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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 SUPPLY FRAMEWORK AGREEMENT

SUPPLY FRAMEWORK AGREEMENT

On [14] December 2018, the Company entered into the Supply Framework Agreement with Mr. Feng for the sales of the Products to the Buyers for a term of one year commencing from 1 January 2019 and ending on 31 December 2019. Pursuant to the Supply Framework Agreement, the total transaction amount for each year during the Term shall not be more than HK\$40 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 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 amounts under the Supply Framework Agreement exceed 0.1% but are less than 5%, the 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.

SUPPLY FRAMEWORK AGREEMENT

On [14] December 2018, the Company entered into the Supply Framework Agreement with Mr. Feng to supply the Products to the Buyers for a term of one year commencing from 1 January 2019 and ending on 31 December 2019.

* For identification purposes only

Agreement date: [14] December 2018

Parties:

- (i) The Company, as the supplier; and
- (ii) Mr. Feng, who is the brother-in-law of Mr. Jay Chun (the controlling Shareholder, the executive Director, the Chairman and the Managing Director of the Company), who wholly owns the companies which will purchase the Products from the Company. Mr. Feng is also the director of certain subsidiaries of the Group

Term: One year, from 1 January 2019 to 31 December 2019 (the “**Term**”)

Major terms

Pursuant to the Supply Framework Agreement, the Company shall supply (by itself or procure other members of the Group to supply) the Products to the Buyers for the Buyers’ development, manufacture, sale, marketing and distribution (where applicable) of electronic gaming products in the markets including but not limited to the U.S., Canada, and Australia and elsewhere in accordance with the laws and regulations of the relevant jurisdictions on a non-exclusive basis.

During the Term, individual supply agreement or Purchase Orders will be entered into between members of the Group and the Buyers to set out details of the quantity, price, specifications, standards, delivery time and settlement of the Products supplied.

Pursuant to the terms of the Supply Framework Agreement, the supply of the Products 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 prevailing market prices 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 Supply Framework Agreement, the price of the Products to be supplied by the Group to the Buyers shall be priced at an 8% to 10% discount from the Group’s respective suggested retail prices of such 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 parties by the Group for similar model and size of order of the Products. To enable the Group to offer the Products to the Buyers follows the aforesaid policy and at prices no more favourable than those offered by the Group to other comparable independent third parties, the Group has implemented control procedures to (i) collate updated information on the prevailing market prices of the Products from time to time to determine the aforesaid suggested retail prices, and (ii) perform checking to ensure any discounted prices of any Products to be sold by the Group to any Buyers shall be no more favourable than the prices of any similar Products offered to other comparable independent third parties by the

Group for a similar model and size of order. The Group shall not be obliged to accept any Purchase Orders from the Buyers for the Products on terms and conditions that are less favourable to the Group than those agreed between the Group and its other independent third parties.

For each Purchase Order, the price of the Products shall be paid by Mr. Feng to the Company within 30 days upon completion of the delivery of the Products through bank transfer.

Annual Cap

There are no historical transaction amounts that correspond to the transactions contemplated under the Supply Framework Agreement as the Products expected to be supplied under the Supply Framework Agreement are primarily new products recently developed by the Group which have not been supplied to Mr. Feng before. The annual cap under the Supply Framework Agreement for the year ending 31 December 2019 is HK\$40 million.

The above annual cap is determined based on the following factors:

- (i) the expected number of new types of electronic gaming machines to be launched in 2019 by the Group, which may be sold to the Buyers;
- (ii) the expected demand for the Products in, among other places, the U.S., Canada, and Australia in 2019 as advised by the Buyers to the Group; and
- (iii) the inclusion of a buffer for the estimated amount of the supply of the Products by the Group to the Buyers under the Supply Framework Agreement for any unexpected increase in the aforesaid amount as well as any fluctuation in foreign exchange during the Term.

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 Company or the Group.

REASONS FOR AND BENEFITS OF THE 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 Buyers are principally engaged in the development, manufacture, distribution, sale, 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 sale of the Products to the Buyers will raise the profile of our Products, enhance our Products' penetration into overseas markets and generate additional revenue for the Group.

In light of the terms of the 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 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 Supply Framework Agreement, including the annual cap, are fair and reasonable, and that the entering into of the 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 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 amounts under the Supply Framework Agreement exceed 0.1% but are less than 5%, the 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 Supply Framework Agreement and has accordingly abstained from voting on the Board resolution approving the 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 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
“Buyers”	Mr. Feng and the companies controlled by him
“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
“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;
“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”	<u>slot machines and other electronic gaming machines and equipment, the components, accessories and parts thereof, the additions thereto, and other related products,</u> to be supplied or procured to be supplied by the Company to the Buyers
“Purchase Order(s)”	the purchase orders placed by the Buyers with the Company in accordance with the Supply Framework Agreement
“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)
“Supply Framework Agreement”	the supply framework agreement dated [14] December 2018 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 Buyers for the Buyers’ development, manufacture, sale, marketing and distribution (where applicable) of electronic gaming products in the markets, including but not limited to the U.S., Canada, and Australia, and elsewhere in accordance with the laws and regulations of the relevant jurisdictions on a non-exclusive basis

