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PARADISE ENTERTAINMENT LIMITED

滙彩控股有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code: 1180)

**(1) VERY SUBSTANTIAL ACQUISITION AND
CONNECTED TRANSACTION
IN RELATION TO THE ACQUISITION OF THE PATENTS
INVOLVING ISSUE OF CONSIDERATION SHARES
AND PROMISSORY NOTE
(2) APPLICATION FOR WHITEWASH WAIVER
(3) APPOINTMENT OF INDEPENDENT FINANCIAL ADVISER
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AND CHANGE OF BOARD LOT SIZE
AND
(5) RESUMPTION OF TRADING**

Financial Adviser



**普頓資本有限公司
PROTON CAPITAL LIMITED**

VERY SUBSTANTIAL ACQUISITION AND CONNECTED TRANSACTION

On 2 November 2012 (after the trading hours), the Purchaser, a wholly-owned subsidiary of the Company, and the Vendor entered into the Agreement (as supplemented by a supplemental agreement dated 7 January 2013) whereby the Purchaser conditionally agreed to acquire and the Vendor conditionally agreed to sell the Patents at the total consideration of HK\$740,000,000, which will be satisfied in the following manner on Completion:

- (a) HK\$60,000,000 shall be paid in cash by the Purchaser to the Vendor;
- (b) HK\$200,000,000 shall be satisfied by the Company issuing to the Vendor the Promissory Note;
and
- (c) HK\$480,000,000 shall be satisfied by the issue and allotment of the Consideration Shares to the Vendor or his designated nominee.

As at the date of this announcement, the Vendor and his concert parties own approximately 10.14% of the issued share capital of the Company. After the completion of the Capital Reorganisation and the issuance of the Consideration Shares to the Vendor, the Vendor and his concert parties will be interested in a total of 628,820,880 Shares, representing approximately 71.12% of the enlarged issued share capital of the Company (assuming no further Shares will be allotted and issued prior to the issue of the Consideration Shares). The Vendor will then have an obligation to make a mandatory general offer for all the Shares not already owned or agreed to be acquired by the Vendor and parties acting in concert with him pursuant to Rule 26 of the Takeovers Code, unless the Whitewash Waiver is granted by the Executive. As a result, an application will be made by the Vendor to the Executive for the Whitewash Waiver. The Whitewash Waiver, if granted by the Executive, would be subject to, among other things, the approval of the Independent Shareholders taken by way of a poll at the SGM.

As one or more of the applicable percentage ratios, where appropriate, calculated with reference to Rule 14.07 of the Listing Rules, exceed 100%, the Acquisition constitutes a very substantial acquisition for the Company under the Listing Rules and is therefore subject to the announcement, circular and shareholders' approval requirements under Chapter 14 of the Listing Rules. The Acquisition also falls within Rule 14.06(6)(a) of the Listing Rules but the Listing Committee of the Stock Exchange has agreed to grant a waiver to the Company from strict compliance with the aforesaid Listing Rule on the conditions as set out in the section headed "Implications of the Listing Rules" of this announcement.

As at the date of this announcement, the Vendor, who is an executive Director, and his concert parties own approximately 10.14% of the issued Shares, and is therefore a connected person of the Company under the Listing Rules. Accordingly, the Acquisition and the transactions contemplated under the Agreement also constitute a non-exempt connected transaction for the Company under Chapter 14A of the Listing Rules and are subject to approval by the Independent Shareholders at the SGM.

The Vendor and his concert parties will abstain from voting in respect of the resolutions approving the Acquisition, other transactions contemplated thereunder and the Whitewash Waiver at the SGM.

APPOINTMENT OF INDEPENDENT FINANCIAL ADVISER

The Company, with the approval of the Independent Board Committee, has appointed Nuada Limited as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in relation to the Acquisition and the Whitewash Waiver in accordance with the Listing Rules and the Takeovers Code.

PROPOSED CAPITAL REORGANISATION AND CHANGE OF BOARD LOT SIZE

The Directors propose to reorganise the share capital of the Company in the following manner:

- (a) the Share Consolidation pursuant to which every 10 issued Existing Shares will be consolidated into 1 Consolidated Share with nominal value of HK\$1.00 each;

- (b) the Capital Reduction pursuant to which the nominal value of each of the issued Consolidated Shares will be reduced from HK\$1.00 to HK\$0.001 by canceling the paid-up capital of the Company to the extent of HK\$0.999 on each of the issued Consolidated Shares;
- (c) the Share Premium Reduction pursuant to which such amount as the Directors think fit standing to the credit of the share premium account of the Company be reduced;
- (d) the credit arising from the Capital Reduction and the Share Premium Reduction be transferred to the contributed surplus account of the Company within the meaning of the Companies Act;
- (e) the granting of the Authorisation to the Directors to apply the entire amount standing to the credit of the contributed surplus account of the Company within the meaning of the Companies Act in such manner as they consider appropriate, including but not limited to setting off against the accumulated losses of the Company, subject to compliance with the Companies Act and the by-laws of the Company; and
- (f) the Share Subdivision pursuant to which each authorised but unissued Existing Share of HK\$0.10 will be subdivided into 100 New Shares of HK\$0.001 each.

Upon the Capital Reorganisation becoming effective, the board lot size of the Shares for trading on the Stock Exchange will be changed from 20,000 Existing Shares to 4,000 New Shares.

**EXPECTED DATE OF DESPATCH OF THE CIRCULAR AND APPLICATION FOR
WAIVER FROM STRICT COMPLIANCE WITH RULE 8.2 OF THE TAKEOVERS CODE**

Pursuant to Rule 8.2 of the Takeovers Code, a circular in respect of the Whitewash Waiver is required to be despatched to the Shareholders within 21 days of the date of this announcement, i.e. being not later than 28 January 2013.

In view of the time required by the Company to prepare the information required to be included in the Circular which include but not limited to details of the Acquisition and other information as required under the Listing Rules which include but not limited to the unaudited pro forma financial statement of the enlarged Group, the Company will apply to the Executive for a waiver from strict compliance with Rule 8.2 of the Takeovers Code to extend the expected despatch date of the Circular to on or before 28 February 2013.

The Circular will contain, among other things, details of the Acquisition, the Whitewash Waiver and the Capital Reorganisation, the recommendations of the Independent Board Committee, a letter of advice from the independent financial adviser to the Independent Board Committee and the Independent Shareholders and a notice convening the SGM.

RESUMPTION OF TRADING

Trading in the Shares on the Stock Exchange was suspended with effect from 9:00 a.m. on 5 November 2012 at the request of the Company pending the release of this announcement. An application has been made to the Stock Exchange for the resumption of trading in the Shares with effect from 9:00 a.m. on 8 January 2013.

1. THE AGREEMENT

Date

2 November 2012 (after the trading hours) (as supplemented by a supplemental agreement dated 7 January 2013)

Parties

Vendor: Mr. Jay Chun, an executive Director, holding approximately 10.14% shareholding interest of the Company directly and indirectly as at the date of this announcement

Purchaser: Solution Champion Limited, a company incorporated under the laws of the British Virgin Islands with limited liability, and a wholly-owned subsidiary of the Company

Asset to be acquired

The assets to be acquired by the Purchaser from the Vendor are the Patents in the US. The Patents relate to certain technological know-how applied in a computerized betting terminal system, the details of which are set out in the section headed "Information on the Patents" below.

Consideration

The total consideration for the Patents under the Agreement is HK\$740,000,000 which will be satisfied in the following manner on Completion:

- (a) HK\$60,000,000 shall be paid in cash by the Purchaser to the Vendor;
- (b) HK\$200,000,000 shall be satisfied by the Company issuing to the Vendor the Promissory Note;
and
- (c) HK\$480,000,000 shall be satisfied by the issue and allotment of the Consideration Shares to the Vendor or his designated nominee.

The consideration for the Acquisition was arrived at based on normal commercial terms after arm's length negotiations between the parties to the Agreement and by reference to the factors set out in the paragraph headed "Reasons for the Acquisition" below; and the valuation of the Patents by Ample Appraisal Limited (the "**Valuer**"), an independent valuer, as at 31 December 2012, which was in the amount of HK\$819,000,000 (the "**Valuation**").

The Valuation is an appraisal of the fair value of the 5 Patents already granted by the United States Patent and Trademark Office ("**USPTO**") beneficially owned by and stand or are proceeding in the name of the Vendor, together with the 6 Patents in continuations, continuations in part or division pending approval. Further details about the Patents are set out in the section headed "Information on the Patents" in this announcement.

Based on the factors mentioned above and the consideration for the Acquisition being at an approximately 9.65% discount to the Valuation, the Directors (excluding the independent non-executive Directors, who will give their opinion based on the recommendation from the independent financial adviser) consider that the consideration for the Acquisition is fair and reasonable and in the interests of the Group and the Shareholders as a whole.

The Company intends to satisfy the cash portion of the consideration for the Acquisition from its internal resources.

Discounted cash flow forecast approach was adopted in the Valuation as at 31 December 2012 carried out by the Valuer. Pursuant to Rule 14.61 of the Listing Rules and Rule 11.1(a) of the Takeovers Code, any valuation of assets (other than land and buildings) acquired by a listed issuer based on discounted cash flows or projections of profits, earnings or cash flows will normally be regarded as a profit forecast. Accordingly, the Valuation will be regarded as a profit forecast, and therefore, the Company is required to comply with Rules 14.60A, 14.62 and 14A.56(8) of the Listing Rules and Rules 10 and 11 of the Takeovers Code.

Pursuant to Rules 14.60A, 14.62 and 14A.56(8) of the Listing Rules and Rule 10 of the Takeovers Code, financial advisers must satisfy themselves that the forecast has been prepared by the directors with due care and consideration, and auditors or reporting accountants must satisfy themselves that the forecast, so far as the accounting policies and calculations are concerned, has been properly compiled on the basis of the assumptions made.

