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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**

#### **The Proposed Investment**

**On 10 July 2013, New Crescent, a wholly owned subsidiary of the Company, entered into the Amended and Restated Preliminary Agreement with Summit Ascent and Elegant City. The Amended and Restated Preliminary Agreement was legally binding. However, it did not purport to contain all the terms of the Proposed Investment.**

On 23 August 2013, New Crescent, a wholly-owned subsidiary of the Company, entered into the Investment Agreement with SARL, Firich, Elegant City and Oriental Regent. The Investment Agreement supersedes and replaces the Amended and Restated Preliminary Agreement. On and subject to the terms and conditions of the Investment Agreement, New Crescent and SARL shall, on Completion, subscribe for, and Oriental Regent shall issue, the new Oriental Regent Shares. Upon Completion, New Crescent, SARL, Firich and Elegant City will be interested in 5%, 46%, 19% and 30% of Oriental Regent, respectively.

Firich, being a wholly-owned subsidiary of FEC, was introduced as a new business partner to the Investment Agreement. Pursuant to the Investment Agreement, Firich will acquire existing Oriental Regent Shares from Elegant City. Upon Completion, Firich will be interested in 19% of Oriental Regent and Elegant City's interest in Oriental Regent will be reduced to 30%. FEC is a company listed on GreTai Securities Market in Taiwan. It is primarily engaged in the manufacture, installation and maintenance of electronic gaming machines, multi-player gaming terminals, video lottery terminals ("VLT") and Lottery Point-of-Sales terminals ("POS"). Its products are widely deployed in Macau, Mainland China, Taiwan, Korea, the US and a number of European countries. Subject to the approvals of the relevant Russian authorities, it is expected that FEC will contribute to FGCE by providing electronic gaming machines specifically tailored for the Russian mass market as well as assisting FGCE to develop its clientele from Taiwan and Korea. The Company considers that the introduction of Firich as a new business partner to the venture will bring significant synergistic value to the consortium.

In consideration for the subscription and issue of the new Oriental Regent Shares, it is expected that New Crescent will invest an amount equivalent to RUB83,093,000 (subject to adjustment) (equivalent

to approximately US\$2.5 million or approximately HK\$19.3 million) payable in US\$ by New Crescent to Oriental Regent on Completion. In addition, New Crescent shall invest an amount of approximately US\$0.9 million (assuming there will no Adjustment Event) (equivalent to approximately RUB30.0 million or approximately HK\$7.0 million), in cash, as equity in Oriental Regent after Completion as subsequent funding.

### **Information on the Target Group**

The Investment Agreement provides that New Crescent will make an investment in a gaming and resort development project in Russia, by subscribing new Oriental Regent Shares, representing 5% of the enlarged issued share capital of Oriental Regent upon Completion. 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. Upon Completion, Oriental Regent will hold 100% of FGCE and will be indirectly interested in 100% of the aforesaid gaming and resort development in Russia.

FGCE is also the tenant under the Lot 8 and Lot 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 land area of the principal land lot (Lot 9) is approximately 90,455m<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 Lot 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.

Upon Completion, FGCE will become a wholly-owned subsidiary of Oriental Regent (pursuant to the Reorganization described in the sub-section headed “4. Reorganization” under the section headed “The Investment Agreement” 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 Investment Agreement provides that FGCE shall enter into a management agreement with SARL, or an affiliate of SARL, 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). The Investment Agreement also provides that New Crescent, or an affiliate of New Crescent, will enter into a consultancy agreement with FGCE to provide consultancy services to FGCE, for a fee of 0.3% of gross gaming revenue generated by FGCE (less any withholding tax or other deductions FGCE is required by law to make).

The estimated total investment for the casino resort complex to be constructed on Lot 9 is approximately US\$130 million (equivalent to approximately RUB4,334.2 million or approximately HK\$1,008.2 million). The casino resort complex is expected to open in or around September 2014.

### **Implications under the Listing Rules**

SARL is an associate of Mr. Ho, Lawrence Yau Lung, the Chairman and Chief Executive Officer and a substantial shareholder of the Company. Accordingly, SARL is a connected person of the Company and the entering into by New Crescent, a wholly owned subsidiary of the Company, of the Investment Agreement constitutes a connected transaction for the Company under Chapter 14A of the Listing

Rules. All the applicable percentage ratios in respect of the Investment Agreement are less than 5%. Accordingly, the entering into by New Crescent of the Investment 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 Investment Agreement is subject to a number of conditions. There is no assurance that the investment contemplated by the Investment Agreement will be completed and shareholders and potential investors should, accordingly, exercise caution when dealing in the Company's shares.**

**The Company confirms that, based on Russian legal advice and due diligence investigations, the gambling activities contemplated by the 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.**

## OVERVIEW

Reference is made to the announcement of the Company dated 10 July 2013 in relation to the Proposed Investment.

On 10 July 2013, New Crescent, a wholly owned subsidiary of the Company, entered into the Amended and Restated Preliminary Agreement with Summit Ascent and Elegant City. On 23 August 2013, New Crescent, entered into the Investment Agreement with SARL (a wholly owned subsidiary of Summit Ascent), Firich, Elegant City and Oriental Regent. As contemplated by the Preliminary Investment Agreement, the Investment Agreement supersedes and replaces the Amended and Restated Preliminary Agreement.

The Investment Agreement provides that New Crescent will make an investment in a gaming and resort development project in Russia, by subscribing new Oriental Regent Shares, representing 5% of the enlarged issued share capital of Oriental Regent upon Completion. 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. Upon Completion, Oriental Regent will hold 100% of FGCE and will be indirectly interested in 100% of the aforesaid gaming and resort development in Russia.

Firich, being a wholly-owned subsidiary of FEC, was introduced as a new business partner to the Investment Agreement. Pursuant to the Investment Agreement, Firich will acquire existing Oriental Regent Shares from Elegant City. Upon Completion, Firich will be interested in 19% of Oriental Regent and Elegant City's interest in Oriental Regent will be reduced to 30%. FEC is a company listed on GreTai Securities Market in Taiwan. It is primarily engaged in the manufacture, installation and maintenance of electronic gaming machines, multi-player gaming terminals, video lottery terminals ("VLT") and Lottery Point-of-Sales terminals ("POS"). Its products are widely deployed in Macau, Mainland China, Taiwan, Korea, the US and a number of European countries. Subject to the approvals of the relevant Russian authorities, it is expected that FEC will contribute to FGCE by providing electronic gaming machines specifically tailored for the Russian mass market as

well as assisting FGCE to develop its clientele from Taiwan and Korea. The Company considers that the introduction of Firich as a new business partner to the venture will bring significant synergistic value to the consortium.

## THE INVESTMENT AGREEMENT

Set out below are the principal terms of the Investment Agreement.

