaming tables and 40 mass market gaming tables. The superstructure (including foundations and shell (floors and roof)) of the main casino and hotel building has already been constructed.

The Amended and Restated Preliminary Agreement is legally binding. However, it does not purport to contain all the terms of the proposed investment. The Amended and Restated Preliminary Agreement provides that New Crescent, Summit Ascent and Elegant City shall negotiate in good faith and use their respective reasonable endeavors to agree the terms of the Definitive Investment Agreement, containing all the terms of the proposed transaction, by no later than 15 August 2013, or such later date as New Crescent, Summit Ascent and Elegant City may agree.

In consideration for the acquisition of 5% of Oriental Regent, New Crescent will:

- (a) pay an amount of US\$980,392 (approximately HK\$7,602,940) to Elegant City; and
- (b) invest an amount, either in the form of equity or shareholders' loans, in Oriental Regent, in RUB, calculated in accordance with the formula:

*Verified Investment x 5/49 – US\$980,392 x 100/49 x USD/RUB Exchange Rate*

The “Verified Investment” for this purpose means the aggregate amount invested in the Lot 9 casino project funded by Oriental Regent up to the date of closing of the acquisition, as verified by New Crescent and Summit Ascent in accordance with the provisions of the Amended and Restated Preliminary Agreement. It is currently estimated to be approximately RUB941.7 million (approximately US\$28.2 million or approximately HK\$219.0 million).

The estimated total investment for the casino resort complex to be constructed on Lot 9 is approximately US\$130 million, of which New Crescent's estimated total investment is approximately US\$6.5 million (approximately HK\$50.4 million). The casino resort complex is expected to open in or around September 2014.

#### **IMPLICATIONS UNDER THE LISTING RULES**

Summit Ascent is an associate (as defined in the Listing Rules) of Mr. Ho, Lawrence Yau Lung, the Chairman and Chief Executive Officer and a substantial shareholder of the Company. Accordingly, Summit Ascent is a connected person of the Company and the entering into by New Crescent, a wholly owned subsidiary of the Company, of the Amended and Restated Preliminary Agreement constitutes a connected transaction for the Company under Chapter 14A of the Listing Rules. All the applicable percentage ratios in respect of the Amended and Restated Preliminary Agreement are less than 5%. Accordingly, the entering into by New Crescent of the Amended and Restated Preliminary Agreement is subject to the reporting and announcement requirements of Chapter 14A of the Listing Rules, but is exempt under Listing Rule 14A.32 from the independent shareholders' approval requirement of Chapter 14A.

**The Amended and Restated Preliminary Agreement is subject to a number of conditions and contemplates that the Definitive Investment Agreement in relation to Oriental Regent and the Lot 9 casino resort project will be entered into setting forth the detailed terms of the investment in that project. The Definitive Investment Agreement will also be subject to a number of conditions. There is no assurance that the investment contemplated by the Amended and Restated Preliminary Agreement will be completed and shareholders and potential investors should, accordingly, exercise caution when dealing in the shares.**

**The Company confirms that, based on Russian legal advice and due diligence investigations, the gambling activities contemplated by the Amended and Restated Preliminary Agreement and the Definitive Investment Agreement are lawful in the IEZ. The Company has also been advised that gambling activities conducted wholly in Russia do not contravene the Hong Kong Gambling Ordinance. Shareholders and potential investors should note that, pursuant to**

**Guidance issued by the Stock Exchange in 2003 relating to “Gambling Activities Undertaken by Listing Applicants and/or Listed Issuers”, the Stock Exchange may, depending on the circumstances of the case, direct the Company to take remedial actions and/or may suspend dealings in, or may cancel the listing of, the Company’s securities pursuant to Rule 6.01 of the Listing Rules if the operation of the proposed gambling activities fails to comply with applicable laws in Russia and/or contravenes the Hong Kong Gambling Ordinance.**

## **INTRODUCTION**

On 10 July 2013, New Crescent entered into an Amended and Restated Preliminary Agreement with Summit Ascent and Elegant City.

The Amended and Restated Preliminary Agreement provides that New Crescent will make an investment in a gaming and resort development project in Russia, by acquiring 5% of the issued share capital of Oriental Regent. The Amended and Restated Preliminary Agreement also provides that Summit Ascent, a connected person of the Company, will be a co-investor in the project and will acquire 46% of the issued share capital of Oriental Regent.