In compliance with the requirement under Rule 10 of the Takeovers Code and Rule 14.62 of the Listing Rules, the forecast has been reported on in accordance with the Takeovers Code and the Listing Rules and the requisite reports from PAN-CHINA (H.K.) CPA Limited (the "**Auditor**"), auditor of the Company, and Proton Capital Limited (the "**Financial Adviser**"), financial adviser of the Company have been lodged with the Executive and the Stock Exchange and attached as appendices to this announcement.

The following are the details of the assumptions, including commercial assumptions of the Valuation, prepared by the Directors, endorsed by the Valuer and reviewed by the Auditor and the Financial Adviser pursuant to Rule 10.2 of the Takeovers Code and set out in the valuation report prepared by the Valuer as attached as Appendix III to this announcement:

1. the future operation will be conducted as planned and the financial projections, including the expected selling prices and sales volume of the products, are realizable;
2. the Company will focus on potential customers in the States of Nevada, Mississippi, Connecticut, Pennsylvania, New Jersey, California, and Florida in the US (the “Localities”);
3. there will be sufficient supply of technical staff and production support in the gaming equipment industry in which the Company operates;
4. the Company will retain competent management, key personnel and technical staff to support its ongoing operations and developments;
5. interest rates and exchange rates in the Localities for the operation of the Company will not differ materially from those presently prevailing;
6. all relevant legal approvals and business certificates or licenses to operate the business in the Localities in which the Company operates or intends to operate would be officially obtained, and renewed upon expiry;
7. there will be no major changes in the current taxation laws in the Localities in which the Company operates or intends to operate, the rates of tax payable shall remain unchanged, sales tax in any Localities will be borne by the end customers, and that all applicable laws and regulations will be complied with; and
8. there will be no major changes in the political, legal, economic or financial conditions in the Localities in which the Company operates or intends to operate, which would adversely affect the revenues attributable to and profitability of the Company.

The Valuation has been prepared by the Valuer. The Auditor has reviewed the accounting policies and calculations adopted in arriving at the Valuation and is of the opinion that, so far as the accounting policies and calculations are concerned, the Valuation has been properly compiled in accordance with the assumptions made by the Directors set out above and are presented on a basis consistent in all material respects with the accounting policies adopted in preparing the financial statements of the Group for the year ended 31 December 2011.

The Valuation has also been reported on by the Financial Adviser in accordance with Rule 11.1(b) of the Takeovers Code. On the basis of the review work conducted by it which include reasonableness checks to assess the relevant experience and expertise of the Valuer, review and discussion with the Valuer of the qualifications, experience, expertise and relevant track records of the Valuer, the Financial Adviser is satisfied that the Valuer has the qualifications and experience to compile the Valuation.

The Financial Adviser has reviewed the report of the Valuation and discussed with the Directors, the management of the Company and the Valuer regarding the report of the Valuation, including, in particular, the valuation approach, and bases and assumptions. On the basis of the aforesaid work done by the Financial Adviser, the Financial Adviser is of the opinion that the bases and assumptions set out therein have been prepared by the Directors with due care and consideration and objectivity, and on a reasonable basis.

Terms of the Promissory Note

Issuer: The Company

Principal amount: HK\$200,000,000

Maturity date: The date falling the 48th month from the date of issue of the Promissory Note

Interest rate: The Promissory Note is non-interest bearing

Redemption: The Company has the right to redeem the whole or any part of the outstanding principal amount of the Promissory Note at any time prior to the maturity date of the Promissory Note provided that the Company shall provide the holder of the Promissory Note with not less than 14 Business Days prior written notice (to the extent the holder being located and such notice served) specifying the date of redemption, the applicable discount rate and the amount of Promissory Note to be redeemed.

Holder of the Promissory Note shall not be entitled to request for an early redemption of the whole or any part of the outstanding principal amount of the Promissory Note at any time prior to the maturity date.

Early redemption of Promissory Note shall be subject to discount of the outstanding principal amount of the Promissory Note, the rate of which varies according to the period of early redemption.

Particulars of the discount are as follows:

<i>Time period in which repayment is made</i>	<i>Discount rate</i>
The 12 month period commencing on the date of the issue of the Promissory Note (and, for the avoidance of doubt, excluding the first anniversary of the date of the issue of the Promissory Note)	4%
The 12 month period commencing on the first anniversary of the date of the issue of the Promissory Note (and, for the avoidance of doubt, excluding the second anniversary of the date of the issue of the Promissory Note)	3%

The 12 month period commencing on the second anniversary of the date of the issue of the Promissory Note (and, for the avoidance of doubt, excluding the third anniversary of the date of the issue of the Promissory Note) 2%

The 12 month period commencing on the third anniversary of the date of the issue of the Promissory Note (and, for the avoidance of doubt, excluding the maturity date of the Promissory Note) 1%

Conditions Precedent

Completion is subject to the fulfillment of the following conditions precedent:

- (a) the passing by the Independent Shareholders by way of poll of all necessary resolutions at the SGM approving the Agreement and other transactions contemplated thereunder and the grant of the Whitewash Waiver;
- (b) the Stock Exchange having granted the approval for the listing of, and permission to deal in, the Consideration Shares;
- (c) the Executive having granted the Whitewash Waiver;
- (d) the Company having complied with all requirements under the Listing Rules and the Takeovers Code;
- (e) completion of the Capital Reorganisation;
- (f) the warranties as set out in the Agreement remaining true and accurate and not misleading in any respect as given as of the date of the Agreement and at all times up to and including the date of Completion; and
- (g) there being no applicable law, rules, regulations, order, injunction, decree or judgment of any court or other governmental authorities which prohibits, restricts or imposes conditions or limitations on, or is reasonably expected to operate to prohibit, restrict or impose conditions or limitations on, the consummation of any of the transactions contemplated in the Agreement.

Neither party to the Agreement shall be entitled to waive any of the conditions other than that the Purchaser may, at its absolute discretion, waive any of the conditions as set out in items (f) to (g) above at any time by notice in writing to the Vendor and such waiver may be made subject to such terms and conditions as are determined by the Purchaser.

The parties to the Agreement shall each use their respective best endeavours to fulfill, or procure the fulfillment of, the conditions (to the extent such party is responsible for such fulfillment) on or before the Long Stop Date and give such undertakings and do all such acts and things as may reasonably be required by the Stock Exchange and the SFC in connection therewith.

In the event that any of the conditions is not fulfilled (or waived by the Purchaser in accordance with the Agreement) on or before the Long Stop Date neither party to the Agreement shall be obliged to proceed with the performance of his/its obligations under the Agreement; and the Agreement shall be automatically terminated forthwith and cease to be of any effect and the parties to the Agreement shall have no claim against each other arising out of or in connection with the Agreement save for any claims arising out of any antecedent breach of the Agreement.

Completion

Completion shall take place on the 14th Business Day after the date upon which the last of the conditions precedent is satisfied or waived or such other date as the parties may mutually agree in writing.

Consideration Shares

Upon Completion, the Company shall issue 600,000,000 Consideration Shares to the Vendor at the issue price of HK\$0.80 per Consideration Share in partial settlement of the consideration for the Acquisition.

The Consideration Shares represent approximately 211.16% of the issued share capital of the Company immediately after completion of the Capital Reorganisation (details of which are set out in the section headed “Proposed Capital Reorganisation and Change of Board Lot Size” in this announcement), but before the allotment and issue of the Consideration Shares, and approximately 67.86% of the issued share capital of the Company as enlarged by the allotment and issue of the Consideration Shares (assuming no further Shares will be allotted and issued prior to the issue of the Consideration Shares).

The issue price of HK\$0.80 per Consideration Share was determined after arm’s length negotiation between the parties to the Agreement after taking into account the prevailing market price of the Shares, which represents:

- (i) a premium of approximately 2.56% to the theoretical closing price per New Share of HK\$0.780 as quoted on the Stock Exchange on the Last Trading Day;
- (ii) a premium of approximately 0.50% to the theoretical average closing price per New Share of approximately HK\$0.796 as quoted on the Stock Exchange for the last five consecutive trading days up to and including the Last Trading Day; and

(iii) a discount of approximately 0.25% to the theoretical average closing price per New Share of approximately HK\$0.802 as quoted on the Stock Exchange for the last ten consecutive trading days up to and including the Last Trading Day.

The Directors (excluding the independent non-executive Directors, who will give their opinion based on the recommendation from the independent financial adviser) consider that the issue price of the Consideration Shares is fair and reasonable.

Mandate to issue the Consideration Shares

The Consideration Shares will be allotted and issued pursuant to a specific mandate to be sought from the Independent Shareholders at the SGM.

Application for Listing

The Company will apply to the Stock Exchange for the listing of, and permission to deal in, the Consideration Shares.

INFORMATION ON THE PATENTS

The assets to be acquired are 5 approved Patents in the US, which were granted in 2011 and 2012, together with their continuations, continuations in part or division (i.e. 6 Patents which are still pending approval, whose registration applications were filed in 2005, 2007, 2011 and 2012 respectively).

The Patents relate to certain technological know-how applied in a computerized betting terminal system (the “**System**”).

Among the 6 Patents which are still pending approval, the Vendor was notified by the USPTO in March 2012 that one registration application filed in 2005 had been rejected as being unpatentable as a result of 2 existing patents owned by independent third parties. The Vendor has amended that registration application to differentiate and overcome that 2 existing patents. As at the date of this announcement, the Vendor has not yet received the response from the USPTO.

Besides the Patents which are the subject of the Acquisition, the Vendor is the owner of two similar or competing patents in the US, which were granted on 13 November 2012 and 4 December 2012 respectively (the “**Excluded Patents**”). The Excluded Patents relate to the mechanisms for playing slot games simultaneously with other casino games.