1. Date : 23 August 2013
2. Parties : (1) New Crescent;  
(2) SARL;  
(3) Firich;  
(4) Elegant City; and  
(5) Oriental Regent
3. Sale and purchase of the Firich Sale Shares

Firich shall purchase, and Elegant City shall sell, the Firich Sale Shares with effect from the Firich Sale Shares Completion Date. The consideration for the Firich Sale Shares shall be an amount equivalent to RUB631,507,000 (subject to adjustment below) (equivalent to approximately US\$18.9 million or approximately HK\$146.9 million) payable in US\$. In the event that the novation and extinguishment of the indebtedness owed by FGCE totaling approximately RUB156.2 million (being the sum of approximately RUB105.3 million (equivalent to approximately US\$3.2 million or approximately HK\$24.5 million) to a third party and approximately RUB50.9 million (equivalent to approximately US\$1.5 million or approximately HK\$11.8 million) to a related company of Elegant City as set out in paragraph (v) in the subsection headed "4. Reorganization" under the section headed "The Investment Agreement" below) is unable to be completed within 30 days of the date of the Investment Agreement (the "**Adjustment Event**"), an amount shall be deducted from the consideration for the Firich Sale Shares, which deduction shall be calculated in accordance with the following formula:

$$N \times 2 \times 19/49$$

where N is the aggregate amount of the indebtedness owed by FGCE to the aforesaid two parties which remains owing as at the 30<sup>th</sup> day after the date of the Investment Agreement,

and Firich shall waive the completion of the novation and extinguishment in respect only of the outstanding amount represented by N.

The consideration for the Firich Sale Shares shall be payable by Firich in cash in US\$ in two tranches as follows:

- (a) an amount of US\$13,363,715.53 (equivalent to approximately RUB445.5 million or approximately HK\$103.6 million), the Firich Deposit, is payable promptly following the signing of the Investment Agreement; and
- (b) the remaining balance shall be payable upon Firich Sale Shares Completion.

Under the Investment Agreement, Elegant City has unconditionally and irrevocably directed Firich to pay the Firich Deposit to Kinetic for the following purposes:

- (a) in respect of an amount of US\$12,200,000, as payment in full of the purchase price payable by Oriental Regent for the purchase by Oriental Regent of 50% of the charter capital of FGCE, pursuant to the Kinetic Acquisition Agreement; and
- (b) in respect of the remaining balance of US\$1,163,715.53, as a repayment of a loan owing by Elegant City to Kinetic.

Elegant City has also unconditionally and irrevocably directed Firich to pay the remaining balance of the consideration to Oriental Regent as a shareholder loan advanced to Oriental Regent by Elegant City (the “**EC Shareholder Loan**”).

Completion of the purchase of the Firich Sale Shares is conditional on completion of paragraphs (ii), (iv) and (v) of the Reorganization as set out in the sub-section headed “4. Reorganization” below and Firich being reasonably satisfied with the results of its due diligence review of the Target Group, including but not limited to Firich having been provided with and being reasonably satisfied with the contents of the audited financial statements of the Target Group. The conditions precedent above in relation to the sale and purchase of the Firich Sale Shares may be waived, in whole or in part, by Firich. Completion of the sale and purchase of the Firich Sale Shares shall take place on the second business day after the date on which the conditions precedent in relation to the sale and purchase of the Firich Sale Shares are satisfied or waived or any other date agreed by Elegant City and Firich.

Immediately upon completion of the sale and purchase of the Firich Sale Shares, Firich will be interested in 19,000 Oriental Regent Shares, representing approximately 38.8% of the issued share capital of Oriental Regent.

#### 4. Reorganization

The Investment Agreement requires that Elegant City shall procure that the Reorganization be completed prior to Completion. The Reorganization includes the following steps:

- (i) Oriental Regent shall purchase 50% of the charter capital of FGCE from Kinetic pursuant to the Kinetic Acquisition Agreement so that Oriental Regent shall be the legal and beneficial owner of 100% of the charter capital of FGCE on Completion.
- (ii) The purchase price payable by Oriental Regent for the purchase of 50% of the charter capital of FGCE shall be an amount of US\$12.2 million (equivalent to approximately RUB406.7 million or approximately HK\$94.6 million), which shall be payable by Oriental Regent in full in cash on completion of that purchase under the Kinetic Acquisition Agreement. The purchase price payable by Oriental Regent for the purchase of 50% of the charter capital of FGCE shall be paid by Elegant City directing that the amount of US\$13,363,715.53 (equivalent to approximately RUB445.5 million or approximately HK\$103.6 million), being the Firich Deposit, shall be paid to Kinetic for the purchase of 50% of the charter capital of FGCE pursuant to the Kinetic Acquisition Agreement, with the remainder of the Firich Deposit to be used to repay a loan due from Elegant City to Kinetic. The payment of US\$12.2 million (equivalent to approximately RUB406.7 million or approximately HK\$94.6 million) by Firich at Elegant City’s direction to Kinetic for the purchase of 50% of the charter capital of FGCE will result in an interest-free shareholder loan owed by Oriental Regent to Elegant City.
- (iii) Apart from the obligation to pay the purchase price of 50% of the charter capital of FGCE and the shareholder loan referred to paragraph (ii) above, Oriental Regent shall not incur

any other liability in connection with the purchase of 50% of the charter capital of FGCE from Kinetic.

- (iv) Oriental Regent has a related party indebtedness in the amount of approximately HK\$73.36 million (equivalent to approximately US\$9.5 million or approximately RUB315.4 million) due to Elegant City.
- (v) As at 30 June 2013, the two principal amounts of indebtedness owed by FGCE are approximately RUB105.3 million (equivalent to approximately US\$3.2 million or approximately HK\$24.45 million) owed to a third party and approximately RUB50.9 million (equivalent to approximately US\$1.5 million or approximately HK\$11.8 million) owed to a related company of Elegant City. The principal debtor of FGCE is another related company of Elegant City and the aggregate amount owed by such related company to FGCE was approximately RUB28.4 million (equivalent to approximately US\$0.9 million or approximately HK\$6.6 million). All the aforesaid indebtedness will be novated to and assumed by, or assigned to (as the case may be), Elegant City. All the inter-company debts between FGCE and Oriental Regent or between Oriental Regent and Elegant City described in paragraphs (ii), (iv) and this paragraph (v) will be set-off and any remaining balances capitalized and extinguished in consideration for the issue of 39,000 new Oriental Regent Shares such that there will be no intercompany debts between FGCE and Oriental Regent, or between Oriental Regent and Elegant City, other than the EC Shareholder Loan.
- (vi) Immediately following the step referred to in paragraph (v) above, there shall be no related party indebtedness owed by any Project Company to Elegant City, other than the EC Shareholder Loan.
- (vii) One (1) Oriental Regent Share, representing 0.01% of the issued share capital of Oriental Regent, held by Mr. Oleg Drozdov, shall be transferred to Elegant City.
- (viii) Oriental Regent shall increase its authorized share capital from HK\$10,000 to HK\$500,000.

#### 5. Investment in Oriental Regent

On and subject to the terms and conditions of the Investment Agreement, New Crescent and SARL shall, on Completion, subscribe for 5,000 new Oriental Regent Shares and 46,000 new Oriental Regent Shares respectively and Oriental Regent shall issue in aggregate 51,000 new Oriental Regent Shares fully paid up and free from encumbrances and together with all rights conferred by those new Oriental Regent Shares as at the date of their issue. Neither New Crescent nor SARL will be obliged to complete their subscription of new Oriental Regent Shares unless their subscriptions are completed simultaneously. The new Oriental Regent Shares shall rank pari passu with the Oriental Regent Shares in issue as at the date of relevant issue. Upon Completion, New Crescent, SARL, Firich and Elegant City will be interested in 5%, 46%, 19% and 30% of the enlarged issued share capital of Oriental Regent, respectively.

