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PARADISE ENTERTAINMENT LIMITED

滙彩控股有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code: 1180)

CONTINUING CONNECTED TRANSACTION — RENEWAL OF SUPPLY FRAMEWORK AGREEMENT

RENEWED SUPPLY FRAMEWORK AGREEMENT

Reference is made to the announcement of the Company dated 14 December 2018 in relation to the Supply Framework Agreement, which will expire on 31 December 2019.

On 12 December 2019, the Company entered into the Renewed Supply Framework Agreement with Mr. Feng for the sales of the Products to the Buyers for a term of one year commencing from 1 January 2020 and ending on 31 December 2020. Pursuant to the Renewed Supply Framework Agreement, the total transaction amount for the Term shall not be more than HK\$40 million.

IMPLICATIONS UNDER THE LISTING RULES

Mr. Feng is the brother-in-law of Mr. Jay Chun (the controlling Shareholder, the executive Director, the Chairman and the Managing Director of the Company), and thus a deemed connected person of the Company within the meaning of the Listing Rules. Therefore, the transactions contemplated under the Renewed Supply Framework Agreement constitute continuing connected transactions for the Company under Chapter 14A of the Listing Rules.

As each of the applicable percentage ratios (as defined under the Listing Rules) in respect of the annual transaction amount under the Renewed Supply Framework Agreement exceeds 0.1% but is less than 5%, the Renewed Supply Framework Agreement is subject to the reporting, announcement and annual review requirements and exempt from the independent shareholders' approval requirement under the Listing Rules.

* For identification purposes only

RENEWED SUPPLY FRAMEWORK AGREEMENT

Reference is made to the announcement of the Company dated 14 December 2018 in relation to the Supply Framework Agreement, which will expire on 31 December 2019.

On 12 December 2019, the Company entered into the Renewed Supply Framework Agreement with Mr. Feng, the principal terms of which are set out below.

Agreement date: 12 December 2019

Parties:

- (i) The Company, as the supplier; and
- (ii) Mr. Feng, who wholly owns the companies which will purchase the Products from the Company. Mr. Feng is the brother-in-law of Mr. Jay Chun (the controlling Shareholder, the executive Director, the Chairman and the Managing Director of the Company) and also the director of certain subsidiaries of the Company

Term: One year, from 1 January 2020 to 31 December 2020 (the “**Term**”)

Major terms

Pursuant to the Renewed Supply Framework Agreement, the Company shall supply (by itself or procure other members of the Group to supply) the Products to the Buyers for the Buyers’ development, manufacture, sale, marketing and distribution (where applicable) of electronic gaming products in markets including but not limited to the U.S., Canada, Australia and elsewhere in accordance with the laws and regulations of the relevant jurisdictions on a non-exclusive basis.

During the Term, individual supply agreements or Purchase Orders will be entered into between members of the Group and the Buyers to set out details of the quantity, price, specifications, standards, delivery time and settlement of the Products supplied.

Pursuant to the terms of the Renewed Supply Framework Agreement, the supply of the Products shall be based on normal commercial terms agreed after good faith and arm’s length negotiations between the Company and Mr. Feng, by reference to the prevailing market prices of the Products offered to independent third parties by the Company, and shall be no less favourable to the Group than those terms offered to independent third parties by the Group.

Pricing and payment

According to the terms of the Renewed Supply Framework Agreement, the price of the Products to be supplied by the Group to the Buyers shall be priced at an 8% to 10% discount from the Group’s respective suggested retail prices of such Products, and with reference to the then prevailing market price and shall be no more favourable than those pricing discounts offered to other independent third parties by the Group for similar model and size of order of the Products. To offer the Products to the

Buyers in accordance with the aforesaid policy and at prices no more favourable than those offered by the Group to other comparable independent third parties, the Group has implemented control procedures to (i) collate updated information on the prevailing market prices of the Products from time to time to determine the aforesaid suggested retail prices, and (ii) perform checking to ensure any discounted prices of any Products to be sold by the Group to the Buyers shall be no more favourable than the prices of those Products offered to other comparable independent third parties by the Group for a similar model and size of order. The Group shall not be obliged to accept any Purchase Orders from the Buyers for the Products on terms and conditions that are less favourable to the Group than those agreed between the Group and its other independent third parties.

For each Purchase Order, the price of the Products shall be paid by the Buyers to the Company within 30 days upon completion of the delivery of the Products through bank transfer.

Historical transaction amounts

Based on the unaudited management accounts of the Group for the 10 months ended 31 October 2019 (the latest management accounts of the Group available as of the date of this announcement), the aggregate value of the transactions under the Supply Framework Agreement was approximately HK\$997,000 for the 10 months ended 31 October 2019. Compared with the annual cap under the Supply Framework Agreement for the year ending 31 December 2019 of HK\$40 million, the low usage of the cap so far in 2019 was mainly due to some technical issues of certain parts of the Products supplied by third parties which caused unexpected delay in launching the Products in the markets.

Annual Cap

The annual cap under the Renewed Supply Framework Agreement for the year ending 31 December 2020 is HK\$40 million. The annual cap is determined based on the following factors:

- (i) the expected number of new types of electronic gaming machines to be launched in 2020 by the Group, which may be sold to the Buyers;
- (ii) the expected demand for the Products in, among other places, the U.S., Canada and Australia in 2020 as advised by the Buyers to the Group;
- (iii) the inclusion of a buffer for the estimated amount of the supply of the Products by the Group to the Buyers under the Renewed Supply Framework Agreement for any unexpected increase in the aforesaid amount as well as any fluctuation in foreign exchange during the Term; and
- (iv) the historical transaction amounts under the Supply Framework Agreement.

