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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 — FURTHER REVISION OF THE REVISED ANNUAL CAP UNDER THE RENEWED SUPPLY FRAMEWORK AGREEMENT

BACKGROUND INFORMATION

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

Reference is made to the announcements of the Company dated 14 December 2021 and 28 April 2022 in relation to the continuing connected transaction contemplated under the Renewed Supply Framework Agreement and the First Supplemental Agreement, respectively.

On 14 December 2021, the Company (for itself and on behalf of its subsidiaries) and Mr. Feng (for himself and on behalf of companies controlled by him) entered into the Renewed Supply Framework Agreement.

On 28 April 2022, the Company (for itself and on behalf of its subsidiaries) and Mr. Feng (for himself and on behalf of companies controlled by him) entered into the First Supplemental Agreement, pursuant to which the parties agreed to amend the terms of the Renewed Supply Framework Agreement to increase the annual cap under the Renewed Supply Framework Agreement from HK\$17 million to the Revised Annual Cap of HK\$24 million for the year ending 31 December 2022.

* For identification purposes only

FURTHER REVISION OF THE REVISED ANNUAL CAP UNDER THE RENEWED SUPPLY FRAMEWORK AGREEMENT

As the Board expects that the Revised Annual Cap of HK\$24 million under the Renewed Supply Framework Agreement (as amended by the First Supplemental Agreement) is not sufficient to meet the existing business needs of the Group, on 2 June 2022 (after trading hours), the Company (for itself and on behalf of its subsidiaries) entered into the Second 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 (as amended by the First Supplemental Agreement) to further increase the Revised Annual Cap of HK\$24 million to the Further Revised Annual Cap of HK\$58 million for the year ending 31 December 2022.

Save for the revision of the Revised Annual Cap to the Further Revised Annual Cap under the Renewed Supply Framework Agreement (as amended by the First Supplemental Agreement), all the other terms of the Renewed Supply Framework Agreement shall remain unchanged. Subject to the Independent Shareholders Approval, the Second Supplemental Agreement shall become effective from the Approval Date.

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 Second Supplemental Agreement and the transactions contemplated thereunder (including the Further Revised Annual Cap) constitute continuing connected transactions for the Company under Chapter 14A of the Listing Rules.

Pursuant to Rule 14A.54(1) of the Listing Rules, the Company has to re-comply with the announcement and independent shareholders' approval requirements (as applicable) before the Revised Annual Cap is exceeded. Given that one or more of the applicable percentage ratios (as defined under the Listing Rules) in respect of the Further Revised Annual Cap under the Second Supplemental Agreement is more than 5%, the Second Supplemental Agreement and the transactions contemplated thereunder (including the Further Revised Annual Cap) are subject to the reporting, announcement, annual review and independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

The Company has established the Independent Board Committee, comprising all the independent non-executive Directors, to advise the Independent Shareholders in connection with the Second Supplemental Agreement and the transactions contemplated thereunder (including the Further Revised Annual Cap). Grand Moore Capital Limited has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this regard.

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 Second Supplemental Agreement and the transactions contemplated thereunder (including the Further Revised Annual Cap) and has accordingly abstained from voting on the Board resolution approving the same.

The SGM will be convened by the Company to propose ordinary resolution(s) seeking approval from the Independent Shareholders by way of poll for the Second Supplemental Agreement and the transactions contemplated thereunder (including the Further Revised Annual Cap). Pursuant to Rule 14A.36 of the Listing Rules, any Shareholder with a material interest in the Second Supplemental Agreement and the transactions contemplated thereunder and his/her/its associates shall abstain from voting on the resolution approving the same. To the best knowledge, belief and information of the Directors, having made all reasonable enquiries, Mr. Jay Chun and August Profit, held 124,160 Shares and 630,836,720 Shares, representing approximately 0.01% and 59.95% of the issued share capital of the Company, respectively, as at the date of this announcement. Accordingly, each of Mr. Jay Chun, August Profit and their respective associates will abstain from voting in relation to the ordinary resolution(s) to be put forward at the SGM.

GENERAL INFORMATION

The SGM will be convened and held for the Independent Shareholders to consider, and if think fit, approve, among other matters, the Second Supplemental Agreement and the transactions contemplated thereunder (including the Further Revised Annual Cap).