#### 6. Consideration

In consideration for the subscription and issue of the new Oriental Regent Shares:

- (i) New Crescent shall invest an amount equivalent to RUB83,093,000 (subject to adjustment below) (equivalent to approximately US\$2.5 million or approximately HK\$19.3 million) payable in US\$ to Oriental Regent upon Completion.

If there is an Adjustment Event, an amount shall be deducted from the investment payable by New Crescent, which deduction shall be calculated in accordance with the following formula:

$N \times 5/49$

and New Crescent shall waive the completion of the novation and extinguishment in respect only of the outstanding amount represented by N.

- (ii) SARL shall invest an amount equivalent to RUB764,456,000 (subject to adjustment below) (equivalent to approximately US\$22.9 million or approximately HK\$177.8 million) payable in US\$ to Oriental Regent upon Completion.

If there is an Adjustment Event, an amount shall be deducted from the investment payable by SARL, which deduction shall be calculated in accordance with the following formula:

$N \times 46/49$

and SARL shall waive the completion of the novation and extinguishment in respect only of the outstanding amount represented by N.

The consideration for the Proposed Investment was mutually agreed among New Crescent, SARL, Firich and Elegant City based on commercial considerations, on an arm's length basis, by reference to the verified investment made in the Target Group prior to Completion.

Any and all additional direct or indirect investment in the Lot 9 Project, and any construction costs in respect of the Lot 9 Project, proposed to be incurred on or after 30 June 2013 and on or prior to the Completion Date shall first be discussed with and agreed by SARL and New Crescent, before the relevant investment is made or the relevant costs are incurred.

The consideration payable by New Crescent for its proposed investment in Oriental Regent will be financed from existing resources of the Group. Payment for the consideration will be made upon Completion.

## 7. Conditions precedent under the Investment Agreement

Completion is conditional upon the satisfaction, or waiver, of the following conditions precedent:

- (a) Elegant City shall procure that audited financial statements of the Target Group are prepared and delivered to New Crescent and SARL;
- (b) completion of the Reorganization;
- (c) 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 Investment Agreement;
- (d) SARL or Summit Ascent having successfully raised sufficient funds on terms and

conditions satisfactory to them to enable SARL to satisfy the consideration for the subscription of new Oriental Regent Shares pursuant to the Investment Agreement; and

- (e) there having been no breach of any covenant, representation or warranty under the Investment Agreement.

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

#### 8. Key operating and management provisions

The Investment Agreement includes the following terms, which will apply with effect from Completion:

- (i) Subject to the provisions in respect of related party transactions specified in the Investment Agreement, SARL 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. The parties to the Investment Agreement shall keep each other informed on a timely basis of all material developments.
- (ii) 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 SARL and 2 to be appointed by Elegant City in each case. In the event Elegant City hold(s), in aggregate, (a) less than 15% but more than or equivalent to 5% of the issued share capital of Oriental Regent, Elegant City will be entitled to appoint only one director to each board of Oriental Regent and FGCE; and (b) less than 5% of the issued share capital of Oriental Regent, Elegant City shall not be entitled to appoint any directors to each board of Oriental Regent and FGCE. The Oriental Regent Shareholders at the relevant time shall negotiate in good faith to determine the appointment right(s) for the vacated board seat(s) amongst them with reference to each of their respective shareholdings in Oriental Regent.
- (iii) Decisions of each of these boards will be by simple majority resolution except for matters specified in the Investment Agreement relating to minority protections and key investment and business decisions and related party transactions, which will require unanimous approval of all the directors.
- (iv) All resolutions of shareholders of Oriental Regent and FGCE will be by simple majority except for resolutions of shareholders required to approve any of the matters specified in the Investment Agreement concerning minority protections and key investment and business decisions which would require the approval of each of New Crescent, SARL and Elegant City.
- (v) SARL shall nominate the CEO of FGCE and any replacement thereof. The CEO shall be responsible for the running of the Target Group's business and the CEO shall be delegated with the power and authority to manage the business of the Group. All key staff shall report to the CEO. The CEO shall establish an executive committee, with such composition and terms of reference as the CEO shall deem appropriate from time to time,

to manage the business and operations of FGCE. Elegant City shall nominate the deputy CEO of FGCE and any replacement thereof (subject to the prior approval of SARL). The Deputy CEO shall be responsible for dealing with matters such as Russian legislation and compliance; interactions with Russian authorities, tax inspections and supervisory bodies. In the event that Elegant City ceases to hold Oriental Regent Shares representing at least 15% of the issued share capital of Oriental Regent at the relevant time, Elegant City shall no longer be entitled to nominate the Deputy CEO of FGCE, SARL shall have the right to remove the incumbent Deputy CEO and nominate a replacement Deputy CEO. A CFO, an internal auditor and an in-house construction project manager of FGCE will also be recruited, and in the event they are recruited before the CEO is appointed, approval by the board of FGCE is required. Both the CFO and the internal auditor shall have good local and international accounting knowledge and have worked in international firms. All other senior executive appointments of FGCE shall require the approval of the board of FGCE.

9. Subsequent equity funding after Completion

The EC Shareholder Loan of approximately US\$5.6 million (equivalent to approximately RUB186.7 million or approximately HK\$43.4 million) (assuming there will no Adjustment Event) will be deemed to have been advanced by Elegant City to Oriental Regent on the Firich Sale Share Completion Date. Promptly after the Completion Date, such EC Shareholder Loan shall be capitalized as equity of Oriental Regent and will be deemed to be an equity capital injection by Elegant City. Subsequent to the above, each of New Crescent, SARL and Firich shall invest an amount of approximately US\$0.9 million (equivalent to approximately RUB30.0 million or approximately HK\$7.0 million), US\$8.6 million (equivalent to approximately RUB286.7 million or approximately HK\$66.7 million) and US\$3.5 million (equivalent to approximately RUB116.7 million or approximately HK\$27.1 million) (assuming there will no Adjustment Event) respectively, in cash, as equity in Oriental Regent in accordance with their respective shareholdings in proportion to the EC Shareholder Loan capitalized by Elegant City.

10. The Gaming Authorizations and changes in the laws, regulations or policies by the government of Russia

In the event that:

- (i) an Oriental Regent Shareholder or a Project Company receives a notification from Gaming Regulators which requests such Oriental Regent Shareholder to terminate its association with any other Oriental Regent Shareholder, any Project Company and/or the Lot 9 Project, the failure of which will prejudice the continuation of any Gaming Authorization held or required by any Oriental Regent Shareholder (or any of its affiliates) or any Project Company to conduct gaming or gambling businesses in Russia or any other relevant jurisdictions; or
- (ii) any change in the laws, regulations or policies by the government of Russia or any other relevant jurisdictions otherwise results in any of the relationships, transactions and matters contemplated by the Investment Agreement, or the involvement of any of the Oriental Regent Shareholders in the Lot 9 Project or gaming businesses in Russia generally, becoming unlawful,

the Oriental Regent Shareholders shall negotiate in good faith and use their respective best endeavors to resolve the issues with the aim to continue the relationships, transactions and matters contemplated by the Investment Agreement to the extent possible.