The Company intends to sell electronic gaming machines for baccarat, roulette and sicbo games to the US market. Therefore, the Company, after consulting its legal adviser on the US laws on intellectual properties (“**US IP Legal Adviser**”) on the approved Patents owned by the Vendor which are required to be acquired by the Group, proposes to acquire the Patents in relation to the System from the Vendor so that the Group can sell the electronic gaming machines installed with the System (the “**Electronic Gaming Machines**”) to casinos in the US. The key source of revenue

will be derived from the sale of the Electronic Gaming Machines in the US. The Excluded Patents do not relate to the technological know-how applied in the System of the Electronic Gaming Machines as the Electronic Gaming Machines do not involve the playing of slot games. The Vendor intends to retain the Excluded Patents for his own use and does not have the intention to sell the Excluded Patents.

The approved 5 Patents are the core elements implemented on the System to be marketed in the US, whereas the 6 Patents pending approval are the continuations, continuations in part or division of the approved Patents (collectively the “**Entire Patent Portfolio**”). According to the advice of the US IP Legal Adviser, as the 11 Patents relate to the same System, the USPTO would require any transfer/assignment of the Patents to cover the Entire Patent Portfolio. In addition, the Company can utilize all the Patents for commercial use in the US notwithstanding that the 6 Patents applications are still pending approval in the US or even if the 6 Patents applications are not approved subsequently. It will take approximately 3 to 7 years for the USPTO to process and approve a patent application. According to the legal opinion obtained by the Company, the US IP Legal Adviser does not know of any substantial legal obstacles to obtain approval for the 6 Patents which are still pending approval.

For the avoidance of doubt, in the event that the Patents pending approval are not subsequently granted, it will not adversely affect the operation of the System as the design can still be implemented. Reverse engineering by competitors will not materially affect the sales of the System in the absence of the core technologies protected by the approved Patents.

The Patents relate to certain technological know-how applied in a computerized betting terminal system (i.e. the System) in relation to the operation of multi-gambling games. The System allows participants to play multiple and different live table games (i.e. baccarat, roulette and sicbo) with live-dealers via remote terminals (i.e. gambling machines) and place bets at the same time. It is a sophisticated electronic platform which allows participants to wager at the privacy of a betting terminal.

The System is connected to one or more live tables being operated by human dealers at one end and remote terminals at the other such that participants of games need not be physically present at dealer tables but can place bets at one of the remote terminals, which are located inside a casino but not at the same places as the live-dealer, linked to the System.

Under the System, one or more dealer tables are linked to the server and the remote terminals. The dealer table itself does not contain any special electronic component but is equipped with the accessories such as card decks required by the dealer. A live dealer deals cards on the dealer table. The game is broadcasted live to players at the remote terminals via a server. Card value will be automatically displayed on the remote terminals as well as the screen behind the dealer for public viewing. Remote terminals also display game statistics and betting results. Many terminals can be linked to a single dealer table.

As the Patents have not yet been put to commercial use in the US, the historical net profits attributable to the Patents for the last two financial years are not available.

Reference is also made to the announcement of the Company dated 1 November 2012 pursuant to Rule 13.09 of the Listing Rules (the “**PSI Announcement**”) relating to the injunction proceedings initiated by Shuffle Master Asia Limited (“**Shuffle Master**”) against the Company, its subsidiaries (i) LT Game Limited (“**LT Game**”) (a non-wholly owned subsidiary of the Company and an entity which owns the global (including Macau) rights to use, distribute and maintain the material and equipment that uses the invention object of the Macau Invention Patent No. I/000150 (“**Macau Patent I/150**”)) and the Macau Invention Patent No. I/000380 (“**Macau Patent I/380**”), and (ii) Natural Noble Limited (“**Natural Noble**”) (a wholly-owned subsidiary of the Company and the owner of the Macau Patent I/380) and Mr. Jay Chun (the Chairman and an executive Director of the Company, the inventor and registered owner of the Macau Patent I/150) (collectively, the “**Respondents**”, each a “**Respondent**”) (the “**Macau Injunction**”). The Macau Injunction seeks orders from the Macau Judicial Base Court to restrain, amongst others, the Respondents from, amongst other things, (i) making any representation or expression on any monopoly right over all and any solutions allowing players to play remotely in real time a plurality of live games; and (ii) unfairly competing with Shuffle Master in any manner, amongst other ancillary petitions.

As disclosed in the PSI Announcement, the Company and the Directors strongly refute the Macau Injunction, the claim, and the allegations made therein, and consider them to be without merit. The Company and the Directors further believe that the Macau Injunction was initiated as one more phase of a litigation tactic to pressurize the Group, as a result of the infringement proceedings originally filed by Mr. Jay Chun, LT Game and Natural Noble, against, inter alia, Shuffle Master, for infringements of Macau Patent I/380 and Macau Patent I/150.

In October 2012, the Macau Intermediate Court (“*Tribunal de Segunda Instância*”) ruled on the criminal infringement proceedings commenced following the patents infringement by Shuffle Master at the 2009 “G2E Asia” exhibition, pursuant to which it considered that there were sufficient evidence and grounds indicating that the technological characteristics of the electronic gaming machines displayed by Shuffle Master are the same as those key technological characteristics of the electronic gaming machines installed with Macau Patent I/150 and ruled that the court of trial should take criminal prosecution against Shuffle Master according to section 289 of the current “Industrial Property Code”.

On 4 May 2012, Mr. Jay Chun, Natural Noble and LT Game filed an interim measure application in Macau against, inter alia, Shuffle Master on 4 May 2012 to prevent and curb the practice of any violation acts of the Macau Patents I/150 and I/380 during the 2012 “G2E Asia” exhibition held in the Convention and Exhibition Center of The Venetian Macau-Resort-Hotel. During the 2012 “G2E Asia” exhibition, Macau Customs enforced the injunction order granted by the Macau Court and sealed the suspected offending products displayed by Shuffle Master during the exhibition to prohibit Shuffle Master from displaying the suspected offending products. Mr. Jay Chun, Natural Noble and LT Game further filed an infringement proceedings against, inter alia, Shuffle Master, for patent infringement after the said injunction application. As at the date of this announcement, Shuffle Master has filed a statement of defence to the infringement proceedings and further requested the declaration of the invalidation of both Macau Patents I/150 and I/380 as well as to have the Company joined as a party in the lawsuit.

The Patents are patents in the US which are not related to or part of those Macau patents subject to the lawsuits in Macau. According to the US IP Legal Adviser, any ruling and/or decision in a foreign jurisdiction (e.g. Macau) on patents would not impact the patent rights of the Vendor or his assignee (i.e. the Group upon completion of the Acquisition) in the US. Patent law is territorial and according to jurisdiction. In view of the aforesaid, the Company considers that the Macau Injunction will not affect the Patents in any ways as contemplated under the Acquisition.

REASONS FOR THE ACQUISITION

The Company has installed a computerized system in other casinos in relation to the operation of a single gambling game (the “**Single Game System**”) since 2006. Such Single Game System contributed to the Group’s turnover in Macau of approximately HK\$2,000,000 (approximately 2.1% to total turnover), HK\$16,000,000 (approximately 12.3% to total turnover) and HK\$46,000,000 (approximately 21.0% to total turnover) respectively for the 3 years ended 31 December 2006, 2007 and 2008. In addition, the Company received positive response from many casino operators who inspected and played the game with the Single Game System.

However, with limited financial resources for the research and development of the Single Game System, the Company had no capacity to develop other computerized game systems, which requires sufficient financial support and takes a certain period of time. In light of the above, the Vendor has devoted his own financial resources and manpower to develop the System since 2005 and completed the same in 2006. In view of the changing technology and market demand, the Vendor further devoted his own financial resources to the upgrade and modification of the System subsequently.

The Vendor has licensed the use of the System to the Company at no cost since 2009 and the System has been installed in Casino Kam Pek Paradise in Macau. The System, replaced the Single Game System and contributed to the substantial growth of the Group’s turnover from approximately HK\$46,000,000 (approximately 21.0% to total turnover) for the year ended 31 December 2008 to approximately HK\$83,000,000 (approximately 25.5% to total turnover) for the year ended 31 December 2009, approximately HK\$89,000,000 (approximately 23.8% to total turnover) for the year ended 31 December 2010 and approximately HK\$140,000,000 (approximately 25.7% to total turnover) for the year ended 31 December 2011. In view of the growth potential of the System in Macau, the Group acquired the patent of the System in Macau from the Vendor in 2010 and began in 2011 to engage in the sale of the System to casinos in Macau, some of which are operated by international casino operators with casinos in the US. In view of the positive response of customers in Macau who expressed their interests in introducing the System to their US casinos and in order to further expand the business of the Group, the Company proposes to acquire the Patents in the US so that the Group can sell the System to the US market where the number of casinos, demand for gambling machines and the market for gambling industry are much larger than in Macau.