A circular containing, among others, (i) further details regarding the Second Supplemental Agreement and the transactions contemplated thereunder (including the Further Revised Annual Cap); (ii) a letter from the Independent Board Committee to the Independent Shareholders; (iii) a letter of advice from the Independent Financial Advisor to the Independent Board Committee and the Independent Shareholders; and (iv) a notice to convene the SGM to approve, among other things, the Second Supplemental Agreement and the transactions contemplated thereunder (including the Further Revised Annual Cap), will be dispatched by the Company to the Shareholders in due course. As additional time is required to finalise certain information contained in the circular, the Company expects to dispatch the circular on or around 13 July 2022.

BACKGROUND

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

Reference is made to the announcements of the Company dated 14 December 2021 and 28 April 2022 in relation to the continuing connected transaction contemplated under the Renewed Supply Framework Agreement and the First Supplemental Agreement, respectively.

On 14 December 2021, the Company (for itself and on behalf of its subsidiaries) and Mr. Feng (for himself and on behalf of companies controlled by him) entered into the Renewed Supply Framework Agreement.

On 28 April 2022, the Company (for itself and on behalf of its subsidiaries) and Mr. Feng (for himself and on behalf of companies controlled by him) entered into the First Supplemental Agreement, pursuant to which the parties agreed to amend the terms of the Renewed Supply Framework Agreement to increase the annual cap under the Renewed Supply Framework Agreement from HK\$17 million to the Revised Annual Cap of HK\$24 million for the year ending 31 December 2022. Further details of the First Supplemental Agreement and the reasons for the increase of the annual cap to the Revised Annual Cap are disclosed in the announcement of the Company dated 28 April 2022.

FURTHER REVISION OF THE REVISED ANNUAL CAP UNDER THE RENEWED SUPPLY FRAMEWORK AGREEMENT

As the Board expects that the Revised Annual Cap of HK\$24 million under the Renewed Supply Framework Agreement (as amended by the First Supplemental Agreement) is not sufficient to meet the existing business needs of the Group, on 2 June 2022 (after trading hours), the Company (for itself and on behalf of its subsidiaries) entered into the Second 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 (as amended by the First Supplemental Agreement) to further increase the Revised Annual Cap of HK\$24 million to the Further Revised Annual Cap of HK\$58 million for the year ending 31 December 2022.

Save for the revision of the Revised Annual Cap to the Further Revised Annual Cap under the Renewed Supply Framework Agreement (as amended by the First Supplemental Agreement), all the other terms of the Renewed Supply Framework Agreement shall remain unchanged. Subject to the Independent Shareholders Approval, the Second Supplemental Agreement shall become effective from the Approval Date.

The Further Revised Annual Cap of HK\$58 million is determined based on the following factors:

- (i) the historical transaction amount for the four months ended 30 April 2022 under the Renewed Supply Framework Agreement (as amended by the First Supplemental Agreement) based on the latest unaudited management accounts of the Group available as of the date of this announcement, which is approximately HK\$14.6 million, representing approximately 60.8% of the Revised 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. In view of the fact that the historical transaction amount for the four months ended 30 April 2022 has already exceeded the historical transaction amount for the year ended 31 December 2021, together with the reasons mentioned below, the Company expects that the transaction amount for the year ending 31 December 2022 will be far higher than the amount under the Revised Annual Cap;

- (ii) the further acceleration of the number and amount of orders for the Products from the Customers in the second half of 2022. A number of the Products were ordered and originally expected to be shipped to the Customers in 2021 (the “**2021 Products**”) but the relevant shipment schedules were unfortunately delayed due to the continuing outbreak of the Covid-19 variants worldwide in 2021 leading to a suspension of the operation of many shipping vessels. Following the stabilisation of the Covid-19 pandemic situation in 2022 which enabled the gradual resumption of the normal operation of shipping companies, the aforementioned postponed shipment schedules are expected to be resumed, and as such, the 2021 Products are expected to be delivered to the Customers during the second half year of 2022 along with the other shipment orders in 2022, thereby leading to an anticipated increase in shipment of orders that are significant in value in the second half of 2022;
- (iii) a significant number of the Products which are to be supplied to the Customers by way of leasing has been and is expected to be changed to by way of sale in the second half year of 2022 mainly due to a change in customers’ preference resulting from adjustments of their business needs; and
- (iv) 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 (as amended by the First Supplemental Agreement) for any unexpected increase in the aforesaid amount as well as any fluctuation in foreign exchange during the year ending 31 December 2022.

