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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 12 December 2019 in relation to the 2020 Renewed Supply Framework Agreement, which will expire on 31 December 2020.

On 10 December 2020, the Company entered into the Renewed Supply Framework Agreement with Mr. Feng for the supply of the Products to the Customers for a term of one year commencing from 1 January 2021 and ending on 31 December 2021. Pursuant to the Renewed Supply Framework Agreement, the total transaction amount for the Term shall not be more than HK\$35 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 12 December 2019 in relation to the 2020 Renewed Supply Framework Agreement, which will expire on 31 December 2020.

On 10 December 2020, the Company entered into the Renewed Supply Framework Agreement with Mr. Feng, the principal terms of which are set out below.

Agreement date: 10 December 2020

Parties:

- (i) The Company, as the supplier; and
- (ii) Mr. Feng, who controls the companies which will purchase and/or lease the Products from the Group. 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 2021 to 31 December 2021

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 Customers by way of sale and/or leasing, whereby the Customers shall further develop, assemble, enhance, or otherwise manufacture the same into customised electronic gaming products for onward sale and/or leasing to gaming users 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, the relevant members of the Group and the relevant Customers are expected to enter into:

- (i) Purchase Orders to specify the quantity, selling prices, payment terms, specifications, standards and delivery time of the Products to be supplied by way of sale; and/or
- (ii) Lease Agreements to specify the quantity, rental fee, payment terms, specifications, standards, delivery time and lease period, where applicable, of the Products to be supplied by way of leasing.

Pursuant to the terms of the Renewed Supply Framework Agreement, the supply of the Products, whether by way of sale and/or leasing, 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 then prevailing market prices and/or rental rates (as applicable) 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 selling prices or the rental fees (as the case may be) of the Products shall be determined and settled in the following manner:

- (i) when supplying the Products to the Customers by way of sale:
 - the Products shall be priced at such level that represents an 8% to 10% discount from the Group's listed price of the same Products, which were, in turn, determined with reference to the then prevailing market price of corresponding Products; and
 - the Customers are required to fully pay the Group the purchase prices of any Products within 30 days upon delivery of such Products in cash through bank transfer.
- (ii) when supplying the Products to the Customers by way of leasing:
 - the rental fees of the Products to be paid by the Customers to the Group shall be determined at such level that represents an 8% to 10% discount from the Group's listed rental fees of the same Products, which were, in turn, determined with reference to the then prevailing market rental rates; and
 - the Group shall issue invoice to the Customers on a quarterly basis in respect of the rental fees payable by the Customers for the leased Products, and the Customers are required to fully pay the Group the rental fees specified in each such invoice within 30 days upon issue in cash through bank transfer.

To offer the Products to the Customers in accordance with the aforesaid policies and at selling prices and/or rental fees no less favourable to the Group than those offered by the Group to other comparable independent third parties, the Group has implemented internal control procedures to:

- regularly collate updated information on the prevailing market prices and rental rates of the Products from time to time to determine the aforesaid suggested selling prices and rental fees, including but not limited to obtaining price quotations or market data in respect of selling prices and/or rental rates for independent third parties for products of comparable nature and quantity;
- perform routine checking before accepting any Purchase Orders to ensure any pricing discount given to the Customers shall be no less favourable to the Group than those pricing discounts offered to other independent third parties by the Group for comparable model and size of order of the Products; and
- perform checking before entering into any Lease Agreements to ensure that the rental fees of the Products to be leased by the Group to the Customers shall be no less favourable to the Group than the rental fees payable by independent third parties to the Group for comparable model and quantity of Products under similar leasing arrangements.

The Group shall not be obliged to accept any Purchase Orders and/or Lease Agreements from the Customers for the Products on terms and conditions that are less favourable to the Group than those agreed between the Group and its independent third parties.

Historical transaction amounts

The historical transaction amount for the 10 months ended 31 October 2020 under the 2020 Renewed Supply Framework Agreement based on the latest unaudited management accounts of the Group available as of the date of this announcement is approximately HK\$428,000.

The low usage of the cap of HK\$40 million (as set under the 2020 Renewed Supply Framework Agreement) for the 10 months ended 31 October 2020 was mainly due to the Covid-19 pandemic which has swept the globe and many countries, and hit hard on the casino gaming markets including those in Australia, Canada and in particular the U.S. where the Customers principally operate in 2020. As part of the controlling measures against the pandemic since its outbreak early this year, there have been different degrees of travel restrictions and lockdown measures being implemented in the U.S. The casinos in the U.S. were compelled to shut down for certain periods. Unavoidably, many casinos have executed various cost-cutting measures including the delay or withholding their business plans in launching the Products to the gaming markets in view of the uncertain market situations.

Annual Cap

The annual cap under the Renewed Supply Framework Agreement for the year ending 31 December 2021 is HK\$35 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 2021 by the Group, which may be sold and/or leased to the Customers;
- (ii) the expected demand for the Products in, among other places, the U.S., Canada and Australia in 2021 as advised by the Customers to the Group;
- (iii) the inclusion of a buffer for the estimated amount of the supply of the Products by the Group to the Customers 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 2020 Renewed Supply Framework Agreement.

These factors are considered on the assumption that the global Covid-19 pandemic issue may be resolved largely in 2021 such that economic activities, tourism to and within the U.S., Canada and Australia and customer traffic in the casinos in the U.S., Canada and Australia may begin regaining momentum soon. Besides, the projection mentioned above 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 Customers are principally engaged in the development, manufacture, distribution, sale, leasing, 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 supply of the Products (by way of sale and/or leasing) to the Customers for their further development and manufacture of electronic gaming products 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
“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
“Customers”	Mr. Feng, and the companies controlled by him which will purchase or lease the Products from the Company
“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
“Lease Agreement(s)”	the lease agreement(s) to be entered into between the Customers and members of the Group for the lease of the Products from members of the Group to the Customers in accordance with the Renewed Supply Framework Agreement
“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 or the Group to the Customers pursuant to the terms and conditions of the Renewed Supply Framework Agreement
“Purchase Order(s)”	the purchase order(s) to be placed by the Customers with members of the Group, or individual supply agreement(s) to be entered into between members of the Group and the Customers, for the purchase of the Products by the Customers from members of the Group in accordance with the Renewed Supply Framework Agreement
“Renewed Supply Framework Agreement”	the renewed supply framework agreement dated 10 December 2020 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)
“Term”	the term of the Renewed Supply Framework Agreement which is one year from 1 January 2021 to 31 December 2021
“U.S.”	the United States of America

“2020 Renewed Supply
Framework Agreement”

the renewed supply framework agreement dated 12 December 2019 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 Customers for the Customers’ 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 during the period from 1 January 2020 to 31 December 2020, details of which are set out in the announcement of the Company dated 12 December 2019

“%”

per cent

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

Hong Kong, 10 December 2020

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.