If the circumstances described in (i) above arise and the Oriental Regent Shareholders are unable to resolve the issues after negotiations in good faith, each of New Crescent and/or SARL (as the case may be) shall have the right to make one of the following elections: (a) elect to sell all the Oriental Regent Shares it owns at the relevant time, together with all outstanding shareholder loans due to it by Oriental Regent at fair value to the other Oriental Regent Shareholders on a pro rata basis in proportion to their respective shareholdings in Oriental Regent at the relevant time; (b) elect to purchase all the Oriental Regent Shares held by one or more of the other Oriental Regent Shareholders, together with all outstanding shareholder loans due to such Oriental Regent Shareholders, at fair value on a pro rata basis in proportion to their respective shareholdings in Oriental Regent at the relevant time; or (c) elect to sell all the Oriental Regent Shares it owns at the relevant time, together with all outstanding shareholder loans due to it by Oriental Regent, to third party purchaser(s).

If the circumstances described in (ii) above arise and the Oriental Regent Shareholders are unable to resolve the issues after negotiations in good faith, each of New Crescent, SARL and/or Firich (as the case may be) shall have the right to make one of the elections described in (a) or (c) above.

11. Related party transactions

Every related party transaction shall require the prior approval of a resolution of Oriental Regent's board passed unanimously by all the directors of Oriental Regent attending and entitled to vote in respect of the resolution to approve the relevant related party transaction at a meeting of Oriental Regent's board; provided that any director of Oriental Regent who is appointed by the Oriental Regent Shareholder who (or whose related party(ies)) is/are party to or interested in the relevant related party transaction shall not be entitled to vote in respect of any decision by the board of Oriental Regent in respect of that related party transaction.

12. Right of first refusal in respect of development investment opportunities

If an Oriental Regent Shareholder or any of its respective affiliates seeks to develop, either alone or jointly, any of the real estate lots within the IEZ and proposes to seek investment from any third party investors for that development, such Oriental Regent Shareholder must first offer the opportunity to provide the investment sought from third party investor(s) to the other Oriental Regent Shareholders.

13. Right of first refusal in respect of operation and management opportunities

The Oriental Regent Shareholders shall procure that FGCE shall be offered the right to operate and manage all future casino projects to be developed or acquired by any of the Oriental Regent Shareholders or any of their respective affiliates, either alone or jointly, in the IEZ. Such offer must be given to FGCE by the Oriental Regent Shareholder which (or the affiliates of which) has or have developed or acquired, or propose(s) to develop or acquire, a casino project in the IEZ (either alone or jointly).

14. Shareholders' loans

Subject to the requirements as set out in the sub-sections headed "9. Subsequent equity funding after Completion" above and "15. Subsequent funding" below, there is no obligation on the Oriental Regent Shareholders to provide any further finance to any Project Company. If any Oriental Regent Shareholder agrees to provide further debt financing, such financing shall be provided in the form of ordinary shareholder loans, except in those cases specified in the

Investment Agreement. All ordinary shareholder loans advanced to the Target Group shall be advanced through Oriental Regent. The opportunity to provide ordinary shareholder loans shall be offered to the Oriental Regent Shareholders on a pro rata basis, in proportion to their respective shareholdings in Oriental Regent.

15. Subsequent funding

The Oriental Regent Shareholders agree that the Target Group shall primarily be financed, if the Target Group requires any additional finance from time to time and so far as practicable, from external debt funding sources (including banks or other money lending institutions) and on terms to be agreed between the board of Oriental Regent and any relevant third party lenders and that any security required in relation to such external funding shall, if possible, be provided by the Target Group.

If external funding is obtained, any Oriental Regent Shareholder has the right to substitute the external financing, or any portion thereof, with its own funds on the same terms as offered by the external party.

If the board of Oriental Regent determines that external financing is unavailable or inadequate, the shortfall shall be funded by the Oriental Regent Shareholders, either in the form of equity or ordinary shareholder convertible loans. Any such funding shall be provided by the Oriental Regent Shareholders in proportion to their respective shareholdings; provided that no Oriental Regent Shareholder shall be required to provide funding other than simultaneously with the other Oriental Regent Shareholders which have agreed to provide funding and no Oriental Regent Shareholder shall be required to provide funding unless the Oriental Regent Shareholder agrees to do so. If the board of Oriental Regent has determined that external funding is unavailable or is inadequate and that the shortfall is required to be funded by the Oriental Regent Shareholders, but an Oriental Regent Shareholder does not wish to provide funding (or, having agreed to do so, does not provide funding), the other Oriental Regent Shareholders may, if they wish to do so, provide the required funding, in proportion to their respective shareholdings, and the respective interest in Oriental Regent of the Oriental Regent Shareholder which does not (or Oriental Regent Shareholders which do not) provide funding shall be diluted accordingly.

16. Matters requiring unanimous approval

No Project Company shall, take any of the actions set out below without the unanimous written approval of all of the members of the board of the relevant Project Company or the unanimous consent of the Oriental Regent Shareholders, unless the action is expressly required under the Investment Agreement:

- (i) Acquisition or purchase of assets exceeding RUB30 million (equivalent to approximately US\$0.9 million or approximately HK\$7.0 million) or its equivalent in any other currency;
- (ii) Disposal or transfer of assets exceeding RUB30 million (equivalent to approximately US\$0.9 million or approximately HK\$7.0 million) or its equivalent in any other currency;
- (iii) Contractual commitment exceeding RUB30 million (equivalent to approximately US\$0.9 million or approximately HK\$7.0 million) or its equivalent in any other currency, to be entered into between any Project Company and any party or parties which is not a Project Company;
- (iv) Lending or making advance or providing any surety or security arrangement in respect of any loan or third party obligation whatsoever to any party or parties not being a Project

Company in an amount exceeding RUB30 million (equivalent to approximately US\$0.9 million or approximately HK\$7.0 million) or its equivalent in any other currency;

(v) Acquiring, disposing of, surrendering or assigning any freehold or leasehold property with a value exceeding RUB30 million (equivalent to approximately US\$0.9 million or approximately HK\$7.0 million) or its equivalent in any other currency;

(vi) Borrowing or creating indebtedness from, or creating any encumbrance in favor of, any party or parties other than a Project Company in an amount exceeding RUB30 million (equivalent to approximately US\$0.9 million or approximately HK\$7.0 million) or its equivalent in any other currency;

(i) to (vi) above shall not apply to items already approved in the annual budget referred to in (xiii) below.