As at the date of this announcement, the Revised Annual Cap under the Renewed Supply Framework Agreement (as amended by the First Supplemental Agreement) has not been exceeded. If further adjustment to the Further Revised Annual Cap becomes foreseeable, the Company will re-comply with the requirements under Chapter 14A of the Listing Rules.

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 implemented by the Group.

INFORMATION ABOUT THE PARTIES AND REASONS FOR AND BENEFITS OF THE SECOND 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 further increase.

In view of (i) the historical transaction amount for the four months ended 30 April 2022 under the Renewed Supply Framework Agreement (as amended by the First Supplemental Agreement) which has already exceeded the historical transaction amount for the year ended 31 December 2021 under the 2021 Renewed Supply Framework Agreement; (ii) the further acceleration of the number and amount of orders for the Products from the Customers in the second half of 2022 due to the postponement of the delivery of the 2021 Products, leading to an anticipated increase in shipment of orders that are significant in value that is expected to be delivered during the second half year of 2022 along with the other shipment orders in 2022; and (iii) a significant number of the Products which are to be supplied to the Customers by way of leasing has been and is expected to be changed to by way of sale in the second half year of 2022 as mentioned above, the Board envisages that the aggregate value of the transactions contemplated under the Renewed Supply Framework Agreement (as amended by the First Supplemental Agreement) will exceed the Revised Annual Cap in respect of the year ending 31 December 2022. The Company has therefore entered into the Second Supplemental Agreement to revise the Revised Annual Cap of HK\$24 million to the Further Revised Annual Cap of HK\$58 million under the Renewed Supply Framework Agreement (as amended by the First Supplemental Agreement). The Group believes that the increase from the Revised Annual Cap to the Further Revised Annual Cap enables the Group to cope with the expected increase in demand of the Products by the Customers, and allows the Group to be flexible in case of potential further increase in supply of the Products to the Customers, which will in turn generate additional revenue for the Group.

In light of the terms of the Second Supplemental Agreement, the transactions contemplated thereunder (including the Further 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 Second 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 Second Supplemental Agreement, including the Further Revised Annual Cap, are fair and reasonable, and that the entering into of the Second Supplemental Agreement and the transactions contemplated thereunder (including the Further Revised Annual Cap) are 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 Second Supplemental Agreement and the transactions contemplated thereunder (including the Further Revised Annual Cap) constitute continuing connected transactions for the Company under Chapter 14A of the Listing Rules.

Pursuant to Rule 14A.54(1) of the Listing Rules, the Company has to re-comply with the announcement and independent shareholders' approval requirements (as applicable) before the Revised Annual Cap is exceeded. Given that one or more of the applicable percentage ratios (as defined under the Listing Rules) in respect of the Further Revised Annual Cap under the Second Supplemental Agreement is more than 5%, the Second Supplemental Agreement and the transactions contemplated thereunder (including the Further Revised Annual Cap) are subject to the reporting, announcement, annual review and independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

The Company has established the Independent Board Committee, comprising all the independent non-executive Directors, to advise the Independent Shareholders in connection with the Second Supplemental Agreement and the transactions contemplated thereunder (including the Further Revised Annual Cap). Grand Moore Capital Limited has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this regard.

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 Second Supplemental Agreement and the transactions contemplated thereunder (including the Further Revised Annual Cap) and has accordingly abstained from voting on the Board resolution approving the same. Save as disclosed, there is no other Director who has a material interest in the Second Supplemental Agreement and the transactions contemplated thereunder (including the Further Revised Annual Cap) and none of them has abstained from voting on such Board resolution.

The SGM will be convened by the Company to propose ordinary resolution(s) seeking approval from the Independent Shareholders by way of poll for the Second Supplemental Agreement and the transactions contemplated thereunder (including the Further Revised Annual Cap). Pursuant to Rule 14A.36 of the Listing Rules, any Shareholder with a material interest in the Second Supplemental Agreement and the transactions contemplated thereunder and his/her/its associates shall abstain from voting on the resolution approving the same. To the best knowledge, belief and information of the Directors, having made all reasonable enquiries, Mr. Jay Chun and August Profit, held 124,160 Shares and 630,836,720 Shares, representing approximately 0.01% and 59.95% of the issued share capital of the Company, respectively, as at the date of this announcement. Accordingly, each of Mr. Jay Chun, August Profit and their respective associates will abstain from voting in relation to the ordinary resolution(s) to be put forward at the SGM.

