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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 — REVISION OF ANNUAL CAP UNDER THE RENEWED SUPPLY FRAMEWORK AGREEMENT

REVISION OF EXISTING ANNUAL CAP UNDER THE RENEWED SUPPLY FRAMEWORK AGREEMENT

This announcement is made by the Company pursuant to Rule 14A.54 of the Listing Rules.

Reference is made to the announcement of the Company dated 14 December 2021 in relation to the Renewed Supply Framework Agreement entered into between the Company (for itself and on behalf of its subsidiaries) and Mr. Feng (for himself and on behalf of companies controlled by him), pursuant to which the Company agreed to 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 and devices 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. The term of the Renewed Supply Framework Agreement is one year commencing from 1 January 2022 and ending on 31 December 2022, and the existing annual cap under the Renewed Supply Framework Agreement for the year ending 31 December 2022 is HK\$17 million. Further details of the Renewed Supply Framework Agreement are disclosed in the announcement of the Company dated 14 December 2021.

As the Board expects that the existing annual cap of HK\$17 million under the Renewed Supply Framework Agreement may not be sufficient to meet the business needs of the Group, on 28 April 2022 (after trading hours), the Company (for itself and on behalf of its subsidiaries) entered into the Supplemental Agreement with Mr. Feng (for himself and on behalf of companies controlled by him), pursuant to which the parties agree to amend the terms of the Renewed Supply Framework Agreement to increase the existing annual cap from HK\$17 million to HK\$24 million for the year ending 31 December 2022.

* For identification purposes only

The Supplemental Agreement shall become effective from the date of the Supplemental Agreement. Save for the revision of the annual cap under the Renewed Supply Framework Agreement, all other terms of the Renewed Supply Framework Agreement shall remain unchanged.

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 (as amended by the Supplemental 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) calculated based on the revised annual cap of HK\$24 million under the Renewed Supply Framework Agreement (as amended by the Supplemental Agreement) exceeds 0.1% but is less than 5%, the transactions thereunder are subject to the reporting, announcement and annual review requirements but exempt from the independent shareholders' approval requirement under Chapter 14A of 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 (as amended by the Supplemental Agreement) and has accordingly abstained from voting on the Board resolution approving the Supplemental Agreement and the revised 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 (as amended by the Supplemental Agreement).

BACKGROUND

This announcement is made by the Company pursuant to Rule 14A.54 of the Listing Rules.

Reference is made to the announcement of the Company dated 14 December 2021 in relation to the Renewed Supply Framework Agreement entered into between the Company (for itself and on behalf of its subsidiaries) and Mr. Feng (for himself and on behalf of companies controlled by him), pursuant to which the Company agreed to 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 and devices 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. The term of the Renewed Supply Framework Agreement is one year commencing from 1 January 2022 and ending on 31 December 2022, and the existing annual cap

under the Renewed Supply Framework Agreement for the year ending 31 December 2022 is HK\$17 million. Further details of the Renewed Supply Framework Agreement are disclosed in the announcement of the Company dated 14 December 2021.

REVISION OF EXISTING ANNUAL CAP UNDER THE RENEWED SUPPLY FRAMEWORK AGREEMENT

As the Board expects that the existing annual cap of HK\$17 million under the Renewed Supply Framework Agreement may not be sufficient to meet the business needs of the Group as further elaborated below, on 28 April 2022 (after trading hours), the Company (for itself and on behalf of its subsidiaries) entered into the Supplemental Agreement with Mr. Feng (for himself and on behalf of companies controlled by him), pursuant to which the parties agree to amend the terms of the Renewed Supply Framework Agreement to increase the existing annual cap from HK\$17 million to HK\$24 million for the year ending 31 December 2022.

The revised annual cap of HK\$24 million is determined based on the following factors:

- (i) the historical transaction amount for the three months ended 31 March 2022 under the Renewed Supply Framework Agreement based on the latest unaudited management accounts of the Group available as of the date of this announcement, which is approximately HK\$14.8 million, representing approximately 87.1% of the existing annual cap for the year ending 31 December 2022, as well as the historical transaction amount for the year ended 31 December 2021 under the 2021 Renewed Supply Framework Agreement of approximately HK\$10.9 million;
- (ii) certain Products which are expected to be supplied to the Customers by way of leasing have been changed to by way of sale mainly due to a change in customers' preference resulting from adjustments of their business needs, which has led to the increase in the number of orders and overall transaction amounts of the Products during the three months ended 31 March 2022, as well as the expected increase in demand for the sale of the Products in the remaining months of 2022; and
- (iii) the acceleration of orders for the Products from the Customers in 2022 following the gradual recovery of the global economy from the aftermath of the Covid-19 pandemic.