(vii) A decision of the board of any Project Company which relates to matter(s) outside the normal course of business of the relevant Project Company and deliberately made to prejudice the interests of one or more particular Oriental Regent Shareholder(s), rather than in the interests of all Oriental Regent Shareholders as a whole;

(viii) Passing any resolution or presenting any petition for a Project Company's winding up (unless the relevant Project Company is insolvent);

(ix) Granting any share option or right to subscribe, acquire or convert into shares;

(x) Ceasing, or making any material change in the nature of, the business of any Project Company or any Project Company establishing any new business;

(xi) Altering any Project Company's charter or constitutional documents;

(xii) Adopting or approving a Project Company's annual accounts;

(xiii) Approving a business plan or annual budget (or other budget of a Project Company or the Lot 9 Project) or amending any business plan or annual budget (or other budget) previously approved by the Oriental Regent Shareholders;

(xiv) Transferring the whole or any material part of the undertaking of any Project Company with a value exceeding RUB30 million (equivalent to approximately US\$0.9 million or approximately HK\$7.0 million) or its equivalents in any other currency;

(xv) Forming any subsidiary, acquiring or disposing of any material interest in any business or company, participating in any partnership or joint venture or entering into any scheme of arrangement or merger;

(xvi) Entering into any agreement not on bona fide arms' length terms or any related party agreement (apart from an employment contract);

(xvii) Initiating or settling any litigation or arbitration (other than the collection of debts arising in the ordinary course of trading);

(xviii) Entering into any material or long-term agreement, including negotiating and entering into any hotel management agreement or operator agreement, except for agreements entered into in the normal course of business e.g. junket agreements;

- (xix) Granting any power of attorney or, except as otherwise provided under the Investment Agreement, delegating any powers of the Board of any Project Company to a committee or otherwise;
- (xx) Except pursuant to a rights issue where the relevant capital is offered to all Oriental Regent Shareholders on a pro rata basis, in proportion to their respective shareholdings in Oriental Regent or upon conversion of any shareholder convertible loans (as provided for under the Investment Agreement), issuing or allotting any share or other capital or reducing, converting, sub-dividing, cancelling or otherwise reorganizing, or altering any rights attaching to, any Oriental Regent Shares;
- (xxi) Buying back or redeeming a Project Company's own shares;
- (xxii) Appointing, removing or replacing any Project Company's auditors;
- (xxiii) Changing any Project Company's accounting reference date;
- (xxiv) Establishing any branches or representative offices of any Project Company;
- (xxv) Approving, amending or terminating any material policies in respect of employees' remuneration, employment terms and/or pension schemes of CEO, CFO, Deputy CEO, internal auditor and/or any heads of department of FGCE; and
- (xxvi) Opening any bank account or signing or varying any bank mandates..

#### 17. Dividend policy

Oriental Regent shall not pay dividends until there are sufficient free cash flows generated from operations (after taking into account funds needed for any future developments) to permit such a payment. Before any dividends can be paid, all outstanding shareholders' loans must have been completely repaid, converted or capitalized.

#### 18. Restrictions on transfer of Oriental Regent Shares and shares in Elegant City

No Oriental Regent Shareholder shall sell, transfer, assign, pledge, charge or otherwise dispose of any interest in Oriental Regent Shares except as permitted by the Investment Agreement or with the prior written consent of the other Oriental Regent Shareholders. The Investment Agreement includes rights of first refusal in relation to transfers of Oriental Regent Shares. Furthermore, no shareholders of Elegant City may transfer any shares in Elegant City except as permitted by the Investment Agreement.

Subject to certain limited exceptions, if a change of control shall occur in respect of any Oriental Regent Shareholder, then the changed Oriental Regent Shareholder shall notify the other Oriental Regent Shareholders immediately and the changed Oriental Regent Shareholder shall be subject to the rights of first refusal in respect of all the Oriental Regent Shares then held by it.

If SARL proposes to sell its entire shareholding in Oriental Regent, SARL shall be subject to the rights of first refusal under the Investment Agreement and to a right of co-sale in favour of the other Oriental Regent Shareholders.

19. Completion

Completion shall take place on the 5<sup>th</sup> business day after which the conditions precedent in relation to the Investment Agreement are satisfied or waived or any other date agreed in writing by New Crescent, SARL and Elegant City.

20. Termination

The Investment Agreement shall be terminated in respect of an Oriental Regent Shareholder upon such shareholder ceasing to hold any Oriental Regent Shares. Such termination shall not prejudice the continuation of the Investment Agreement among the other parties to the Investment Agreement).

In addition, the Investment Agreement will terminate upon the occurrence of any of the following:

- (i) by mutual written consent of the parties to the Investment Agreement;
- (ii) if there has been a material breach by New Crescent, SARL, Firich or Elegant City of their respective warranties; and
- (iii) by any Oriental Regent Shareholder giving written notice to the other parties to the Investment Agreement following a resolution having been passed for the winding up of Oriental Regent.

21. Governing law

English law

## **INFORMATION ON THE TARGET GROUP**

### **Casino resort projects of the Target Group**

The Investment Agreement provides that New Crescent will make an investment in a gaming and resort development project in Russia, by subscribing new Oriental Regent Shares, representing 5% of the enlarged issued share capital of Oriental Regent at Completion. Oriental Regent is an investment holding company which currently owns 50% of FGCE. Oriental Regent will enter into the Kinetic Acquisition Agreement to acquire the remaining 50% of FGCE from Kinetic. 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. Upon Completion, Oriental Regent will hold 100% of FGCE and will be indirectly interested in 100% of the aforesaid gaming and resort development in Russia.

FGCE is also the tenant under the Lot 8 and Lot 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 land area of the principal land lot (Lot 9) is approximately 90,455m<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 Lot 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.

Upon Completion, FGCE will become a wholly-owned subsidiary of Oriental Regent (pursuant to the Reorganization described above) 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 Investment Agreement provides that FGCE shall enter into a management contract with SARL, or an affiliate of SARL, 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). The Investment Agreement also provides that New Crescent, or an affiliate of New Crescent, will enter into a consultancy agreement with FGCE to provide gaming consultancy services to FGCE, for a fee of 0.3% of gross gaming revenue generated by FGCE (less any withholding tax or other deductions FGCE is required by law to make).

The estimated total investment for the casino resort complex to be constructed on Lot 9 is approximately US\$130 million (equivalent to approximately RUB4,334.2 million or approximately HK\$1,008.2 million). As per the unaudited management accounts of FGCE as at 30 June 2013, the total construction cost incurred for the casino resort complex was approximately RUB629.1 million (equivalent to approximately US\$18.9 million or approximately HK\$146.3 million), excluding relevant value-added tax.

Upon Completion, a total of US\$25.4 million (equivalent to approximately RUB846.8 million or approximately HK\$197.0 million) will be injected into the Oriental Regent. In addition, the parties to the Investment Agreement will contribute an additional US\$18.5 million (equivalent to approximately RUB616.8 million or approximately HK\$143.5 million) as subsequent funding pursuant to the Investment Agreement.

In relation to the remaining amount of the required investment after Completion and subsequent funding pursuant to the Investment Agreement, estimated to be approximately US\$61.6 million (equivalent to approximately RUB2,054.7 million or approximately HK\$477.9 million) as set out in the table below, the Investment Agreement provides that New Crescent, SARL, Firich and Elegant City will first seek external debt financing. If external financing is obtained, any of New Crescent, SARL, Firich 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, SARL, Firich 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 Investment Agreement also includes provisions enabling Oriental Regent Shareholders to provide another shareholder’s funding where the other Oriental Regent Shareholder is unable to do so, thereby diluting the percentage shareholding of the non-funding shareholder.