Oriental Regent is an investment holding company which currently owns 50% of FGCE. FGCE holds a gaming license awarded by the Administration of the Primorye Region, to conduct gaming activities in the IEZ established in the Primorye Region. The Primorye Region is in the Far Eastern economic region of Russia and has the city of Vladivostok as its administrative center. The gaming license held by FGCE has been granted for an indefinite period and commenced on 22 April 2012.

FGCE is also the tenant under the Lot 8 and 9 Lease in respect of two land lots in the IEZ, for a period of approximately 14 years commencing on 27 July 2011 and ending on 20 July 2025. The principal land lot (Lot 9) is approximately 90,245m<sup>2</sup> and has a total planned gross floor area of approximately 31,630m<sup>2</sup>. The other land lot (Lot 8) is mainly the utility zone for the location of mechanical, electrical and plumbing infrastructure servicing Lot 9 and possibly other land lots within the IEZ. The lessor of the Lot 8 and 9 Lease is OJSC “Nash dom-Primorye” which is a joint stock company wholly owned by the Administration of the Primorye Region, Russia and is a third party independent of the Company and its connected persons.

The Amended and Restated Preliminary Agreement contemplates that FGCE will become a wholly owned subsidiary of Oriental Regent (pursuant to the Reorganization summarized below) and will develop a casino resort complex on Lot 9; which is planned to have approximately 119 hotel rooms, with approximately 800 slot machines, 25 VIP gaming tables and 40 mass market gaming tables. The superstructure (including foundations and shell (floors and roof)) of the main casino and hotel building has already been constructed.

The Amended and Restated Preliminary Agreement is legally binding. However, it does not purport to contain all the terms of the proposed investment. The Amended and Restated Preliminary Agreement provides that New Crescent, Summit Ascent and Elegant City shall negotiate in good faith and use their respective reasonable endeavors to agree the terms of the Definitive Investment Agreement, containing all the terms of the proposed transaction, by no later than 15 August 2013, or such later date as New Crescent, Summit Ascent and Elegant City may agree.

The estimated total investment for the casino resort complex to be constructed on Lot 9 is approximately US\$130 million (approximately HK\$1,008.2 million), of which New Crescent’s estimated total investment is approximately US\$6.5 million (approximately HK\$50.4 million), comprising an estimated aggregate amount of US\$1.9 million (approximately HK\$14.7 million) expected to be payable on closing in accordance with the formula described in paragraph 3 (Consideration) under the heading “Summary of the Principal Terms of the Amended and Restated

Preliminary Agreement” and an estimated amount of approximately US\$4.6 million (approximately HK\$35.7 million) of funding to be provided post-closing. Based on information currently available, the estimated amount of investment funded by Elegant City upon completion of the Reorganization would be approximately RUB 941.7 million (approximately US\$28.2 million or approximately HK\$219 million). Upon closing of the proposed transaction, the total amount of investment into the project is expected to be approximately RUB1,241.4 million (approximately US\$37.2 million or approximately HK\$288.7 million), of which New Crescent would have invested approximately RUB62.1 million (approximately US\$1.9 million or approximately HK\$14.4 million) into the project whilst Summit Ascent and Elegant City would be deemed to have invested approximately RUB571.0 million (approximately US\$17.1 million or approximately HK\$132.8 million) and RUB608.3 million (approximately US\$18.2 million or approximately HK\$141.5 million) respectively into the project.

In relation to the post-closing funding requirements for the project, estimated to be approximately US\$92.8 million (approximately RUB3,094.0 million or approximately HK\$719.7 million), the Amended and Restated Preliminary Agreement provides that New Crescent, Summit Ascent and Elegant City will first seek external debt financing. If external financing is obtained, any of New Crescent, Summit Ascent or Elegant City has the right to substitute its own funds for all or part of the external financing, on the same terms as offered by the external party. To the extent that external financing is unavailable or insufficient, New Crescent, Summit Ascent and Elegant City will (subject to unanimous approval as a “minority protection” matter) fund the shortfall, either in the form of equity or shareholders’ loans, pro rata to their respective shareholdings in Oriental Regent. No party is required to provide funding or guarantee unless the party concerned agrees to do so. However, the Definitive Investment Agreement will also include provisions enabling shareholders of Oriental Regent to provide another shareholder’s funding where the other shareholder is unable to do so, thereby diluting the percentage shareholding of the non-funding shareholder. If the post-closing funding were to be provided by New Crescent, Summit Ascent and Elegant City pro rata to the respective shareholdings in Oriental Regent, the respective amounts of the remaining funding to be provided would be an amount of approximately US\$4.6 million (approximately HK\$36.0 million) by New Crescent, an amount of approximately US\$42.7 million (approximately HK\$331.1 million) by Summit Ascent and an amount of approximately US\$45.5 million (approximately HK\$352.6 million) by Elegant City, assuming no external debt funding is available.