The Company is of the view that the following salient features of the System will allow the Group to open up the US market successfully:

- (a) in view of the high labour cost in the US, the System can achieve cost saving in labour, increase the productivity of dealers and lower the number of dealer tables required as each traditional dealer table can only serve a limited number of players and all the calculation of betting results is done manually which is time consuming. However, with the System, a dealer table can serve hundreds of players at the same time with all the calculation of betting results done by the System automatically and efficiently;
- (b) the automatic and computerized features of the System can also reduce the risks of human errors and fraud. Based on the experience of the Company in using the System in Casino Kam Pek Paradise, which is managed by the Company, and other casinos in Macau for the past few years, other risks including hacking of the System are minimal;
- (c) it takes about 3 minutes for a player to play one single game at a traditional felt table because the live dealer needs to (i) serve and wait for all players to place bets before he/she can start the game; and (ii) manually calculate and pay the winning amount (in the form of physical chips) to players at the traditional felt table one by one whereas it only takes 1 minute on average for a player to play one single game on the Electronic Gaming Machine because the live dealer (i) doesn't have to serve a number of players but only needs to wait for the end of betting time then he/she can start the game; and (ii) all the calculation and payment of the winning amount to the players of the Electronic Gaming Machines (in the form of credit recorded in the Electronic Gaming Machines) will be done electronically and simultaneously. It is therefore likely to increase the overall number of bets made by each player. As such, a higher betting rate is expected as the automatic feature of the System reduces the time for placing one single bet and/or playing one single game which will increase the overall number of bet made by each player within the same fixed period of time, assuming the player has sufficient funds and is willing to bet; and
- (d) there is likely to be an increase in the gambling amount for each player as players could bet on different games with different gambling amount at the same time while playing with the same machine because the Electronic Gaming Machine offers a variety of choices of games including baccarat, roulette and sicbo. Players can choose to play different games on the same machine. Such flexibility and convenience provides an incentive for players to play different games at the same time. The betting amount is likely to increase accordingly.

Based on the aforesaid, the Directors (excluding the independent non-executive Directors, who will give their opinion based on the recommendation from the independent financial adviser) consider that the terms of the Acquisition are fair and reasonable and in the interests of the Shareholders as a whole.

INFORMATION ON THE GROUP

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

IMPLICATIONS OF THE LISTING RULES

As one or more of the applicable percentage ratios, where appropriate, calculated with reference to Rule 14.07 of the Listing Rules, exceed 100%, the Acquisition constitutes a very substantial acquisition for the Company under the Listing Rules and is therefore subject to the announcement, circular and shareholders' approval requirements under Chapter 14 of the Listing Rules. The Acquisition also falls within Rule 14.06(6)(a) of the Listing Rules but the Listing Committee of the Stock Exchange has agreed to grant a waiver to the Company from strict compliance with the aforesaid Listing Rule on the conditions that:

- (i) the information contained in the Circular in relation to the Acquisition should be enhanced to prospectus standard;
- (ii) the Company should perform due diligence on the Patents;
- (iii) the Circular should include a valuation of the Patents; and
- (iv) the Circular should clearly indicate whether any value had been ascribed to the six Patents that are still pending approval.

As at the date of this announcement, the Vendor, who is an executive Director, and his concert parties own approximately 10.14% of the issued Shares and is therefore a connected person of the Company under the Listing Rules. Accordingly, the Acquisition and the transactions contemplated under the Agreement also constitute a non-exempt connected transaction for the Company under Chapter 14A of the Listing Rules and are subject to approval by the Independent Shareholders at the SGM. The Vendor and his concert parties will abstain from voting at the SGM in respect of the resolutions approving the Acquisition and other transactions contemplated thereunder.

As Completion is conditional upon the satisfaction of a number of conditions precedent, the Acquisition may or may not proceed. Shareholders and potential investors should exercise caution when dealing in the Shares.

2. WHITEWASH WAIVER

As at the date of this announcement, the Vendor and his concert parties own approximately 10.14% of the shareholding in the Company. After the completion of the Capital Reorganisation and the issuance of the Consideration Shares to the Vendor, the Vendor and his concert parties will be interested in a total of 628,820,880 Shares, representing approximately 71.12% of the enlarged issued share capital of the Company (assuming no further Shares will be allotted and issued prior to the issue of the Consideration Shares). The Vendor will then have an obligation to make a mandatory

general offer for all the Shares not already owned or agreed to be acquired by the Vendor and parties acting in concert with him pursuant to Rule 26 of the Takeovers Code, unless the Whitewash Waiver is granted by the Executive. As a result, an application will be made by the Vendor to the Executive for the Whitewash Waiver. The Whitewash Waiver, if granted by the Executive, would be subject to, among other things, the approval of the Independent Shareholders taken by way of a poll at the SGM. The Vendor and his concert parties (i.e. Mr. Jay Chun and August Profit Investments Limited) will abstain from voting in respect of the resolutions approving the Acquisition, other transactions contemplated thereunder and the Whitewash Waiver at the SGM.

DEALINGS IN THE SHARES BY THE VENDOR AND PARTIES ACTING IN CONCERT WITH HIM

There has been no dealing in the Shares and other relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of the Company by the Vendor and parties acting in concert with him during the six month period immediately prior to the date of this announcement and up to the date of this announcement. As at the date of this announcement, other than the approximately 10.14% of the issued share capital of the Company owned by the Vendor and parties acting in concert with him (the details of which are set out under the section headed “CHANGES IN SHAREHOLDINGS STRUCTURE OF THE COMPANY” of this announcement) and transactions contemplated under the Agreement (to which the Vendor and/or his concert party is/are a party(ies)):-

- i. the Vendor and parties acting in concert with him did not hold, control or direct any other Shares, convertible securities, warrants or options of the Company, or any outstanding derivative in respect of relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of the Company;
- ii. with reference to Note 8 to Rule 22 of the Takeovers Code, there was no other arrangement (whether by way of option, indemnity or otherwise) in relation to the Vendor or the Shares which may be material to the Whitewash Waiver and the Acquisition;
- iii. there was no other agreement or arrangement to which any of the Vendor and parties acting in concert with him was a party which related to the circumstances in which it may or may not invoke or seek to invoke a pre-condition or a condition to the Whitewash Waiver and/or the Acquisition;
- iv. the Vendor and parties acting in concert with him had not received any irrevocable commitment to accept or reject the Acquisition or to vote in favour of or against the resolutions on the Acquisition, the Whitewash Waiver and the transactions contemplated under the Agreement (including the allotment and issue of the Consideration Shares) to be proposed at the SGM; and
- v. the Vendor and parties acting in concert with him had not borrowed or lent any relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of the Company.

3. PROPOSED CAPITAL REORGANISATION AND CHANGE OF BOARD LOT SIZE

The Directors propose to reorganise the share capital of the Company in the following manner:

- (a) the Share Consolidation pursuant to which every 10 issued Existing Shares will be consolidated into 1 Consolidated Share with nominal value of HK\$1.00 each;
- (b) the Capital Reduction pursuant to which the nominal value of each of the issued Consolidated Shares will be reduced from HK\$1.00 to HK\$0.001 by canceling the paid-up capital of the Company to the extent of HK\$0.999 on each of the issued Consolidated Shares;
- (c) the Share Premium Reduction pursuant to which such amount as the Directors think fit standing to the credit of the share premium account of the Company be reduced;
- (d) the credit arising from the Capital Reduction and the Share Premium Reduction be transferred to the contributed surplus account of the Company within the meaning of the Companies Act;
- (e) the granting of the Authorisation to the Directors to apply the entire amount standing to the credit of the contributed surplus account of the Company within the meaning of the Companies Act in such manner as they consider appropriate, including but not limited to setting off against the accumulated losses of the Company, subject to compliance with the Companies Act and the bye-laws of the Company; and
- (f) the Share Subdivision pursuant to which each authorised but unissued Existing Share of HK\$0.10 will be subdivided into 100 New Shares of HK\$0.001 each.

As at the date of this announcement, the authorised share capital of the Company is HK\$1,000,000,000 divided into 10,000,000,000 Shares of HK\$0.10 each, of which 2,841,444,778 Existing Shares have been issued and fully paid or credited as fully paid. On the assumption that there is no change in the issued share capital of the Company from the date of this announcement up to the date on which the Capital Reorganisation becomes effective, a credit of approximately HK\$283.86 million will arise from the Capital Reduction.

The Authorisation will authorise the Directors to apply the amount standing to the credit of the contributed surplus account of the Company within the meaning of the Companies Act in such manner as they consider appropriate, including but not limited to setting off against the accumulated losses of the Company subject to compliance with the Companies Act and the bye-laws of the Company.

As advised by the Company's legal advisers as to the laws of Bermuda, under Bermuda law, the amount standing to the credit of the contributed surplus account of the Company within the meaning of the Companies Act is a distributable reserve and the Company may apply the contributed surplus in any manner not prohibited by the Companies Act and the bye-laws of the Company and subject to compliance with the Companies Act and the bye-laws of the Company.

Effects of the Capital Reorganisation

The issued New Shares will rank pari passu with each other in all respects, including the rights as to dividends, voting and return of capital. Any fractional entitlements to the New Shares will be aggregated, sold and retained for the benefit of the Company. Other than the expenses incurred in relation to the Capital Reorganisation, its implementation will not in itself, alter the underlying assets, business operations, management or financial position of the Group or the proportionate interests or rights of the Shareholders. The Capital Reorganisation itself will not have any material adverse effect on the financial position of the Group.

Set out below is a table summarising the effects of the Capital Reorganisation on the share capital structure the Company as at the date of this announcement and immediately after the Capital Reorganisation becomes effective (assuming no change in the issued share capital of the Company from the date of this announcement up to the date on which the Capital Reorganisation becomes effective):

	As at the date of this announcement	Immediately after the Capital Reorganisation becomes effective
Nominal value of Shares	HK\$0.10	HK\$0.001
Authorised share capital	HK\$1,000,000,000.00 divided into 10,000,000,000 Existing Shares	HK\$1,000,000,000.000 divided into 1,000,000,000,000 New Shares
Issued and fully paid up share capital or credited as fully paid up	HK\$284,144,477.80 divided into 2,841,444,778 Existing Shares	HK\$284,144.477 divided into 284,144,477 New Shares
Unissued share capital	HK\$715,855,522.20 divided into 7,158,555,222 Existing Shares	HK\$999,715,855.523 divided into 999,715,855,523 New Shares

Conditions

The Capital Reorganisation is conditional upon:

- (a) the passing of the necessary special resolution(s) by the Shareholders at the SGM to approve the Capital Reorganisation involving the Share Consolidation, the Capital Reduction, the Share Premium Reduction and the Share Subdivision;
- (b) compliance with the relevant procedures and requirements under Bermuda laws and the Listing Rules to effect the Capital Reorganisation; and

(c) the Stock Exchange granting the listing of, and permission to deal in, the New Shares arising from the Capital Reorganisation.