Such projection is assumed solely for determining the annual cap and shall not be regarded as any indication directly or indirectly as to the respective revenue, profitability or trading prospects of the Company or the Group.

REASONS FOR AND BENEFITS OF THE RENEWED SUPPLY FRAMEWORK AGREEMENT

The Group is principally engaged in the development, sale and leasing of electronic gaming equipment and systems and the provision of casino management services.

The Buyers are principally engaged in the development, manufacture, distribution, sale, marketing and promotion of, among other things, electronic gaming products in overseas markets including the U.S., Canada and Australia and have the requisite market presence, experience, expertise and extensive customer network in the promotion and marketing of such products in these overseas markets. As such, the Board believes that sale of the Products to the Buyers will raise the profile of the Products, enhance the Products' penetration into overseas markets and generate additional revenue for the Group.

In light of the terms of the Renewed Supply Framework Agreement, the details of the annual cap and the reasons and benefits mentioned above, the Directors (including the independent non-executive Directors) are of the view that (i) the Renewed Supply Framework Agreement was entered into on normal commercial terms and in the ordinary and usual course of business of the Group, and (ii) the terms and conditions of the Renewed Supply Framework Agreement, including the annual cap, are fair and reasonable, and that the entering into of the Renewed Supply Framework Agreement is in the interests of the Company and the Shareholders as a whole.

IMPLICATIONS UNDER THE LISTING RULES

Mr. Feng is the brother-in-law of Mr. Jay Chun (the controlling Shareholder, the executive Director, the Chairman and the Managing Director of the Company), and thus a deemed connected person of the Company within the meaning of the Listing Rules. Therefore, the transactions contemplated under the Renewed Supply Framework Agreement constitute continuing connected transactions for the Company under Chapter 14A of the Listing Rules.

As each of the applicable percentage ratios (as defined under the Listing Rules) in respect of the annual transaction amount under the Renewed Supply Framework Agreement exceeds 0.1% but is less than 5%, the Renewed Supply Framework Agreement is subject to the reporting, announcement and annual review requirements and exempt from the independent shareholders' approval requirement under the Listing Rules.

As at the date of this announcement, as Mr. Feng is the brother-in-law of Mr. Jay Chun, Mr. Jay Chun is regarded as having a material interest in the transactions contemplated under the Renewed Supply Framework Agreement and has accordingly abstained from voting on the Board resolution approving the Renewed Supply Framework Agreement and the annual cap. Save as disclosed, there is no other Director who has a material interest in the transactions contemplated under the Renewed Supply Framework Agreement.

DEFINITIONS

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

“Board”	the board of Directors
“Buyers”	Mr. Feng and the companies controlled by him
“Company”	Paradise Entertainment Limited, a company incorporated in Bermuda with limited liability, the issued shares of which are listed on the Main Board of the Stock Exchange (stock code: 1180)
“connected person(s)”	has the meaning as ascribed thereto under the Listing Rules
“controlling shareholder”	has the meaning as ascribed thereto under the Listing Rules
“Director(s)”	the director(s) of the Company
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollar(s), the lawful currency of Hong Kong
“independent third parties”	any person(s) or company(ies) and their respective ultimate beneficial owner(s), to the best of knowledge, information and belief of the Directors having made all reasonable enquiries, are third parties independent of and not connected with the Company and any of its Directors, chief executive or substantial shareholders or any of their respective associates (as defined in the Listing Rules) and are not connected persons of the Company
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Mr. Feng”	Mr. Linyi Feng, the brother-in-law of Mr. Jay Chun (the controlling Shareholder, the executive Director, the Chairman and the Managing Director of the Company)
“Products”	slot machines and other electronic gaming machines and equipment, the components, accessories and parts thereof, the additions thereto, and other related products, to be supplied or procured to be supplied by the Company to the Buyers
“Purchase Order(s)”	the purchase orders placed by the Buyers with the Company in accordance with the Renewed Supply Framework Agreement

“Renewed Supply Framework Agreement”	the renewed supply framework agreement dated 12 December 2019 entered into between the Company and Mr. Feng
“Share(s)”	the ordinary share(s) of HK\$0.001 each in the share capital of the Company
“Shareholder(s)”	the holder(s) of the Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiary(ies)”	has the meaning as ascribed thereto under the Companies Ordinance (Chapter 622 of the Laws of Hong Kong)
“Supply Framework Agreement”	the supply framework agreement dated 14 December 2018 entered into between the Company and Mr. Feng, pursuant to which the Company shall supply (by itself or procure other members of the Group to supply) the Products to the Buyers for the Buyers’ development, manufacture, sale, marketing and distribution (where applicable) of electronic gaming products in the markets, including but not limited to the U.S., Canada, Australia and elsewhere in accordance with the laws and regulations of the relevant jurisdictions on a non-exclusive basis
“U.S.”	the United States of America
“%”	per cent

By Order of the Board
PARADISE ENTERTAINMENT LIMITED
Chan Kin Man
Company Secretary

Hong Kong, 12 December 2019

As at the date of this announcement, the executive Directors are Mr. Jay Chun (Chairman and Managing Director, also alternate Director to Mr. Shan Shiyong, alias, Sin Sai Yung), Mr. Shan Shiyong, alias, Sin Sai Yung and Mr. Hu Liming and the independent non-executive Directors are Mr. Li John Zongyang, Mr. Kai-Shing Tao and Ms. Tang Kiu Sam Alice.