The casino resort complex is expected to open in or around September 2014. The Company intends to hold its interests in the project as a long term investment and has no intention to increase or decrease its proportionate ownership in the project in the future.

**SUMMARY OF THE PRINCIPAL TERMS OF THE AMENDED AND RESTATED PRELIMINARY AGREEMENT**

- 1. Date : 10 July 2013
- 2. Parties : (1) New Crescent, as purchaser of a 5% interest in Oriental Regent; (2) Summit Ascent, as purchaser of a 46% interest in Oriental Regent; and (3) Elegant City, as vendor
- 3. Consideration : In consideration for the acquisition of 5% of Oriental Regent, New Crescent will:
  - (a) pay an amount of US\$980,392 (approximately HK\$7,602,940) to Elegant City; and
  - (b) invest an amount, either in the form of equity or shareholders’ loans, in Oriental Regent, in RUB, calculated in accordance with the formula:

*Verified Investment x 5/49 – US\$980,392 x 100/49 x USD/RUB Exchange Rate*

The “Verified Investment” for this purpose means the aggregate amount invested in the Lot 9 casino project funded by Oriental Regent up to the date of closing of the acquisition, as verified by New Crescent and Summit Ascent in accordance with the provisions of the Amended and Restated Preliminary Agreement.

4. Definitive Investment Agreement

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The Amended and Restated Preliminary Agreement provides that New Crescent, Summit Ascent and Elegant City will negotiate in good faith and use their respective reasonable endeavors to agree the terms of the Definitive Investment Agreement, which will contain the detailed terms of the proposed investment by New Crescent and Summit Ascent in Oriental Regent and the Lot 9 casino resort project, by no later than 15 August 2013 (or such later date as New Crescent, Summit Ascent and Elegant City may agree). The Definitive Investment Agreement will contain:

- (a) detailed terms implementing the Reorganization, summarized below;
- (b) detailed terms implementing the acquisition by New Crescent and Summit Ascent of an aggregate 51% shareholding in Oriental Regent;
- (c) the conditions precedent to closing of the acquisition of 51% of Oriental Regent by New Crescent and Summit Ascent, summarized below, and such other conditions precedent (if any) as New Crescent, Summit Ascent and Elegant City may agree;
- (d) detailed terms relating to the operation and management of Oriental Regent and FGCE; and
- (e) such other terms and conditions as are customarily included in an investment and shareholders’ agreement, as may be agreed between New Crescent, Summit Ascent and Elegant City.

When executed, the Definitive Investment Agreement will supersede and replace the Amended and Restated Preliminary Agreement in its entirety. The Amended and Restated Preliminary Agreement does not purport to summarize all the conditions, covenants, representations, warranties and other provisions that would be contained in the Definitive Investment Agreement.

5. Conditions precedent to entering into of the

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The Amended and Restated Preliminary Agreement provides that entry into of the Definitive Investment Agreement shall be

Definitive Investment Agreement

conditional on the fulfillment or waiver of the following conditions precedent:

- (a) Elegant City to procure that financial statements of FGCE in respect of the period from the date of incorporation of FGCE to 30 April 2013 shall be prepared and delivered to New Crescent and Summit Ascent;
- (b) New Crescent and Summit Ascent having engaged a firm of independent accountants to audit FGCE's financial statements referred to above, the independent accountants having completed their audit and delivered their auditor's report and the adjustments required to be made to FGCE's financial statements referred to above not being, individually or in aggregate, material;
- (c) New Crescent and Summit Ascent having engaged an independent construction expert to assess the validity and reasonableness of the construction costs incurred up to the date of the Amended and Restated Preliminary Agreement by Elegant City and its related parties in respect of the Lot 9 casino resort project; the independent construction expert having been given sufficient access to the project and all relevant documents and personnel in order for the independent construction expert to complete its engagement to its satisfaction; and the independent construction expert having completed its engagement to its satisfaction and delivered its final report to New Crescent and Summit Ascent;
- (d) completion of due diligence to the satisfaction of New Crescent and Summit Ascent;
- (e) delivery of Russian legal opinions from reputable law firms in Russia and any other relevant jurisdiction(s) confirming that the Lot 9 casino resort project is legally feasible from the perspectives of New Crescent and Summit Ascent;
- (f) delivery of Russian taxation opinions by reputable international accounting firms to the satisfaction of New Crescent and Summit Ascent;
- (g) obtaining of all necessary consents and approvals (including shareholders' or directors' approvals, government or other regulators' approvals) required by New Crescent, Summit Ascent, Elegant City or any Project Company in respect of the signing of the definitive documents required to implement the transactions contemplated by the Amended and

Restated Preliminary Agreement, except for the approval required by Summit Ascent under the Listing Rules referred to in paragraph 7(b) below;

- (h) receipt by the relevant Project Companies of all consents and waivers, in terms satisfactory to New Crescent, Summit Ascent and Elegant City (in each case, acting reasonably) required under any agreements or other arrangements to which any Project Company is a party for the consummation of the transactions contemplated by the Amended and Restated Preliminary Agreement;
- (i) the Definitive Investment Agreement having been agreed; and
- (j) there having been no breach of any covenant, representation or warranty under the Amended and Restated Preliminary Agreement.

All or any of the conditions precedent referred to in paragraphs (a) to (f) (inclusive) and paragraph (j) above may be waived jointly by New Crescent and Summit Ascent. The remaining conditions precedent may only be waived jointly by all of New Crescent, Summit Ascent and Elegant City. At the date of this announcement, New Crescent has no intention to waive any of the conditions precedent described in paragraphs (a) to (j) above.

6. Reorganization

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The Amended and Restated Preliminary Agreement provides that a Reorganization must be completed by Elegant City, before closing of the acquisition. The principal requirements of the Reorganization are that on completion of the Reorganization Elegant City must be the legal and beneficial owner of 100% of the equity in Oriental Regent, free from encumbrances; Oriental Regent must be the legal and beneficial owner of 100% of the equity in FGCE, free from encumbrances; FGCE must be the sole and exclusive licensee under, and have the full benefit of, the Gaming License, free from encumbrances; FGCE must have good title to the Lot 8 and 9 Lease, free from encumbrances; and there must be no indebtedness or other obligation or liability owed by a Project Company to any related party of Elegant City or persons/corporations connected with Elegant City or such related party (the benefit of any such indebtedness is required to be novated to Oriental Regent).

7. Conditions Precedent to Closing under the

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Closing under the Definitive Investment Agreement is conditional upon the satisfaction, or waiver, of the following

Definitive Investment Agreement

conditions precedent:

- (a) completion of the Reorganization;
- (b) Summit Ascent obtaining all necessary consents and approvals (including shareholders' approvals) required by Summit Ascent under the Listing Rules for the transactions contemplated by the Definitive Investment Agreement;
- (c) there having been no breach of any covenant, representation or warranty under the Definitive Investment Agreement; and
- (d) obtaining of any necessary pre-transaction merger clearance from the Federal Antimonopoly Service of Russia under the Competition Law of Russia in respect of the transactions contemplated by the Definitive Investment Agreement.

Any or all of the conditions precedent described in paragraphs (a) and (d) above may be waived jointly by New Crescent and Summit Ascent. The condition precedent described in paragraph (c) above may be waived unilaterally by the non-breaching party(ies). The condition precedent described in paragraph (b) above shall not be waived. At the date of this announcement, New Crescent has no intention to waive any of the conditions precedent described in paragraphs (a), (c) or (d) above.

8. Key operating and management provisions :

The Definitive Investment Agreement will include provisions relating to the operation and management of Oriental Regent and FGCE, which will apply with effect from closing of the acquisition. Those provisions will include that:

- (a) Subject to the provisions in respect of related party transactions, Summit Ascent will be responsible for the management and operations of FGCE and Elegant City shall be responsible for real estate and construction matters as well as maintaining relations with federal and regional government officials in Russia.
- (b) Each of the respective boards of Oriental Regent and FGCE will consist of 5 members, with 1 to be appointed by New Crescent, 2 to be appointed by Summit Ascent and 2 to be appointed by Elegant City in each case.
- (c) Decisions of each of those boards will be by simple majority resolution except for matters specified in the Amended and Restated Preliminary Agreement relating to minority protections and related party transactions, which will require unanimous approval of all the directors.
- (d) Summit Ascent shall nominate the CEO of FGCE and any replacement thereof. Elegant City shall nominate the deputy CEO of FGCE and any replacement thereof (subject to the prior approval of Summit Ascent). An

executive committee shall be established by the CEO of FGCE to manage FGCE.