The Capital Reorganisation is not subject to any approval or consent from the Bermuda court under the laws of Bermuda. The Capital Reorganisation will be completed upon fulfilling all the conditions of the Capital Reorganisation.

Reasons for the Capital Reorganisation and impact on the Company and the Shareholders

The Capital Reorganisation involves the Share Consolidation, the Capital Reduction, the Share Premium Reduction and the Share Subdivision. The nominal value of each of the Existing Shares is HK\$0.10. Under the laws of Bermuda, a company may not issue shares at a discount to the nominal value of such shares. In view that the market price of the Existing Shares has been less than HK\$0.10 since early June 2011, the Directors propose the Share Consolidation in order to ensure compliance with Rule 13.64 of the Listing Rules as it is expected that this would bring about a corresponding upward adjustment in the trading price of the New Shares. The Capital Reduction will reduce the nominal value of the Existing Shares so that the Company will have a greater flexibility in the pricing for any issue of New Shares in the future.

The Company had accumulated losses of HK\$751,576,389.29 as at 31 December 2011. The amount of credit arising from the Capital Reduction and the Share Premium Reduction will be applied to set off against the Company's accumulated losses. The Directors consider that it will facilitate the restoration of the Company's ability to declare dividends in future if retained earnings are available, which in turn will facilitate the Company's negotiation with potential investors in respect of fund raising exercises through the issue of New Shares in future. The Directors (including the independent non-executive Directors) are of the view that the Capital Reorganisation will not have a material effect on the financial position of the Group. Other than the expenses to be incurred in relation to the Capital Reorganisation, the implementation thereof will not alter the underlying assets, business operations, management or financial position of the Company or the interests or rights of the Shareholders.

As at the date of this announcement, the Company has issued 3 tranches of Convertible Debentures due in 2014 with outstanding principal amount of HK\$24,000,000, US\$1,000,000 and HK\$57,000,000, respectively. The holders of the Convertible Debentures are independent third parties of the Company and not connected persons of the Company. The conversion price of the Convertible Debentures shall be the higher of (i) the average closing price of the Shares of any three consecutive trading days (as selected by the debenture holder) within the sixty trading days immediately prior to the conversion date (i.e. three business days immediately following the date when a debenture holder lodges a conversion notice to the Company) and (ii) the nominal value for the time being of the Shares. According to the terms and conditions of the Convertible Debentures, no conversion rights may be exercised by a debenture holder if and to the extent that following such exercise, that debenture holder and parties acting in concert with it, taken together, will, directly or indirectly, control or be interested in more than 5% of the share capital of the Company then issued and outstanding.

In view that the nominal value of the Existing Shares is HK\$0.10 and the closing price of the Existing Shares as at the Last Trading Date is HK\$0.078, i.e. less than HK\$0.10, the conversion price of the Convertible Debentures shall be HK\$0.10 and the number of Existing Shares which may be issued upon conversion of the Convertible Debentures in full will be 887,500,000. Immediately after completion of the Share Consolidation, the nominal value of the Consolidated Shares (i.e. the minimum conversion price of the Convertible Debentures) will be HK\$1.00. Upon completion of the Capital Reduction, the nominal value of the New Shares will be changed to HK\$0.001 and therefore, theoretically, the Convertible Debentures can be converted at a price less than HK\$1.00 and the number of New Shares which may be issued by the Company upon conversion of the Convertible Debentures will be higher.

Notwithstanding the potential dilution effect of the Capital Reorganisation, the Directors, after considering the aforesaid benefits of the Capital Reorganisation, consider that the Capital Reorganisation are in the interests of the Company and the Shareholders as a whole.

Application for listing of New Shares

Application will be made to the Stock Exchange for granting the listing of, and permission to deal in, the New Shares arising from the Capital Reorganisation.

All necessary arrangements will be made for the New Shares to be admitted into CCASS. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

Change of board lot size

Upon the Capital Reorganisation becoming effective, the board lot size of the Shares for trading on the Stock Exchange will be changed from 20,000 Existing Shares to 4,000 New Shares.

Arrangement for matching service for odd lots

In order to facilitate the trading of odd lots (if any) of the New Shares arising from the Capital Reorganisation and change of board lot size, the Company will procure a designated broker to provide matching services for the sale and purchase of odd lots of the New Shares at the relevant market price per New Share for Shareholders on a best effort basis, to those Shareholders who wish to acquire odd lots of the New Shares to make up a full board lot, or to dispose of their holding of odd lots of the New Shares. Holders of odd lots of the New Shares should note that successful matching of the sale and purchase of odd lots of the New Shares is not guaranteed. Any Shareholder, who is in any doubt about the odd-lot matching arrangement, is recommended to consult his/her/its own professional advisers. Timetable and further details in respect of the odd lots trading arrangement and colour of the New Share Certificates will be set out in the Circular.

Free exchange of Share certificates for the New Shares and trading arrangements

Subject to the passing of the resolution approving the Capital Reorganisation, Shareholders may submit their share certificates for Existing Shares held by them to the Company's branch share registrar in Hong Kong at Tricor Secretaries Limited of 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong in exchange for the new share certificates for New Shares at the expense of the Company. Thereafter, the share certificates for the Existing Shares will be accepted for exchange only on payment of a fee of HK\$2.50 (or such higher amount as may from time to time be specified by the Stock Exchange) for each new share certificate issued for the New Shares or each share certificate for the Existing Shares submitted for cancellation, whichever the number of certificates issued or cancelled is higher. Nevertheless, the share certificates for the Existing Shares will continue to be good evidence of legal title and may be exchanged for new share certificates for the New Shares at any time but will not be accepted for trading, settlement and registration purpose upon completion of the Capital Reorganisation. Details of relevant share certificates exchange arrangements will be provided in the Circular and further announcement.

Expected timetable for Capital Reorganisation, free exchange of share certificates, change in board lot size and odd-lot matching service

The expected timetable for implementation of the Capital Reorganisation, free exchange of share certificates, change in board lot size, odd-lot matching service and the associated trading arrangements will be published and announced to the Shareholders by way of further announcement(s) in due course.

Adjustment to outstanding Share Options

As at the date of this announcement, the number of Shares which may be issued pursuant to the Share Options granted is 66,000,000. Corresponding adjustments will be made on the basis that the proportion of the issued ordinary share capital of the Company to which a grantee of Share Options is entitled shall remain the same before and after such adjustments in accordance with the rules of the share option scheme and the supplementary guidance issued by the Stock Exchange. Further announcement will be made by the Company as to the details of the appropriate adjustment.

WARNING

Shareholders and potential investors should also be aware and take note that, the Capital Reorganisation involving the Share Consolidation, Capital Reduction, the Share Premium Reduction and the Share Subdivision are conditional upon satisfaction of the conditions precedent set out in the paragraph headed "Conditions" in the section headed "Proposed Capital Reorganisation". Therefore, the Capital Reorganisation may or may not proceed.

Shareholders and potential investors are advised to exercise caution when dealing in the Shares, and if they are in any doubt about their position, they should consult their professional advisers.

CHANGES IN SHAREHOLDING STRUCTURE OF THE COMPANY

As at the date of this announcement, except for the outstanding 66,000,000 Share Options and 3 tranches of Convertible Debentures due in 2014 with outstanding principal amount of HK\$24,000,000, US\$1,000,000 and HK\$57,000,000, respectively, the Company has no outstanding derivatives, options, warrants, conversion rights or other similar rights which are convertible or exchangeable into Shares. The following table sets out the shareholding structure of the Company (i) as at the date of this announcement; (ii) immediately after the completion of the Capital Reorganisation; (iii) immediately after the completion of the Capital Reorganisation and the issue of the Consideration Shares; and (iv) immediately after the completion of the Capital Reorganisation, the issue of the Consideration Shares, and assuming the exercise of all the outstanding Share Options and conversion of the Convertible Debentures in full (*Note 1*) (in each case assuming that there will be no further change in the issued share capital of the Company):

	As at the date of this announcement		Immediately after the completion of the Capital Reorganisation		Immediately after the completion of the Capital Reorganisation and the issue of the Consideration Shares		(for illustrative purpose only) Immediately after the completion of the Capital Reorganisation, the issue of the Consideration Shares, and assuming the exercise of all the outstanding Share Options and conversion of the Convertible Debentures in full (<i>Note 1</i>)	
	<i>No. of Existing Shares</i>	<i>Appro. %</i>	<i>No. of New Shares</i>	<i>Appro. %</i>	<i>No. of New Shares</i>	<i>Appro. %</i>	<i>No. of New Shares</i>	<i>Appro. %</i>
The Vendor and his concert parties (<i>Note 2</i>)	288,208,800	10.14	28,820,880	10.14	628,820,880	71.12	628,820,880	62.60
Best Top Offshore Limited (<i>Note 3</i>)	260,975,800	9.18	26,097,580	9.18	26,097,580	2.95	26,097,580	2.60
Public Shareholders	<u>2,292,260,178</u>	<u>80.68</u>	<u>229,226,017</u>	<u>80.68</u>	<u>229,226,017</u>	<u>25.93</u>	<u>349,608,068</u>	<u>34.80</u>
Total	<u><u>2,841,444,778</u></u>	<u><u>100.00</u></u>	<u><u>284,144,477</u></u>	<u><u>100.00</u></u>	<u><u>884,144,477</u></u>	<u><u>100.00</u></u>	<u><u>1,004,526,528</u></u>	<u><u>100.00</u></u>

Notes:

- This column shows the shareholding structure of the Company immediately after the completion of the Capital Reorganisation, the issue of the Consideration Shares, and assuming the exercise of all the outstanding Share Options and conversion of the Convertible Debentures in full at the assumed conversion price of HK\$0.78 per conversion share. Since the conversion price of the Convertible Debentures shall be the higher of (i) the average closing price of the Shares of any three consecutive trading days (as selected by the holder of the Convertible Debentures) within the sixty trading days immediately prior to the conversion date and (ii) the nominal value for the time being of the Shares, the theoretical closing price of HK\$0.78 per New Share has been adopted as the conversion price of the Convertible Debentures which however does not mean that the Convertible Debentures will be/can be converted at this price after completion of the Capital Reorganisation. As such, this scenario is set out for illustrative purpose only. The number of New Shares to be issued under the outstanding Share Options has been adjusted in view of the Capital Reorganisation, such adjustment is subject to the review of independent financial adviser/auditors.
- Among the 288,208,800 Shares owned by the Vendor, 286,967,200 Shares are held by August Profit Investments Limited, a company wholly owned by the Vendor.