Based on information currently available, the estimated investment deemed to have been funded by the parties under the Investment Agreement (i) upon completion of the Reorganization; (ii) upon Completion; (iii) upon contribution of the subsequent funding immediately after Completion pursuant to the Investment Agreement; and (iv) after contribution of subsequent funding in (iii) (i.e. outstanding required investment assuming no external financing is secured) are summarized below:

	<b>SARL</b>	<b>New Crescent</b>	<b>Firich</b>	<b>Elegant City</b>	<b>Total</b>
(i) Upon completion of the Reorganization					
- US\$ (million)	-	-	-	24.4	24.4
- RUB equivalent (million)	-	-	-	814.3	814.3
- HK\$ equivalent (million)	-	-	-	189.4	189.4
(ii) Upon Completion					
- US\$ (million)	22.9	2.5	9.5	15.0	49.9
- RUB equivalent (million)	764.5	83.1	315.8	498.6	1,662.0
- HK\$ equivalent (million)	177.8	19.3	73.4	116.0	386.5
(iii) Immediately after Completion					
- US\$ (million)	31.5	3.4	13.0	20.5	68.4
- RUB equivalent (million)	1,048.6	114.0	433.1	683.9	2,279.6
- HK\$ equivalent (million)	243.9	26.5	100.7	159.1	530.2
(iv) Outstanding required investment					
- US\$ (million)	28.3	3.1	11.7	18.5	61.6
- RUB equivalent (million)	945.2	102.7	390.4	616.4	2,054.7
- HK\$ equivalent (million)	219.8	23.9	90.8	143.4	477.9
Total investment ((iii)+(iv))					
- US\$ (million)	59.8	6.5	24.7	39.0	130.0
- RUB equivalent (million)	1,993.8	216.7	823.5	1,300.3	4,334.3
- HK\$ equivalent (million)	463.7	50.4	191.5	302.5	1,008.1

The casino resort complex is expected to open in or around September 2014.

## Financial information of the Target Group

Set out below is the unaudited financial information of the Target Group for each of the relevant periods under review as taken from the management accounts of Oriental Regent and FGCE:

### *Oriental Regent*

	<b>For the year ended 30 June 2013</b>	<b>For the year ended 30 June 2012</b>	<b>From 12 August 2010 (the date of incorporation) to 30 June 2011</b>
	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>
(Loss) before taxation and extraordinary items	(3,019,000)	(48,000)	(59,000)
(Loss) after taxation and extraordinary items	(3,019,000)	(48,000)	(59,000)

*Note: The losses of Oriental Regent for the year ended 30 June 2013 were primarily made up of an imputed interest expenses of approximately HK\$4.6 million arising from an interest-free loan from shareholders and an exchange gain of approximately HK\$1.6 million.*

### *FGCE*

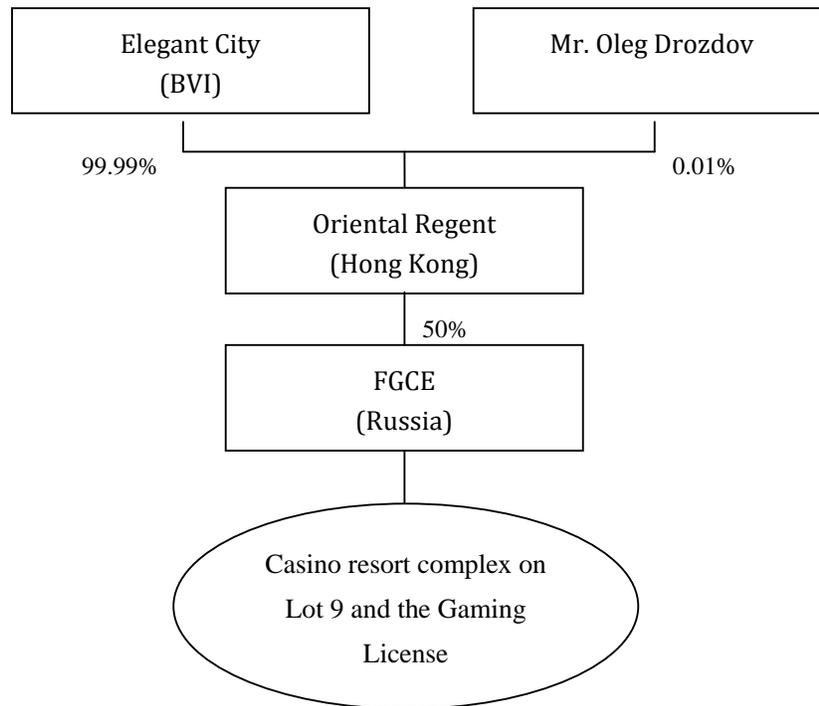
	<b>For the year ended 30 June 2013</b>	<b>For the year ended 30 June 2012</b>	<b>From 24 September 2010 (the date of incorporation) to 30 June 2011</b>
	<i>RUB</i>	<i>RUB</i>	<i>RUB</i>
Profit/(Loss) before taxation and extraordinary items	157,000 (equivalent to approximately US\$4,709 or approximately HK\$36,518)	(2,979,000) (equivalent to approximately US\$89,352 or approximately HK\$692,915)	(15,000) (equivalent to approximately US\$450 or approximately HK\$3,489)
Profit/(Loss) after taxation and extraordinary items	73,000 (equivalent to approximately US\$2,190 or approximately HK\$16,980)	(3,032,000) (equivalent to approximately US\$90,942 or approximately HK\$705,243)	(28,000) (equivalent to approximately US\$840 or approximately HK\$6,513)

The unaudited net assets of Oriental Regent and FGCE as at 30 June 2013 were approximately HK\$37.4 million and RUB683,574,000 (equivalent to approximately US\$20.5 million or approximately HK\$159.0 million) respectively.

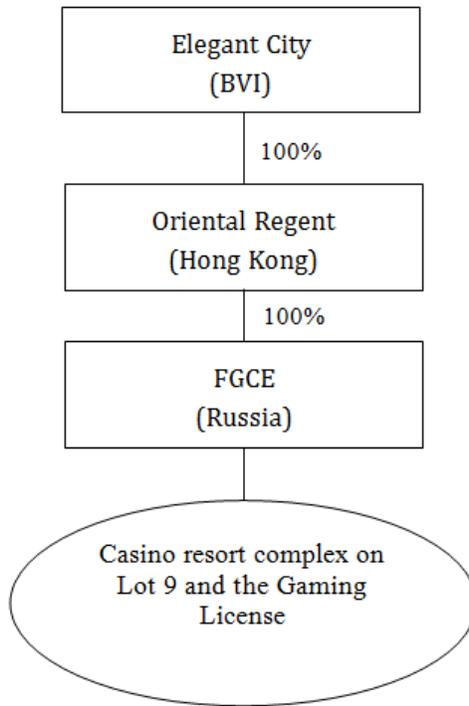
## Shareholding structure of the Target Group

Set out below are the shareholding structure charts of the Target Group (i) as at the date of this announcement; (ii) immediately after completion of the Reorganization; (iii) immediately after the Firich Sale Shares Completion and (iv) immediately after Completion.