- (e) FGCE shall enter into an exclusive management contract with Summit Ascent, or an affiliate of Summit Ascent, to manage the entire operations of FGCE, for a fee of 3% of gross gaming revenue generated by FGCE (less any withholding tax or other deductions FGCE is required by law to make). This fee will not be payable during periods when no gaming revenues are generated.
- (f) FGCE shall have the right of first refusal to operate and manage all future casino projects to be developed by any of the parties or their respective affiliates, either alone or jointly, within the IEZ.
- (g) If any of the parties (or any of their respective affiliates) seeks to develop, either alone or jointly, any of the lots within the IEZ and proposes to seek investment from a third party for that development, the other parties shall have the right of first refusal in relation to that investment.
- (h) All resolutions of shareholders of Oriental Regent will be by a simple majority except for resolutions of shareholders required to approve any of the matters specified in the Amended and Restated Preliminary Agreement as “minority protection” matters requiring the approval of each of New Crescent, Summit Ascent and Elegant City.
- (i) In relation to the funding requirements for the Lot 9 casino and resort project after closing of the acquisition, New Crescent, Summit Ascent and Elegant City will first seek external financing in the form of debt. If external financing is obtained, any of New Crescent, Summit Ascent or Elegant City has the right to substitute its own funds for all or part of the external financing, on the same terms as offered by the external party. To the extent that external financing is unavailable or insufficient, New Crescent, Summit Ascent and Elegant City will (subject to unanimous approval as a “minority protection” matter) fund the shortfall, either in the form of equity or shareholders’ loans, pro rata to their respective shareholdings in Oriental Regent. No party shall be required to provide funding or guarantee unless the party concerned agrees to do so. The Definitive Investment Agreement will also include provisions enabling shareholders of Oriental Regent to provide another shareholder’s funding where the other shareholder is unable to do so, in the form of an interest bearing convertible loan with a maturity of 12 months (and if more than one shareholder wishes to fund the shortfall, by the shareholders who wish to fund the shortfall pro rata to their respective shareholdings in Oriental Regent). The non-funding shareholder will have the ability to cure its funding shortfall within that period, failing which the interest bearing convertible shareholders’

loan can be converted into equity of Oriental Regent, thereby diluting the percentage shareholding of the non-funding shareholder.

9. Termination : The Amended and Restated Preliminary Agreement will terminate upon the occurrence of any of the following:
- (a) the earlier of (i) the execution of the Definitive Investment Agreement (which will supersede the Amended and Restated Preliminary Agreement in its entirety) and (ii) 15 August 2013 or such later date as New Crescent, Summit Ascent and Elegant City may agree;
  - (b) mutual consent of New Crescent, Summit Ascent and Elegant City;
  - (c) written notice by any of New Crescent, Summit Ascent or Elegant City if a final, non-appealable order of a competent government authority of Russia prohibiting the transactions contemplated by the Amended and Restated Preliminary Agreement is lawfully and properly issued;
  - (d) written notice by Elegant City if there has been a material breach by New Crescent or Summit Ascent of any of their respective representations and warranties set out in the Amended and Restated Preliminary Agreement; and
  - (e) written notice by New Crescent or Summit Ascent if there has been a material breach by Elegant City of any of its representations and warranties set out in the Amended and Restated Preliminary Agreement.

## **CONSIDERATION**

The US\$980,392 referred to in section 3(a) above was mutually agreed among New Crescent, Summit Ascent and Elegant City based on commercial considerations, on an arm's length basis. The purpose of the formula referred to in section 3(b) above is to ensure that the Verified Investment will be funded by New Crescent, Summit Ascent and Elegant City pro-rata to their respective shareholdings in Oriental Regent. According to the unaudited balance sheet of FGCE as at 30 April 2013, the net asset value of FGCE was approximately RUB600.5 million (approximately US\$18.0 million or approximately HK\$139.7 million). As part of the Reorganization, an estimated amount of RUB341.2 million (approximately US\$10.2 million or approximately HK\$79.4 million) of payables due to companies related to Elegant City is expected to be replaced by a shareholder's loan from Elegant City, partly through repayment using funds provided by Elegant City and partly through novation of debt to Elegant City, as the case may be.