3. Best Top Offshore Limited is a company wholly owned by Mr. Shan Shiyong, alias, Sin Sai Yung, an executive Director.

PROFIT ALERT ANNOUNCEMENT

Pursuant to Rule 13.09(1) of the Listing Rules, the Company announced a profit alert statement (the “**Statement**”) on 12 October 2012 that based on the then information available to the Group, it was expected that the Group would continue to record a profit in the second half of 2012, which would result in a significant increase in profit for the year ending 31 December 2012 as compared to the corresponding period in 2011. The expected improvement in the financial results of the Group is mainly attributable to (i) the continuous strong performance in the gaming business of the Group; and (ii) the recognition of a one-off gain on a disposal of a subsidiary during the first half of 2012.

The Statement constitutes a profit forecast under Rule 10 of the Takeovers Code. Pursuant to Rule 10.3(d) of the Takeovers Code, except with the consent of the Executive, any profit forecast which has been made before the commencement of the offer period (which in this case is 2 November 2012) must be examined, repeated and reported on in the Circular. As stated in the Statement, the audited results of the Group for the year ending 31 December 2012 are expected to be announced in March 2013 and accordingly, the related audited financial information of the Group for the year ending 31 December 2012 will not be available until March 2013.

Pursuant to Rule 10 of the Takeovers Code, financial advisers must satisfy themselves that the forecast has been prepared by the directors with due care and consideration, and auditors or reporting accountants must satisfy themselves that the forecast, so far as the accounting policies and calculations are concerned, has been properly compiled on the basis of the assumptions made.

In compliance with the requirement under Rule 10 of the Takeovers Code, the forecast has been reported on in accordance with the Takeovers Code and the Listing Rules and the requisite reports from the Auditor and the Financial Adviser have been lodged with the Executive and the Stock Exchange, which are attached as appendices to this announcement.

The Auditor has reviewed the accounting policies and calculations adopted in arriving at the Statement and is of the opinion that, the Statement, so far as the accounting policies and calculations are concerned, has been properly compiled on the basis of the assumptions made by the Directors and was prepared on the basis which are consistent in all material aspects with the accounting policies adopted by the Group in its audited consolidated financial statements for the year ended 31 December 2011.

The Financial Adviser has reviewed the Statement and discussed with the Directors and the management of the Company and Auditors, including the basis of the accounting policy adopted by the Directors in preparing the Statement, and is of the opinion that the Statement has been prepared by the Directors with due care and consideration and objectivity, and on a reasonable basis.

APPOINTMENT OF INDEPENDENT FINANCIAL ADVISER

An independent board committee comprising all three independent non-executive Directors, namely Mr. Frank Hu, Mr. Li John Zongyang and Mr. Kuan Hin Meng, has been established to advise the Independent Shareholders in connection with the Acquisition and the Whitewash Waiver. The Company, with the approval of the Independent Board Committee, has appointed Nuada Limited as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in relation to the Acquisition and the Whitewash Waiver in accordance with the Listing Rules and the Takeovers Code.

EXPECTED DATE OF DESPATCH OF THE CIRCULAR AND APPLICATION FOR WAIVER FROM STRICT COMPLIANCE WITH RULE 8.2 OF THE TAKEOVERS CODE

Pursuant to Rule 8.2 of the Takeovers Code, a circular in respect of the Whitewash Waiver is required to be despatched to the Shareholders within 21 days of the date of this announcement, i.e. being not later than 28 January 2013.

In view of the time required by the Company to prepare the information required to be included in the Circular which include but not limited to details of the Acquisition and other information as required under the Listing Rules which include but not limited to the unaudited pro forma financial statement of the enlarged Group, the Company will apply to the Executive for a waiver from strict compliance with Rule 8.2 of the Takeovers Code to extend the expected despatch date of the Circular to on or before 28 February 2013.

The Circular will contain, among other things, details of the Acquisition, the Whitewash Waiver and the Capital Reorganisation, the recommendations of the Independent Board Committee, a letter of advice from the independent financial adviser to the Independent Board Committee and the Independent Shareholders and a notice convening the SGM.

RESUMPTION OF TRADING

Trading in the Shares on the Stock Exchange was suspended with effect from 9:00 a.m. on 5 November 2012 at the request of the Company pending the release of this announcement. An application has been made to the Stock Exchange for the resumption of trading in the Shares with effect from 9:00 a.m. on 8 January 2013.

DEFINITIONS

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

“Acquisition”	the acquisition of the Patents by the Purchaser from the Vendor subject to the terms and conditions of the Agreement
“acting in concert”	has the meaning ascribed to it under the Takeovers Code
“Agreement”	the sale and purchase agreement dated 2 November 2012 (as supplemented by a supplemental agreement dated 7 January 2013) entered into between Mr. Jay Chun as the Vendor and Solution Champion Limited as the Purchaser for the Acquisition
“associate(s)”	has the meaning ascribed to it under the Listing Rules
“Authorisation”	the proposed authorisation to the Directors to apply the entire amount standing to the credit of the contributed surplus account of the Company within the meaning of the Companies Act in such manner as they consider appropriate, including but not limited to setting off against the accumulated losses of the Company, subject to compliance with the Companies Act and the bye-laws of the Company
“Board”	the board of Directors
“Business Day”	a day on which banks are generally open for business in Hong Kong, except a Saturday and a Sunday or a day on which a tropical cyclone warning signal no. 8 or above or a “black” rainstorm warning signal is hoisted in Hong Kong at any time between 9:00 a.m. and 5:00 p.m.
“Capital Reduction”	the proposed reduction of the nominal value of each of the issued Consolidated Shares from HK\$1.00 to HK\$0.001 by canceling HK\$0.999 paid up capital on each of the issued Consolidated Shares
“Capital Reorganisation”	the Share Consolidation, the Capital Reduction, the Share Premium Reduction and the Share Subdivision
“CCASS”	the Central Clearing and Settlement System established and operated by Hong Kong Securities Clearing Company Limited

“Circular”	a circular of the Company containing, among other things, details of the Acquisition, the Whitewash Waiver and the Capital Reorganisation, the recommendations of the Independent Board Committee, a letter of advice from the independent financial adviser to the Independent Board Committee and the Independent Shareholders and a notice convening the SGM, to be sent to the Shareholders
“Companies Act”	the Companies Act 1981 of Bermuda, as amended from time to time
“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)
“Completion”	completion of the Acquisition contemplated under the Agreement
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Consideration Shares”	600,000,000 New Shares in the share capital of the Company to be allotted and issued at HK\$0.80 each, credited as fully paid, by the Company to the Vendor, as part of the consideration for the Acquisition, upon Completion
“Consolidated Shares”	ordinary shares of HK\$1.00 each in the issued share capital of the Company immediately following the Share Consolidation but prior to the Capital Reduction
“Convertible Debentures”	the convertible debentures due in 2014 issued by the Company with outstanding principal amount of HK\$24,000,000, US\$1,000,000 and HK\$57,000,000, respectively
“Directors”	directors of the Company
“Executive”	the Executive Director of the Corporate Finance Division of the SFC or any delegate of the Executive Director
“Existing Share(s)”	existing ordinary share(s) of HK\$0.10 each in the share capital of the Company
“Group”	the Company and its subsidiaries
“Hong Kong”	Hong Kong Special Administrative Region of the People’s Republic of China
“Independent Board Committee”	the independent committee of the Board comprising all independent non-executive Directors

“Independent Shareholders”	the Shareholders, other than Jay Chun, August Profit Investments Limited and their respective concert parties and any parties involved or interested in the Acquisition and the Whitewash Waiver
“Last Trading Day”	2 November 2012, being the last trading day of the Shares prior to the suspension of trading in the Shares pending the publication of this announcement
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Long Stop Date”	31 March 2013 or such other date as the Vendor and the Purchaser may agree in writing
“Macau”	Macau Special Administrative Region of the People’s Republic of China
“New Share(s)”	ordinary share(s) of HK\$0.001 each in the share capital of the Company immediately upon the Capital Reorganisation becoming effective
“Patents”	5 approved patents and 6 patents applications pending approval in the US in relation to a betting terminal system, which are beneficially owned by and stand or are proceeding in the name of the Vendor, including any continuations, continuations in part, divisions, reissues, re-examinations, extensions, substitutions thereof, details of which are set out in the section headed “Information on the Patents” of this announcement
“Promissory Note”	promissory note in the principal amount of HK\$200,000,000 to be issued by the Company to the Vendor (or to his nominee (which is a special purpose vehicle wholly owned by the Vendor for the purpose of holding the Promissory Note) as he may direct) as part of the consideration of the Acquisition
“Purchaser”	Solution Champion Limited, a wholly-owned subsidiary of the Company
“SFC”	the Securities and Futures Commission of Hong Kong
“SGM”	the special general meeting of the Company to be convened to approve the Agreement and the transactions contemplated thereunder, the Whitewash Waiver and the Capital Reorganisation
“Share(s)”	the Consolidated Shares, the Existing Shares or the New Shares, as the case may be
“Share Options”	share options granted under the share option scheme of the Company adopted on 30 July 2007

“Share Consolidation”	the proposed consolidation of every 10 issued Existing Shares into 1 Consolidated Share
“Share Premium Reduction”	the proposed reduction of such amount as the Directors think fit standing to the credit of the share premium account of the Company
“Share Subdivision”	the proposed subdivision of each authorized but unissued Existing Share of HK\$0.10 into 100 New Shares of HK\$0.001 each
“Shareholder(s)”	holder(s) of the Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Takeovers Code”	the Hong Kong Code on Takeovers and Mergers
“US”	the United States of America
“Vendor”	Mr. Jay Chun, being an executive Director and a Shareholder
“Whitewash Waiver”	a waiver from the Executive pursuant to Note 1 on Dispensations from Rule 26 of the Takeovers Code to waive the obligation of Vendor to make a mandatory offer for all the Shares not already owned or agreed to be acquired by the Vendor and parties acting in concert with him under Rule 26 of the Takeovers Code as a result of the issue of the Consideration Shares
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“%”	per cent.