To the best of the knowledge, belief and information of the Directors, having made all reasonable enquiries, save as disclosed above, no other Shareholder is required to abstain from voting on the ordinary resolution(s) regarding the Second Supplemental Agreement and the transactions contemplated thereunder (including the Further Revised Annual Cap).

GENERAL INFORMATION

The SGM will be convened and held for the Independent Shareholders to consider, and if think fit, approve, among other matters, the Second Supplemental Agreement and the transactions contemplated thereunder (including the Further Revised Annual Cap).

A circular containing, among others, (i) further details regarding the Second Supplemental Agreement and the transactions contemplated thereunder (including the Further Revised Annual Cap); (ii) a letter from the Independent Board Committee to the Independent Shareholders; (iii) a letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders; and (iv) a notice to convene the SGM to approve, among other things, the Second Supplemental Agreement and the transactions contemplated thereunder (including the Further Revised Annual Cap), will be dispatched by the Company to the Shareholders in due course. As additional time is required to finalise certain information contained in the circular, the Company expects to dispatch the circular on or around 13 July 2022.

Save as disclosed above, all other information relating to the Renewed Supply Framework Agreement (as amended by the First Supplemental Agreement) as set out in the announcements of the Company dated 14 December 2021 and 28 April 2022 remain unchanged and shall continue to be valid for all purposes.

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
“Approval Date”	the date on which the Company has obtained the Independent Shareholders Approval
“associate(s)”	has the meaning as ascribed to it under the Listing Rules
“August Profit”	August Profit Investments Limited, a company incorporated in the British Virgin Islands which is wholly-owned by Mr. Jay Chun (the controlling Shareholder, the executive Director, the Chairman and the Managing Director of the Company)
“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 ascribed to it under the Listing Rules
“controlling Shareholder”	has the meaning ascribed to it 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
“First Supplemental Agreement”	the supplemental agreement dated 28 April 2022 entered into between the Company and Mr. Feng to amend the annual cap of HK\$17 million under the Renewed Supply Framework Agreement to HK\$24 million for the year ending 31 December 2022, further details of which are set out in the announcement of the Company dated 28 April 2022
“Further Revised Annual Cap”	the proposed further revised annual cap of HK\$58 million under the Second Supplemental Agreement in respect of the transactions contemplated under the Renewed Supply Framework Agreement (as amended by the First Supplemental Agreement)
“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
“Independent Board Committee”	an independent committee of the Board, comprising all the independent non-executive Directors, which has been established for the purpose of advising the Independent Shareholders in respect of the non-exempt continuing connected transaction relating to the Second Supplemental Agreement and the transactions contemplated thereunder (including the Further Revised Annual Cap)
“Independent Financial Adviser”	Grand Moore Capital Limited, a corporation licensed to conduct Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO, being the independent financial adviser appointed by the Company to advise the Independent Board Committee and the Independent Shareholders on the terms of the Second Supplemental Agreement and the transactions contemplated thereunder (including the Further Revised Annual Cap)
“Independent Shareholders”	the Shareholders who are not required under the Listing Rules to abstain from voting to approve the non-exempt continuing connected transaction relating to the Second Supplemental Agreement and the transactions contemplated thereunder (including the Further Revised Annual Cap)

“Independent Shareholders Approval”	the approval of the Second Supplemental Agreement and the transactions contemplated thereunder (including the Further Revised Annual Cap) by the Independent Shareholders at the SGM in accordance with the Listing Rules
“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
“Revised Annual Cap”	the revised annual cap of HK\$24 million under the Renewed Supply Framework Agreement (as amended by the First Supplemental Agreement) as set out in the announcement of the Company dated 28 April 2022
“Second Supplemental Agreement”	the second supplemental agreement dated 2 June 2022 entered into between the Company and Mr. Feng to revise the Revised Annual Cap of HK\$24 million under the Renewed Supply Framework Agreement (as amended by the First Supplemental Agreement) to the Further Revised Annual Cap of HK\$58 million for the year ending 31 December 2022
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“SGM”	a special general meeting of the Company to be convened for the purpose of considering and, if think fit, approving, among others, the Second Supplemental Agreement and the transactions contemplated thereunder (including the Further Revised Annual Cap)
“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 ascribed to it under the Companies Ordinance (Chapter 622 of the Laws of Hong Kong)
“U.S.”	the United States of America
“%”	per cent

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

Hong Kong, 2 June 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.