## **INFORMATION IN RESPECT OF THE PARTIES**

The Company and its subsidiaries are principally engaged in leisure, gaming and entertainment and other investments.

New Crescent is an investment holding company and a wholly owned subsidiary of the Company. New Crescent is a special purpose company which has been established for making the investment in the project and does not have any other assets.

Summit Ascent has been engaged in tiles trading, manufacturing and export and renovation and engineering operations.

Elegant City currently holds 50% of Oriental Regent. Following the completion of the Reorganization, Elegant City will own 100% of Oriental Regent. Elegant City is ultimately owned by Mr. Oleg Drozdov, a Russian businessman primarily engaged in construction business in the Primorye Region, Russia. Mr. Oleg Drozdov is a shareholder of OOO Dalta-Vostok-1 (a Russian company involved in the construction business) and OOO Kompaniya po Razvitiyu Nedvizhimosti Dalta (a Russian company involved in the construction and real estate business). Elegant City's principal investment is its 50% interest in Oriental Regent. The remaining 50% interest in Oriental Regent is currently owned by Diamond Fortune Holdings Limited, a company ultimately owned by Mr. Alekskey Simanchuk, a business partner of Mr. Oleg Drozdov. Mr. Alekskey Simanchuk is a Russian businessman engaged in both banking and construction business. He is a shareholder of ZAO Dalta-Bank (a Russian bank based in Primorye, Russia) and a shareholder of OOO Kompaniya po Razvitiyu Nedvizhimosti Dalta (a Russian company involved in the construction and real estate business).

Oriental Regent is an investment holding company, established under the laws of Hong Kong on 12 August 2010, which currently holds 50% of FGCE. The remaining 50% interest in FGCE is currently owned by Kinetick Investment Inc. The main business of Kinetick Investment Inc is investment holding. It is beneficially owned by Mr Dimitry Popov, who is a businessman engaged in real estate and trading businesses. Following the completion of the Reorganization, Oriental Regent will own 100% of FGCE and Kinetick Investment Inc. will no longer have any interest in FGCE.

FGCE is a limited liability company established under the laws of Russia on 24 September 2010. It is the holder of the Gaming License and the lessee under the Lot 8 and 9 Lease and is engaged in the development of a casino and resort complex on Lot 9.

Neither Oriental Regent nor FGCE has produced audited accounts since the dates of their respective incorporation. Based on the unaudited management accounts of FGCE, its net assets as at 30 June 2012 were RUB600.5 million (approximately HK\$139.7 million).

The Company has not yet been provided with management accounts in respect of Oriental Regent, but it is anticipated that the net assets of Oriental Regent will reflect its 50% shareholding in FGCE, having regard to the fact that Oriental Regent's only business is holding its investment in FGCE.

As set forth above, it is a term of the Amended and Restated Preliminary Agreement and a condition precedent to entering into of the Definitive Investment Agreement that Oriental Regent and FGCE prepare audited financial statements from the dates of their respective incorporation to 30 April 2013 and that those financial statements be audited (see section 5 (Conditions precedent to entering into of the Definitive Investment Agreement) in the section headed "Summary of the Principal Terms of the Amended and Restated Preliminary Agreement") above. The audited net assets of Oriental Regent and FGCE, in each case as at 30 April 2013, or a later date, will be included in the announcement to be made by the Company following the entry into of the Definitive Investment Agreement.

For the reasons given above, the Company does not have the information in relation to the audited consolidated results of Oriental Regent or FGCE in respect of their two most recent financial years. The management accounts of FGCE show losses before tax of approximately RUB15,000 (approximately HK\$3,489) in respect of the period from the date of FGCE's incorporation to 30 June 2011; RUB2,979,000 (approximately HK\$692,915) in respect of the 12 months ended 30 June 2012 and RUB239,000 (approximately HK\$55,591) in respect of 10 months ended 30 April 2013. The management accounts of FGCE show losses after tax of approximately RUB28,000 (approximately

HK\$6,513) in respect of the period from the date of FGCE's incorporation to 30 June 2011; RUB3,032,000 (approximately HK\$705,243) in respect of the 12 months ended 30 June 2012 and RUB439,000 (approximately HK\$102,111) in respect of 10 months ended 30 April 2013.

