

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.



PARADISE ENTERTAINMENT LIMITED

滙彩控股有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code: 1180)

**CONTINUING CONNECTED TRANSACTION
DISTRIBUTORSHIP FRAMEWORK AGREEMENT**

On 26 February 2016, the Company entered into the Distributorship Framework Agreement with Mr. Feng for the sales and distribution of the Gaming Products to the companies controlled by Mr. Feng for a term of three years from 1 January 2016 to 31 December 2018.

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 and the transactions contemplated under the Distributorship Framework Agreement constitute continuing connected transactions for the Company under Chapter 14A of the Listing Rules.

As some of the applicable percentage ratios (as defined under the Listing Rules) in respect of the annual transaction amount under the Distributorship Framework Agreement exceed 0.1% and are below 5%, the Distributorship Framework Agreement will be subject to the reporting, announcement and annual review requirements and exempt from the independent shareholders' approval requirement under the Listing Rules.

On 26 February 2016, the Company entered into the Distributorship Framework Agreement with Mr. Feng, for the sales and distribution of the Gaming Products to the companies controlled by Mr. Feng for a term of three years from 1 January 2016 to 31 December 2018.

* *For identification purpose only*

DISTRIBUTORSHIP FRAMEWORK AGREEMENT

Date: 26 February 2016

Parties: The Company, as supplier; and

Mr. Feng, the brother-in-law of Mr. Jay Chun (the controlling Shareholder, the executive Director, the Chairman and Managing Director of the Company), who wholly owns the companies which hold the licence for distribution and sales of the Gaming Products in US and Australia. Mr. Feng is also directors of two insignificant subsidiaries of the Group.

Major Terms

Pursuant to the Distributorship Framework Agreement, the Group shall appoint companies controlled by Mr. Feng, as its overseas distributors for the distribution of the Gaming Products in US and Australia on a non-exclusive basis.

Within the term of the Distributorship Framework Agreement and for the purpose of the overseas distribution of the Gaming Products, the companies controlled by Mr. Feng will procure from members of the Group, and the members of the Group shall supply to the companies controlled by Mr. Feng, the Gaming Products as agreed by the parties.

Individual distribution agreement or order form will be entered into between members of the Group and companies controlled by Mr. Feng during the term of the Distributorship Framework Agreement to set out details of the quantity, price, specifications, standards, delivery time and settlement of the Gaming Products supplied, save as such individual distribution agreement or order form shall be entered into on normal commercial terms as well as in accordance with the provisions of the Distributorship Framework Agreement.

Pricing and payment

Pursuant to the Distributorship Framework Agreement, the price of the Gaming Products supplied by the Group to companies controlled by Mr. Feng shall be priced at a discount from the Group's suggested retail price (but may vary depending on the size of order or, if applicable, the unique nature of the Gaming Products) and with reference to the then prevailing market price and shall be no more favourable than those pricing discount offered to other independent third party distributors for similar model and size of order of the Gaming Products. The Group shall not be obliged to accept any order from companies controlled by Mr. Feng for the Gaming Products on terms and conditions that are less favourable to the Group than those agreed between the Group and its other independent third party distributors.

Payment of the price will be specified in individual distribution agreement or order form to be entered into between members of the Group and companies controlled by Mr. Feng.

The Distributorship Framework Agreement has a term of three years for 1 January 2016 to 31 December 2018.

ANNUAL CAPS

There is no historical figure for the transactions contemplated under the Distributorship Framework Agreement as this is a new transaction to be entered into between the Group and companies controlled by Mr. Feng. The proposed annual caps under the Distributorship Framework Agreement for each of the three years ending 31 December 2016, 2017 and 2018 are set out below:

	For the year ending 31 December		
	2016	2017	2018
	<i>(HK\$ million)</i>	<i>(HK\$ million)</i>	<i>(HK\$ million)</i>
Proposed annual caps	50	50	50

The proposed annual caps set out above are determined based on the following:

- (a) the increase in demand for the Gaming Products in US and Australia, as indicated by the trial request for the Gaming Products from and/or potential orders placed by casinos in US and Australia;
- (b) the expected increase in retail prices for the Gaming Products over the next three years, in particular, the increase of manufacturing costs as a result of continuous increase in costs in labour and raw materials; and
- (c) the inclusion of a buffer for the estimated amount of the supply of the Gaming Products by the Group to companies controlled by Mr. Feng under the Distributorship Framework Agreement for any unexpected increase in the aforesaid amount as well as any change in foreign exchange during the period of the Distributorship 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 Group.

The independent non-executive Directors and the auditor of the Company will on a regular basis be provided with the (i) the Distributorship Framework Agreement; (ii) agreements entered into between the Group and independent third party distributor(s) for the distribution of the Gaming Products; and (iii) individual distribution agreements and order forms entered into between the Group and companies controlled by Mr. Feng. The independent non-executive Directors will also review and compare the relevant payment terms, payment method and price payable under these agreements and to ensure that the transactions contemplated under the Distributorship Framework Agreement are conducted on normal and commercial terms. The auditor of the Company will review and confirm the transactions contemplated under the Distributorship Framework Agreement are conducted in accordance with the terms of the Distributorship Framework Agreement.

REASON FOR AND BENEFIT OF THE DISTRIBUTORSHIP FRAMEWORK AGREEMENT

The Group is principally engaged in the development, supply and sales of electronic gaming systems and the provision of casino management services.

As the sale of the Gaming Products in overseas markets required specific licence, the Group is required to engage licensed distributors for the distribution and sale of the Gaming Products in the overseas markets. As the companies controlled by Mr. Feng are licensed to sell the Gaming Products in Australia and US, and they are willing to be appointed on a non-exclusive basis, the Directors (including the independent non-executive Directors) are of the view that the Distributorship Framework Agreement was entered into on normal commercial terms and in the ordinary and usual course of business of the Group. The Directors (including the independent non-executive Directors) are also of the view that the terms and conditions of the Distributorship Framework Agreement, including the annual caps, are fair and reasonable, and that the entering into of the Distributorship 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 and the transactions contemplated under the Distributorship Framework Agreement constitute continuing connected transactions for the Company under Chapter 14A of the Listing Rules.

As some of the applicable percentage ratios (as defined under the Listing Rules) in respect of the annual transaction amount under the Distributorship Framework Agreement exceed 0.1% and are below 5%, the Distributorship Framework Agreement will be 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, who is regarded as having a material interest in the transactions contemplated under the Distributorship Framework Agreement and has accordingly abstained from voting on the board resolution approving the Distributorship Framework Agreement and the annual caps. Save as disclosed, there is no other Director who has a material interest in the transactions contemplated under the Distributorship Framework Agreement.

DEFINITIONS

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

“Board”	the board of the Directors
“Company”	Paradise Entertainment Limited, a company incorporated under the laws of Bermuda with limited liability and the shares of which are listed on 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
"Distributorship Framework Agreement"	the distributorship framework agreement dated 26 February 2016 entered into between the Company and Mr. Feng in relation to the distribution of the Gaming Products of the Group in US and Australia
“Gaming Products”	the gaming machines and related products manufactured by the Group or such other products of similar nature of the Group from time to time
“Group”	the Company together with its subsidiaries
“HK\$”	Hong Kong dollar(s), the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“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
“PRC”	the People’s Republic of China, for the purpose of this announcement, excludes Hong Kong, the Macau Special Administrative Region of the People’s Republic of China and Taiwan
“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)
“US”	The United States of America
“%”	per cent.

By Order of the Board
PARADISE ENTERTAINMENT LIMITED
Stella Ho
Company Secretary

Hong Kong, 29 February 2016

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