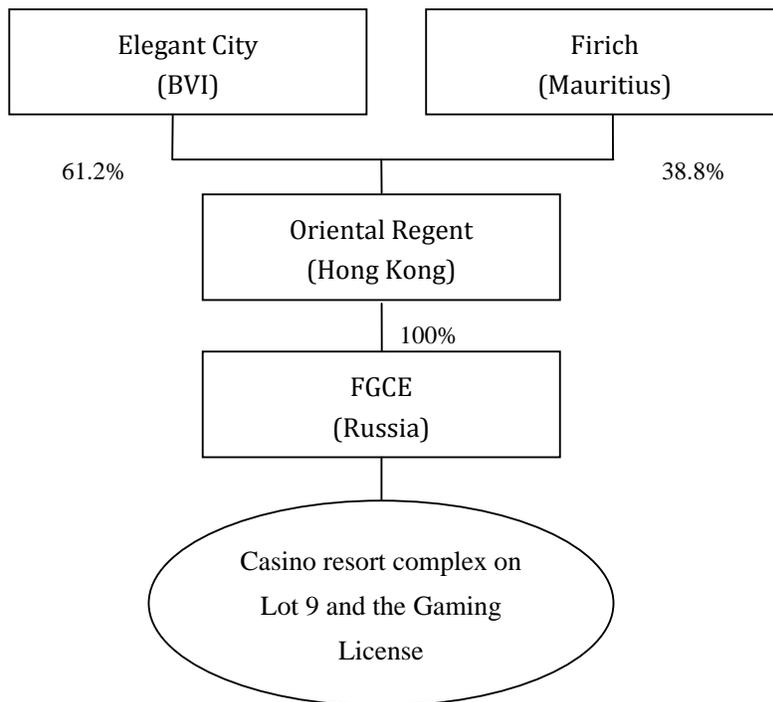
(i) As at the date of this announcement



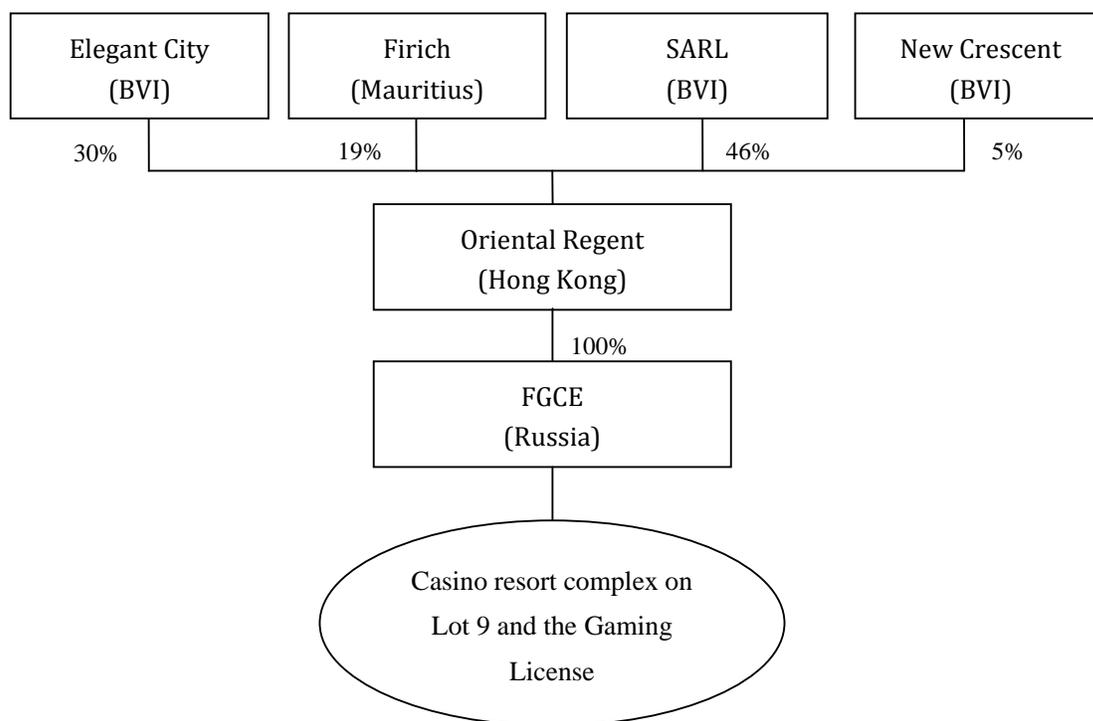
(ii) Immediately after completion of the Reorganization



(iii) Immediately after the Firich Sale Shares Completion



(iv) Immediately after Completion



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

The transactions contemplated by the Investment 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 satisfactory return for its investment. The Group will also have the benefit of the fee income payable under the consultancy agreement to be entered into by New Crescent, as referred to above.

The Directors (including the independent non-executive Directors) are of the view that the terms of the Investment 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.

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

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

SARL is an investment holding company and a wholly-owned subsidiary of Summit Ascent. SARL is a special purpose company which has been established for the purpose of making the investment in the project and does not have any other assets. Summit Ascent is a company which has been engaged in tiles trading, manufacturing and export and renovation and engineering operations, Summit Ascent and SARL are connected persons of the Company under the Listing Rules, for the reason given in the section below headed “Implications under the Listing Rules.”

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

FEC is a company listed on GreTai Securities Market in Taiwan. It is primarily engaged in the manufacture, installation and maintenance of electronic gaming machines, multi-player gaming terminals, video lottery terminals (“VLT”) and Lottery Point-of-Sales terminals (“POS”). Its products are widely deployed in Macau, Mainland China, Taiwan, Korea, the US and a number of European countries.

Elegant City currently holds 99.99% 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. The remaining 0.01% interest in Oriental Regent is currently owned by Mr. Oleg Drozdov. 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.

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 Kinetic. Oriental Regent will enter into the Kinetic Acquisition Agreement to acquire the remaining 50% of FGCE from Kinetic. Kinetic is an investment holding company established under the laws of the Republic of Seychelles and its main business is investment holding. The ultimate beneficial owner of Kinetic had been represented by Mr. Dimitry Popov until 19 June 2013 since which date the ultimate beneficial ownership has been transferred to Ms. Svetlana Iliina who, together with her husband, operate real estate and trading businesses in Russia. Following completion of the Reorganization, Oriental Regent will own 100% of FGCE and Kinetic will no longer have any interest whatsoever 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.

To the best of the Directors’ knowledge, information and belief, having made all reasonable enquiry, Firich, Elegant City, Oriental Regent, FGCE and Kinetic, and their respective ultimate beneficial owners are third parties independent of the Company and its connected persons.