By the Order of the Board
Paradise Entertainment Limited
Stella Ho
Company Secretary

Hong Kong, 7 January 2013

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. Frank Hu, Mr. Li John Zongyang and Mr. Kuan Hin Meng.

The Directors jointly and severally accept full responsibility for the accuracy of the information contained in this announcement (other than those relating to the Vendor) and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in this announcement have been arrived at after due and careful consideration and there are no other facts not contained in this announcement, the omission of which would make any statement in this announcement misleading.

The Vendor accepts full responsibility for the accuracy of the information contained in this announcement (other than those relating to the Group) and confirm, having made all reasonable enquiries, that to the best of his knowledge, opinions expressed in this announcement have been arrived at after due and careful consideration and there are no other facts not contained in this announcement, the omission of which would make any statement in this announcement misleading.

** For identification purpose only*

The text of each of the letter from PAN-CHINA (H.K.) CPA Limited to the Directors confirming it has reviewed the arithmetical accuracy of the discounted cash flow forecast for the Valuation and the letter from Proton Capital Limited confirming that they are satisfied that the forecast has been made by the Directors with due care, consideration and objectivity and on a reasonable basis both dated 7 January 2013, for the purpose of, among other things, inclusion in this announcement are each reproduced below in appendices I and II respectively:

APPENDIX I – LETTER FROM PAN-CHINA (H.K.) CPA LIMITED

7 January 2013

The Board of Directors,
Paradise Entertainment Limited,
Unit C, 19/F,
Entertainment Building,
30 Queen’s Road Central,
Hong Kong

Dear Sirs,

LETTER OF COMFORT

We have examined the accounting policies adopted and calculations of the underlying profit forecast (the “Underlying Forecast”) to the business valuation dated 7 January 2013 prepared by Ample Appraisal Limited in respect of the valuation on certain patents (the “Patents”). The Underlying Forecast is regarded by The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) and the Securities and Futures Commission as a profit forecast under Rule 14.61 of The Rules Governing the Listing of Securities on the Stock Exchange (the “Listing Rules”) and Rule 11.1(a) of the Code on Takeovers and Mergers (the “Takeovers Code”), respectively.

Responsibilities

The directors of the Company (the “Directors”) are solely responsible for the preparation of the Underlying Forecast including the assumptions, for the purpose of business valuation of the Patents based on present value method. The Underlying Forecast has been prepared using a set of assumptions (the “Assumptions”) that include hypothetical assumptions about future events and management’s actions that are not necessarily expected to occur. Even if the events anticipated occur, actual results are still likely to be different from the Underlying Forecast and the variation may be material. The Directors are responsible for the reasonableness and validity of the Assumptions.

It is our responsibility to form an opinion, based on our work on the Underlying Forecast and to report our opinion solely to you, as a body, solely for the purpose of reporting under Rule 14.62(2) of the Listing Rules and Rule 10 of the Takeovers Code and for no other purpose. We have not reviewed, considered or conducted any work on the reasonableness and the validity of the Assumptions and express no opinion on the reasonableness and validity of the Assumptions on which the Underlying Forecast is based. We accept no responsibility to any other person in respect of, arising out of or in connection with our work.

Summary of our work

We conducted our work in accordance with the Hong Kong Standard on Assurance Engagements 3000 “Assurance Engagements Other Than Audits or Review of Historical Financial Information” with reference to the procedures under Auditing Guideline 3.341 “Accountants’ Report on Profit Forecasts”, issued by the Hong Kong Institute of Certified Public Accountants. We examined the consistency of accounting policies adopted and the arithmetical accuracy of the Underlying Forecast. Our work has been undertaken solely to assist the Directors in evaluating whether the Underlying Forecast, so far as the accounting policies and calculations are concerned, has been properly compiled in accordance with the Assumptions made by the Directors. Our work does not constitute any valuation of the Patents.

Opinion

In our opinion, so far as the accounting policies and calculations are concerned, the Underlying Forecast has been properly compiled in accordance with the Assumptions made by the Directors as set out in the announcement of the Company dated 7 January 2013 and is presented on a basis consistent in all material aspects with the accounting policies currently adopted by the Company.

Yours faithfully,

For and on behalf of

Pan-China (H.K.) CPA Limited

Chan Kin Wai

Director

APPENDIX II – LETTER FROM PROTON CAPITAL LIMITED

7 January 2013

The Directors

Paradise Entertainment Limited

Unit C, 19/F,

Entertainment Building,

30 Queen's Road Central,

Hong Kong

Dear Sirs,

We refer to the valuation report dated 7 January 2013 (“**Valuation Report**”) prepared by Ample Appraisal Limited (the “**Valuer**”) in relation to the valuation of the Patents (“**Valuation**”). Unless the context requires otherwise, terms used in this letter have the same meanings as defined in the announcement of Paradise Entertainment Limited dated 7 January 2013.

According to the Valuation Report, the Valuation has been arrived at using discounted cash flow methodology based on the forecast of the future income prepared by the Directors (the “**Underlying Forecast**”). The Projection is regarded as a profit forecast under Rule 11.1(a) of the Takeovers Code and Rule 14.61 of the Listing Rules and is required to be reported on (as set out below) by us pursuant to Rule 10 of the Takeovers Code and Rule 14.62(3) of the Listing Rules. The Underlying Forecast has been compiled by and is the responsibility of the Directors solely.

Furthermore, our report on the qualifications and experience of the Valuer to prepare the Valuation Report is required under Rule 11.1(b) of the Takeovers Code and this letter also constitutes such report from us.

We have reviewed the Valuation Report and discussed with the directors and the management of the Company and the Valuer regarding the Valuation Report, including, in particular, the valuation approach, and bases and assumptions. We have also considered, and relied upon, the letter dated 7 January 2013 addressed to yourselves from Pan-China (H.K.) CPA Limited regarding the accounting policies adopted and the arithmetical accuracy of the Underlying Forecast which stated that the Underlying Forecast, so far as the accounting policies and calculations are concerned, has been properly compiled in accordance with the Assumptions made by the Directors.

With regard to the qualifications and experience of the Valuer, based on the review work conducted by us, which include reasonableness checks to assess the relevant experience and expertise of the Valuer, review and discussion with the Valuer of the qualifications, experience, expertise and relevant track records of the Valuer, we are satisfied that the Valuer has the qualifications and experience to compile the Valuation Report.

On the basis of the foregoing, we are satisfied that the Underlying Forecast including the bases and assumptions, for which the Directors are solely responsible, have been made after due care and consideration and objectivity, and on a reasonable basis.

Yours faithfully,

For and on behalf of

Proton Capital Limited

Josephine Lau

Director – Corporate Finance

APPENDIX III –VALUATION REPORT FROM AMPLE APPRAISAL LIMITED

7 January 2013

Paradise Entertainment Limited
Unit C, 19th Floor
Entertainment Building
30 Queen’s Road Central
Hong Kong

Attn: The Board of Directors

Dear Sirs,

Re: The Fair Value of the Patents (as Defined Herein)

In accordance with your instructions for us to carry out an appraisal of the fair value of the five patents granted by the United States Patent and Trademark Office (hereinafter referred to as “USPTO”) numbered 7914368, 7918723, 7922587, 8182321 and 8210920 beneficially owned by and stand or are proceeding in the name of Mr Jay Chun, together with six patents in continuations, continuations in part or division pending approval (hereinafter collectively referred to as the “Patents”), we confirm that we have made relevant enquiries and obtained such further information as we consider necessary for the purpose of providing you with our opinion of the fair value of the Patents as at 31 December 2012 (hereinafter referred to as the “Valuation Date”).

This report states the purpose of appraisal and scope of our works, identifies the Patents appraised, describes the basis and methodology of our appraisal, investigation and analysis, assumptions and limiting conditions, and presents our opinion of value.

1.0 PURPOSE OF APPRAISAL

Ample Appraisal Limited (hereinafter referred to as “Ample Appraisal”) acknowledges that this report is being prepared solely for the use of the directors and management of Paradise Entertainment Limited (hereinafter referred to as the “Company”). The Company is a public company listed on the Stock Exchange of Hong Kong Limited (hereinafter referred to as the “Stock Exchange”).

Ample Appraisal acknowledges that this report may be made available to the Company for public inspection purpose and inclusion in the announcement and circular of the Company in relation to the acquisition of the Patents by the Company. This report is not to be used for any purpose other than that mentioned above, including issue to third parties, without our prior approval of the use, form and context in which it is released.

