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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 2021 in relation to the 2022 Renewed Supply Framework Agreement, which will expire on 31 December 2022.

On 13 December 2022, 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 2023 and ending on 31 December 2023. Pursuant to the Renewed Supply Framework Agreement, the total transaction amount for the Term shall not be more than HK\$20 million.

#### **IMPLICATIONS UNDER THE LISTING RULES**

Mr. Feng is the brother-in-law of Dr. Jay Chun (the controlling Shareholder, an 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 but 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 2021 in relation to the 2022 Renewed Supply Framework Agreement, which will expire on 31 December 2022.

On 13 December 2022, the Company entered into the Renewed Supply Framework Agreement with Mr. Feng, the principal terms of which are set out below.

**Agreement date:** 13 December 2022

**Parties:**

- (i) The Company (for itself and on behalf of its subsidiaries), as the supplier; and
- (ii) Mr. Feng (for himself and on behalf of companies controlled by him), who controls the companies which will purchase and/or lease the Products from the Group. Mr. Feng is the brother-in-law of Dr. Jay Chun (the controlling Shareholder, an 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 2023 to 31 December 2023

### **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 and devices for onward sale and/or leasing to gaming users in markets, including but not limited to the American region 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 Group and the Customers, by reference to the then prevailing market prices and/or rental rates (as applicable) of the Products offered to independent third parties by the Group, 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 the corresponding Products; and
  - the Customers are required to fully pay the Group the purchase price 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 of the corresponding Products; and
  - the Group shall issue invoices to the Customers on a quarterly basis in respect of the rental fees payable by the Customers to the Group 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:

- (i) 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;
- (ii) 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
- (iii) 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 from the Customers and/or enter into Lease Agreements with 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.

Pursuant to Rule 14A.55 of the Listing Rules, the independent non-executive Directors will annually review the Renewed Supply Framework Agreement, the transactions contemplated thereunder and confirm that the continuing connected transactions are entered into (i) in the ordinary and usual course of business of the Group; (ii) on normal commercial terms or better; and (iii) in accordance with the relevant agreements governing them on terms that are fair and reasonable and in the interests of the Shareholders as a whole.

Pursuant to Rule 14A.56 of the Listing Rules, the Company will engage its independent auditor to report on the aforesaid continuing connected transactions on an annual basis and provide a letter to the Board confirming whether anything has come to their attention that causes them to believe that the continuing connected transactions (i) have not been approved by the Board; (ii) are not, in all material respects, in accordance with the pricing policies of the Group; (iii) are not entered into, in all material respects, in accordance with the relevant agreements governing the transactions; and (iv) have exceeded the annual cap under the Renewed Supply Framework Agreement.

### **Historical transaction amounts**

The historical transaction amount for the 10 months ended 31 October 2022 under the 2022 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\$21.3 million.

The usage of the annual cap for the year ending 31 December 2022 of HK\$58 million (as set under the 2022 Renewed Supply Framework Agreement and amended by the First Supplemental Agreement and the Second Supplemental Agreement) during the 10 months ended 31 October 2022 was lower than estimated mainly due to the following:

- (i) the global economy has been negatively affected by a number of factors including but not limited to the prolonged Covid-19 pandemic and the intensifying geopolitical tensions, which have been impacting consumer and business sentiment seriously. Many major economies have been slow in rebounding as they have been experiencing persistently high inflation and soaring fuel costs. As a result, non-essential goods (including slot machines and other electronic gaming machines) were experiencing a slowdown in demand. At the same time, the global supply chain disruptions were still lingering and the market concerns about economic risks continued to foster in response to the volatile economy. The demand for the Products was therefore dampened accordingly to an extent that was beyond the Company's initial estimations; and

- (ii) the Customers took longer time than the Group had expected to inspect, examine and test the first batch of the shipped Products of a material contract and had further requested the Group to refine the Products in accordance with their revised needs to maximise game efficiency, before they would accept commencement of shipment of other batches of the Products by the Group, thereby leading to a delay in the Group's supply of the Products in 2022.

Further, although travel restrictions and lockdown measures in the American region have been gradually lifted, based on the Company's understanding, many casinos have continued to adopt a prudent approach towards the implementation of their business plans in launching electronic gaming products and devices developed based on the Products to the gaming markets in view of the uncertain post-pandemic market situations. Therefore, the transaction amounts for the Products between the Group and the Customers in 2022 were adversely affected.

### **Annual cap**

The annual cap under the Renewed Supply Framework Agreement for the year ending 31 December 2023 is HK\$20 million. The annual cap is determined based on the following factors:

- (i) the expected number of new types of electronic gaming machines and slot machines to be launched in 2023 by the Group, which may be sold and/or leased to the Customers;
- (ii) the expected demand and amount of orders for the Products in, among other places, the American region in 2023 as advised by the Customers to the Group following the stabilisation of the Covid-19 pandemic situation;
- (iii) the expected supply of the Products to the Customers by the Group taking into account the Group's capacity in developing gaming equipment and systems which could accommodate and will suit the Customers' particular needs;
- (iv) the expected delivery of the remaining batches of the Products by the Group to the Customers under the material contract as mentioned in item (ii) of the section headed "Historical transaction amounts" above;
- (v) 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
- (vi) the historical number of orders and transaction amounts of the Products for the 10 months ended 31 October 2022 under the 2022 Renewed Supply Framework Agreement.

These factors are considered on the assumption that (i) the Covid-19 pandemic situations in the American region remain stable, and economic activities, tourism to and within the American region and customer traffic in the casinos in these areas may steadily recover to the pre-Covid-19 level; and (ii) Covid-19 pandemic lockdown measures in Asia, where the Products are developed and manufactured, will be lifted such that the supply of the Products will not be unexpectedly affected. 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 and devices in overseas markets including the American region. They have the requisite market presence, experience, expertise and extensive customer network to support 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 enhance the profile of the Products, facilitate 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 thereunder, 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 Dr. Jay Chun (the controlling Shareholder, an 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 but 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 Dr. Jay Chun, Dr. 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 including the annual cap thereunder. 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 and/or lease the Products from the Group
“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 2022 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
“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 Dr. Jay Chun (the controlling Shareholder, an 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
“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 the 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 13 December 2022 entered into between the Company and Mr. Feng
“Second Supplemental Agreement”	the second supplemental agreement dated 2 June 2022 entered into between the Company and Mr. Feng to further revise the amended annual cap of HK\$24 million under the 2022 Renewed Supply Framework Agreement (as amended by the First Supplemental Agreement) to HK\$58 million for the year ending 31 December 2022, further details of which are set out in the announcement and the circular of the Company dated 2 June 2022 and 7 July 2022, respectively
“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 2023 to 31 December 2023



“2022 Renewed Supply  
Framework Agreement”

the renewed supply framework agreement dated 14 December 2021 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 by way of sale and/or leasing for the Customers’ development, manufacture, sale, leasing, marketing and distribution (where applicable) of electronic gaming products in the markets, including but not limited to the United States of America, Canada and elsewhere in accordance with the laws and regulations of the relevant jurisdictions on a non-exclusive basis during the period from 1 January 2022 to 31 December 2022, details of which are set out in the announcement of the Company dated 14 December 2021

“%”

per cent

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

Hong Kong, 13 December 2022

*As at the date of this announcement, the executive Directors are Dr. 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.*