As referred to above, it is a term of the Amended and Restated Preliminary Agreement and a condition precedent to entering into of the Definitive Investment Agreement that Oriental Regent and FGCE prepare audited financial statements from the dates of their respective incorporations to 30 April 2013 and that those financial statements be audited (see section 5 (Conditions precedent to entering into of the Definitive Investment Agreement)) in the section headed "Summary of the Principal Terms of the Amended and Restated Preliminary Agreement" above. The audited profits or losses before and after taxation and minority interests of Oriental Regent and FGCE, in each case, in respect of the two financial years immediately preceding the proposed transaction will be included in the announcement to be made by the Company following the entry into of the Definitive Investment Agreement.

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiry, Elegant City, Oriental Regent, FGCE, Diamond Fortune Holdings Limited and Kinetic Investment Inc and their respective ultimate beneficial owners are third parties independent of the Company and connected persons (as defined in the Listing Rules) of the Company.

### **REASONS FOR AND BENEFITS OF THE PROPOSED TRANSACTIONS**

The transactions contemplated by the Amended and Restated Preliminary Agreement would enable the Company, indirectly through New Crescent, to invest, in a modest way, in a project with potentially very attractive returns. The proposed casino resort has the advantage of being geographically close to the target feeder markets, i.e. the three Chinese provinces in Northeastern China, namely, Heilongjiang, Jilin and Liaoning. In addition, Russia currently offers a very favorable tax environment for gaming business compared to other jurisdictions. It is also expected that the project will have a first mover advantage, as the proposed casino resort will most likely be the first legal casino to start operating in the Far Eastern Region of Russia since the ban of gambling in the country (except for the four designated border zones) in 2009. It is anticipated that New Crescent will be able to secure a good rate of return for its investment. It is also the intention of the Company to bid for a consultancy contract before closing of the acquisition to provide gaming consultancy services to the casino resort project during the development, pre-opening and operation stages.

The Directors (including the independent non-executive Directors) are of the view that the terms of the Amended and Restated Preliminary Agreement are normal commercial terms which are fair and reasonable and in the interests of the Company and the shareholders of the Company as a whole.

### **IMPLICATIONS UNDER THE LISTING RULES**

Summit Ascent is an associate (as defined in the Listing Rules) of Mr. Ho, Lawrence Yau Lung, the Chairman and Chief Executive Officer and a substantial shareholder of the Company. Accordingly, Summit Ascent is a connected person of the Company and the entering into by New Crescent, a wholly owned subsidiary of the Company, of the Amended and Restated Preliminary Agreement constitutes a connected transaction for the Company under Chapter 14A of the Listing Rules. All the applicable percentage ratios in respect of the Amended and Restated Preliminary Agreement are less than 5%. Accordingly, the entering into by New Crescent of the Amended and Restated Preliminary Agreement is subject to the reporting and announcement requirements of Chapter 14A of the Listing Rules, but is exempt under Listing Rule 14A.32 from the independent shareholders' approval requirement of Chapter 14A.

Mr. Ho, Lawrence Yau Lung is considered to have a conflict of interest in respect of the transaction contemplated by the Amended and Restated Preliminary Agreement and, accordingly, abstained from voting in respect of the resolution of the board of directors of the Company to approve the Amended

and Restated Preliminary Agreement. Save as disclosed above, none of the other Directors has a material interest in the Amended and Restated Preliminary Agreement. In the interest of completeness, it is noted that Dr. Tyen Kan Hee, Anthony serves as an independent non-executive director on the boards of directors of both the Company and Summit Ascent and holds share options issued to him in his capacity as an independent non-executive director of Summit Ascent in respect of less than 0.1% of Summit Ascent's issued share capital.

A further announcement will be made when the Definitive Investment Agreement is entered into.