As at the date of this announcement, the existing annual cap under the Renewed Supply Framework Agreement has not been exceeded. If further adjustment to the aforementioned revised annual cap becomes foreseeable, the Company will re-comply with the requirements under Chapter 14A of the Listing Rules.

The Supplemental Agreement shall become effective from the date of the Supplemental Agreement. Save for the revision of the annual cap under the Renewed Supply Framework Agreement, all other terms of the Renewed Supply Framework Agreement shall remain unchanged. Please refer to the announcement of the Company dated 14 December 2021 for details of the key terms of the Renewed Supply Framework Agreement as well as the related internal control procedures.

INFORMATION ABOUT THE PARTIES AND REASONS FOR AND BENEFITS OF THE SUPPLEMENTAL 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 and devices 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 and devices in these overseas markets. As such, the Board believes that the supply of the Products (by way of sale and/or leasing) to the Customers for their further development and manufacture of electronic gaming products and devices will raise the profile of the Products, enhance the Products' penetration into overseas markets and generate additional revenue for the Group which would be beneficial to the business development of the Group. Following the re-opening of casinos, the lifting of certain lockdown measures and travel restrictions in the U.S. and the gradual recovery of the global economy from the aftermath of the Covid-19 pandemic, the Group expects the number of orders for the Products placed by the Customers in 2022 to increase.

In view of the increase in number of orders and overall transaction amounts of the Products, as well as the expected increase in demand of the Products from the Customers, as mentioned above, the Board envisaged that the aggregate value of the transactions under the Renewed Supply Framework Agreement will exceed the existing annual cap in respect of the year ending 31 December 2022. The Company has therefore entered into the Supplemental Agreement to revise the existing annual cap of the Renewed Supply Framework Agreement by increasing it from HK\$17 million to HK\$24 million. The Group believes that such revision of the annual cap allows the Group to be flexible in case of potential further increase in supply of the Products to the Customers and will in turn generate additional revenue for the Group.

In light of the terms of the Renewed Supply Framework Agreement (as amended by the Supplemental Agreement), the details of the revised 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 (as amended by the Supplemental 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 (as amended by the Supplemental Agreement), including the revised annual cap, are fair and reasonable, and that the entering into of the Renewed Supply Framework Agreement (as amended by the Supplemental 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 (as amended by the Supplemental 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) calculated based on the revised annual cap of HK\$24 million under the Renewed Supply Framework Agreement (as amended by the Supplemental Agreement) exceeds 0.1% but is less than 5%, the transactions thereunder are subject to the reporting, announcement and annual review requirements but exempt from the independent shareholders' approval requirement under Chapter 14A of 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 (as amended by the Supplemental Agreement) and has accordingly abstained from voting on the Board resolution approving the Supplemental Agreement and the revised 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 (as amended by the Supplemental Agreement) and none of them has abstained from voting on such Board resolution.

DEFINITIONS

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

“2021 Renewed Supply Framework Agreement”	the renewed supply framework agreement dated 10 December 2020 entered into between the Company and Mr. Feng, details of which are set out in the announcement of the Company dated 10 December 2020
“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
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“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, devices, equipment and systems, and the hardware, components, accessories, parts and materials 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
“Renewed Supply Framework Agreement”	the renewed supply framework agreement dated 14 December 2021 entered into between the Company and Mr. Feng, details of which are set out in the announcement of the Company dated 14 December 2021
“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)
“Supplemental Agreement”	the supplemental agreement dated 28 April 2022 entered into between the Company and Mr. Feng to amend the existing annual cap of HK\$17 million under the Renewed Supply Framework Agreement to HK\$24 million for the period from 1 January 2022 to 31 December 2022

“U.S.” the United States of America

“%” per cent

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

Hong Kong, 28 April 2022

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) and Mr. Shan Shiyong, alias, Sin Sai Yung and the independent non-executive Directors are Mr. Li John Zongyang, Mr. Kai-Shing Tao and Ms. Tang Kiu Sam Alice.