## **POTENTIAL CLAIM PERTAINING TO ORIENTAL REGENT**

Elegant City purchased 4,999 Oriental Regent Shares, representing 49.99% of the issued share capital of Oriental Regent, from Diamond Fortune pursuant to transfers dated 5 August 2013. On 23 August 2013, Summit Ascent’s financial adviser received a letter from a person claiming to be the spouse of the sole shareholder and director of Diamond Fortune, Mr. Aleksey Simanchuk, referring to ongoing divorce proceedings in Russia. Mrs. Simanchuk asserts in her letter that sales of shares in Diamond Fortune owned by Mr. Simanchuk and any related companies such as Oriental

Regent and FGCE require her spousal consent, and in the absence of such consent are unlawful. The letter states that Mrs. Simanchuk has become aware of a transfer of Mr. Simanchuk's shares to Mr. Drozdov made without her consent.

The Reorganization does not involve a transfer of shares held by Mr. Simanchuk. The Company has taken Russian, British Virgin Islands and other legal advice in connection with the matters referred to in Mrs. Simanchuk's 23 August 2013 letter and is satisfied that there is no valid legal basis for any claim in respect of those matters which could adversely affect the Reorganization or any other aspect of the transaction described in this announcement.

## **IMPLICATIONS UNDER THE LISTING RULES**

SARL is an associate of Mr. Ho, Lawrence Yau Lung, the Chairman and Chief Executive Officer and a substantial shareholder of the Company. Accordingly, SARL is a connected person of the Company and the entering into by New Crescent, a wholly owned subsidiary of the Company, of the Investment Agreement constitutes a connected transaction for the Company under Chapter 14A of the Listing Rules. All the applicable percentage ratios in respect of the Investment Agreement are less than 5%. Accordingly, the entering into by New Crescent of the Investment 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 Investment Agreement and, accordingly, abstained from voting in respect of the resolution of the board of directors of the Company to approve the Investment Agreement. Save as disclosed above, none of the other Directors has a material interest in the Investment 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 (the holding company of SARL) 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.

**The Investment Agreement is subject to a number of conditions. There is no assurance that the investment contemplated by the Investment Agreement will be completed and shareholders and potential investors should, accordingly, exercise caution when dealing in the Company's shares.**

**The Company confirms that, based on Russian legal advice and due diligence investigations, the gambling activities contemplated by the 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:

“Adjustment Event”	the adjustment event described in sub-section 3 under the section headed “Sale and purchase of the Firich Sale Shares” in this announcement
“Amended and Restated Preliminary Agreement”	the amended and restated preliminary agreement dated 10 July 2013 entered into among New Crescent, Summit Ascent and Elegant City, in respect of the Proposed Investment
“associate(s)”	has the meaning ascribed to it under the Listing Rules
“BVI”	the British Virgin Islands
“CEO”	chief executive officer
“CFO”	chief financial officer
“Company”	Melco International Development Limited, a company incorporated in Hong Kong with limited liability and having its Shares listed on the main board of the Stock Exchange
“Completion”	completion of the Proposed Investment
“Completion Date”	the date of Completion
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“controlling shareholder”	has the meaning ascribed to it under the Listing Rules
“Deputy CEO”	deputy chief executive officer
“Diamond Fortune”	Diamond Fortune Holdings Limited, a company incorporated in the BVI with limited liability.
“Director(s)”	the director(s) of the Company from time to time
“Elegant City”	Elegant City Group Limited, a company incorporated in the BVI with limited liability
“FEC”	Firich Enterprises Co., Ltd, a company incorporated with limited liability in Taiwan and listed on the GreTai Securities Market in Taiwan
“FGCE”	First Gambling Company of the East LLC, a limited liability company established in Russia
“Firich”	Firich Investment Limited, a company incorporated with limited liability in Mauritius and a wholly-owned subsidiary of FEC

“Firich Deposit”	an amount of US\$13,363,715.53 (equivalent to approximately RUB445,546,276 or approximately HK\$103,635,614), being part of the consideration for the Firich Sale Shares payable under the Investment Agreement
“Firich Sale Shares”	the 19,000 Oriental Regent Shares, representing approximately 38.8% of the issued share capital of Oriental Regent immediately following the Firich Sale Shares Completion and 19% of the enlarged issued share capital of Oriental Regent upon Completion respectively, to be purchased by Firich from Elegant City on Firich Sale Shares Completion
“Firich Sale Shares Completion”	completion of the sale and purchase of the Firich Sale Shares
“Firich Sale Shares Completion Date”	the date of Firich Sale Shares Completion
“Gaming Authorizations”	any gaming or gambling concession, sub-concession, license, consent, approval, status or regulatory authorization issued by relevant governmental authorities required to conduct gaming business in any jurisdiction
“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
“Gaming Regulators”	any department, authority, commission or other body of any government in any jurisdiction with the power to regulate businesses engaged in the gaming or gambling industries
“Group”	the Company and its subsidiaries from time to time
“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
“Investment Agreement”	the investment and shareholders agreement dated 23 August 2013 entered into among New Crescent, SARL, Firich, Elegant City and Oriental Regent in respect of the Proposed Investment
“Kinetic”	Kinetic Investments Inc., a company incorporated in the Seychelles with limited liability
“Kinetic Acquisition Agreement”	an agreement to be dated on or around 26 August 2013 between Oriental Regent and Kinetic in respect of the purchase from Kinetic by Oriental Regent of 50% of the charter capital of FGCE
“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
“Lots 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
“Lot 9”	a parcel of land identified as Lot 9 situated in the IEZ, with a land area of approximately 90,455m <sup>2</sup> and total planned gross floor area of approximately 31,630m <sup>2</sup>
“Lot 9 Project”	the construction and development of the casino and resort complex on Lot 9
“Mauritius”_	The Republic of Mauritius
“Mr. Lawrence Ho” or “Mr. Ho”	Mr. Ho, Lawrence Yau Lung, Chairman and Chief Executive of the Company and the controlling shareholder of the Company
“New Crescent”	New Crescent Investments Limited, a company incorporated in the BVI, being a wholly-owned subsidiary of the Company
“Oriental Regent”	Oriental Regent Limited, a company incorporated in Hong Kong with limited liability
“Oriental Regent Share(s)”	the share(s) of Oriental Regent
“Oriental Regent Shareholder(s)”	a party/(ies) to the Investment Agreement which is/(are) a shareholder(s) of Oriental Regent
“Proposed Investment”	the proposed subscription of 5% interest in the enlarged issued share capital of Oriental Regent by New Crescent pursuant to the terms and conditions of the Investment Agreement
“Reorganization”	the reorganization described in sub-section 4 under the section of this announcement headed “The Investment Agreement”
“Russia”	The Russian Federation
“SARL”	Summit Ascent Russia Limited, a company incorporated in the BVI, being a wholly-owned subsidiary of Summit Ascent
“Summit Ascent”	Summit Ascent Holdings Limited, a company incorporated in Bermuda and having its shares listed on the main board of the Stock Exchange, being the holding company of SARL
“Target Group”	collectively, Oriental Regent and FGCE and each of them individually known as a “Project Company”
“HK\$”	Hong Kong dollar(s), the lawful currency of Hong Kong
“RUB”	Russian Rouble(s), the lawful currency of Russia

“US\$”	American dollar(s), 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, 25 August 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. Percentages and figures expressed have been rounded. No representation is made that any amounts in US\$, RMB or HK\$ can be or could have been converted at the relevant dates at the above or any other rates at all.*

*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.*