**The Amended and Restated Preliminary Agreement is subject to a number of conditions and contemplates that the Definitive Investment Agreement in relation to Oriental Regent and the Lot 9 casino resort project will be entered into setting forth the detailed terms of the investment in that project. The Definitive Investment Agreement will also be subject to a number of conditions. There is no assurance that the investment contemplated by the Amended and Restated Preliminary Agreement will be completed and shareholders and potential investors should, accordingly, exercise caution when dealing in the shares.**

**The Company confirms that, based on Russian legal advice and due diligence investigations, the gambling activities contemplated by the Amended and Restated Preliminary Agreement and the Definitive Investment Agreement are lawful in the IEZ. The Company has also been advised that gambling activities conducted wholly in Russia do not contravene the Hong Kong Gambling Ordinance. Shareholders and potential investors should note that, pursuant to Guidance issued by the Stock Exchange in 2003 relating to "Gambling Activities Undertaken by Listing Applicants and/or Listed Issuers", the Stock Exchange may, depending on the circumstances of the case, direct the Company to take remedial actions and/or may suspend dealings in, or may cancel the listing of, the Company's securities pursuant to Rule 6.01 of the Listing Rules if the operation of the proposed gambling activities fails to comply with applicable laws in Russia and/or contravenes the Hong Kong Gambling Ordinance.**

## DEFINITIONS

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

"Amended and Restated Preliminary Agreement"	the amended and restated preliminary agreement entered into between New Crescent, Summit Ascent and Elegant City on 10 July 2013, the principal terms of which are summarised in the section headed "Summary of the Principal Terms of the Amended and Restated Preliminary Agreement" above
"CEO"	chief executive officer
"Company"	Melco International Development Limited, a company incorporated in Hong Kong with limited liability, the shares of which are listed on the main board of the Stock Exchange
"Definitive Investment Agreement"	the definitive investment and shareholders' agreement containing all the terms of the proposed transaction contemplated by the Amended and Restated Preliminary Agreement, to be entered into between New Crescent, Summit Ascent and Elegant City by 15 August 2013 (or such later date as New Crescent, Summit Ascent and Elegant City may agree), as referred to in section 4 (Definitive Investment Agreement) of the section headed "Summary of the Principal Terms of the Amended and Restated Preliminary Agreement" above

“Director(s)”	the director(s) of the Company for the time being
“Elegant City”	Elegant City Group Limited, a company incorporated in the British Virgin Islands with limited liability, being a party to the Amended and Restated Preliminary Agreement
“FGCE”	First Gambling Company of the Far East LLC, a limited liability company incorporated in Russia
“Gaming License”	the gaming license awarded to FGCE by the Administration of the Primorye Region, Russia on 6 October 2011 under which FGCE has the right to conduct gaming activities in the IEZ for an indefinite period, which commenced on 22 April 2012
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“IEZ”	The Integrated Entertainment Zone of the Primorye Region, Russia
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Lot 8”	a parcel of land identified as Lot 8 situated in the IEZ
“Lot 9”	a parcel of land identified as Lot 9 situated in the IEZ, with a land area of approximately 90,245m <sup>2</sup> and total planned gross floor area of approximately 31,630m <sup>2</sup>
“Lot 8 and 9 Lease”	the lease in respect of the tenancy of Lot 8 and Lot 9 for a period of 14 years commencing on 27 July 2011 and ending on 20 July 2025
“New Crescent”	New Crescent Investments Limited, a company incorporated in the British Virgin Islands with limited liability and being a wholly owned subsidiary of the Company
“Oriental Regent”	Oriental Regent Limited, a company incorporated in Hong Kong with limited liability
“Project Companies”	collectively, Oriental Regent and FGCE and each of them individually is a “Project Company”
“Reorganization”	the reorganization summarized in section 6 of the section headed “Summary of the Principal Terms of the Amended and Restated Preliminary Agreement” above
“Russia”	the Russian Federation
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Summit Ascent”	Summit Ascent Holdings Limited, a company incorporated in Bermuda with limited liability and having its shares listed on the main board of the Stock Exchange

“Verified Investment”	has the meaning ascribed to it in section 3 of the section headed “Summary of the Principal Terms of the Amended and Restated Preliminary Agreement” above
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“RUB”	Russian Roubles, the lawful currency of Russia
“US\$”	American dollars, the lawful currency of the United States of America
“m <sup>2</sup> ”	square meter(s)
%	per cent.

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

Hong Kong, 10 July 2013

*Unless stated otherwise, translations of quoted currency values are made on an approximate basis and at the rates of US\$1 = RUB33.34, US\$1 = HK\$7.755 and RUB1 = HK\$0.2326. Percentage and figures expressed have been rounded.*

*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; 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.*