Ample Appraisal assumes no responsibility whatsoever to any person other than the Company in respect of, or arising out of, the contents of this report. If others choose to rely in any way on the contents of this report they do so entirely on their own risk.

2.0 SCOPE OF WORK

Our appraisal conclusions are based on the assumptions stated herein and on information provided by the directors and management of the Company or its representative (hereinafter referred to as the “Management”). In preparing this report, we have adopted IVS 210 for Intangible Assets and have had discussions with the Management and the Company in relation to the development and prospects of the gaming equipment industry in the United States (hereinafter referred to as the “US”), and the development, operations and other relevant information of the Company.

As part of our analysis, we have reviewed such financial information and other pertinent data concerning the Patents provided to us by the Management and the Company and have considered such information and data as attainable and reasonable. We have no reason to believe that any material facts have been withheld from us, however, we do not warrant that our investigations have revealed all of the matters which an audit or more extensive examination might disclose.

We do not express an opinion as to whether the actual results of the business expansion from the acquisition of the Patents will approximate those projected because assumptions regarding future events by their nature are not capable of independent substantiation. In applying these projections to the appraisal of the fair value of the Patents, we are making no representation that the business expansion will be successful, or that market growth and penetration will be realized.

3.0 ECONOMIC AND INDUSTRY OVERVIEW

3.1 Global Prospects

According to a recent report, *World Economic Outlook*, published in April 2012 by the International Monetary Fund (hereinafter referred to as the “IMF”), global prospects are gradually strengthening again after suffering a major setback during 2011, but downside risks remain elevated. Improved activity in the US during the second half of 2011 and better policies in the euro area in response to its deepening economic crisis have reduced the threat of a sharp global slowdown.

Affirmed by a recent IMF update in July 2012, weak recovery will likely resume in the major advanced economies, and activity is expected to remain solid in most emerging and developing economies. Global growth is projected to drop from about 3.9 percent in 2011 to about 3.5 percent in 2012 because of weak activity in the last twelve months, mainly on account of the damage caused by deteriorating sovereign and banking sector developments in the euro area.

The IMF economists expect that the euro area will go into a mild recession in 2012 as a result of the sovereign debt crisis and a general loss of confidence, the effects of bank de-leveraging on the real economy, and the impact of fiscal consolidation in response to market pressure. The

spillovers from the euro area crisis will severely affect the rest of Europe; other economies will likely experience further financial volatility but no major impact on activity unless the euro area crisis intensifies once again.

According to the July 2012 update, activity will continue to disappoint for the advanced economies as a group, expanding by only about 1.4 percent in 2012 and by 1.9 percent in 2013. Real gross domestic product (“GDP”) growth in the emerging and developing economies is projected to slow from 6.2 percent in 2011 to 5.6 percent in 2012 but then to reaccelerate to 5.9 percent in 2013, helped by easier macroeconomic policies and strengthening foreign demand.

3.2 Historical Perspective and Prospects of the US Economy

GDP data provided by the IMF World Economic Outlook Database (April 2012) shows historical development and prospects of the US economy in United States Dollars (hereinafter referred to as “USD”) in Chart 3.1 follows.

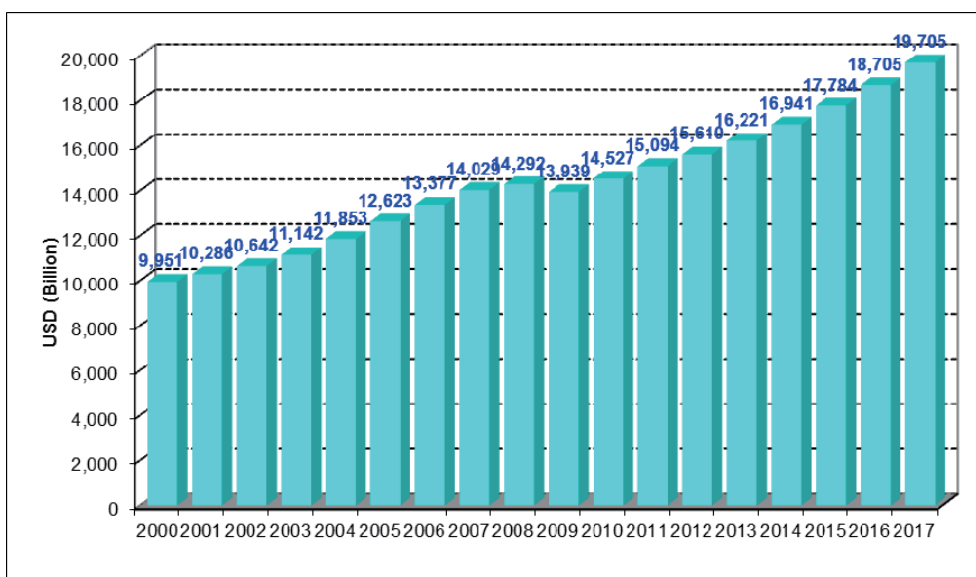


Chart 3.1 – GDP (Current Prices) for the US (estimates for 2011-2017)

3.3 Asia Pacific Prospects

According to the IMF *World Economic Outlook* in April 2012, the IMF staff opined that much weaker external demand has dimmed the outlook for Asia. But resilient domestic demand in the PRC, limited financial spillovers, room for policy easing, and the capacity of Asian banks to step in as European banks de-leverage suggest that the soft landing under way is likely to continue. Activity across Asia slowed during the last quarter of 2011, reflecting both external and domestic developments.

The effect of spillovers from Europe can be seen in the weakness of Asia’s exports. In some economies, such as India, domestic factors also contributed to the slowdown, as a deterioration in business sentiment weakened investment and policy tightening raised borrowing costs. The historic floods that hit Thailand significantly curtailed their growth in the last quarter of 2011,

shaving 2 percentage points off the annual growth, and led to negative spillovers on regional economies.

In some other Asian economies, however, robust domestic demand helped offset the drag on growth of slowing exports. Investment and private consumption remained strong in the PRC, buoyed by solid corporate profits and rising household income. Moreover, the rebound from the supply chain disruptions caused by the Japanese earthquake and tsunami was stronger than anticipated.

3.4 Gaming Equipment Industry in the US

According to the “Market Overview: The 2011 Global Gaming Bulletin” published by Ernst & Young, the market of the US gaming industry has undergone a remarkable period of growth in the past 20 years. The recession that began in late 2007 continued to make 2010 a challenging year for the US gaming industry, nationwide, gross gaming revenues for commercial casinos rose to USD 31 billion in 2010, one percent increase over 2009.

Bloomberg industry research analysts report that major gaming equipment suppliers in the US regained their growth momentum in gross revenue after a decline in 2008. If we consider the sharp increase in 2007 an exceptional year, then the industry is on a growth trend over a longer time span. The recorded gross revenue in USD million as reported by Bloomberg is shown in Chart 3.2 below.

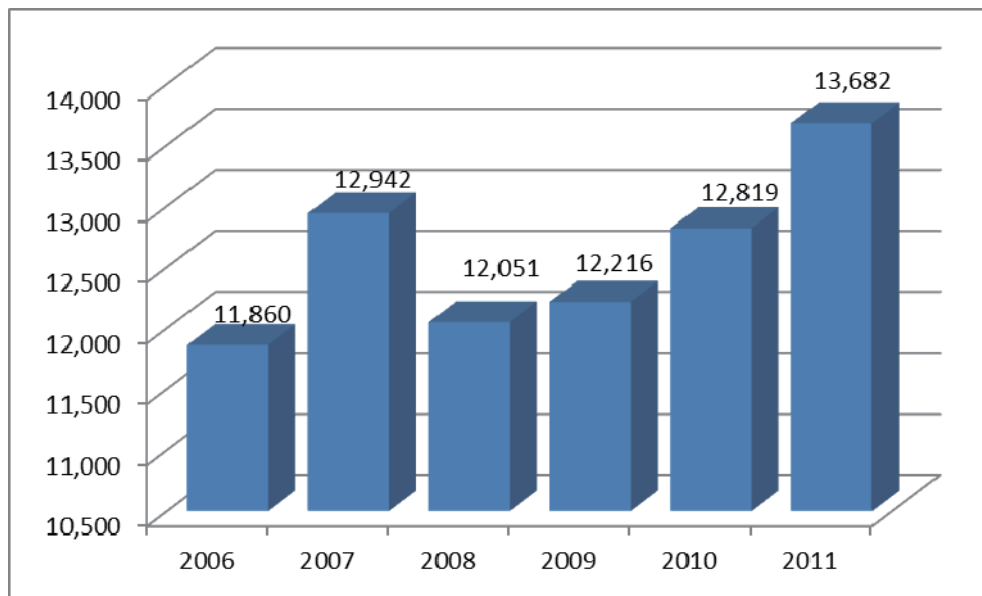


Chart 3.2 – Gross Revenue (in USD Million) for Major Suppliers

In the 2009 survey of American Gaming Association, the Association of Gaming Equipment Manufacturers reveals that, in 2008, the gaming equipment industry in the US directly produced USD 12.7 billion in economic output, employed 29,600 staff and paid an average annual salary of USD 68,300. Equipment manufacturers also create spillover effects in the communities where they operate as almost nine out of ten make at least some purchases from local vendors.

4.0 THE PATENTS

A patent is a set of exclusive rights granted by a state or a national government to an inventor or their assignee for a limited period of time in exchange for a public disclosure of an invention. The term patent usually refers to a right granted to anyone who invents or discovers any new and useful process, machine, article of manufacture, or composition of matter, or any new and useful improvement thereof.

4.1 Patent Number 7914368 Issued 29 March 2011 Expiring on or after 5 August 2025 but not later than 17 September 2026, subject to the expiration date of, as a continuation-in-part to, Application 11/198218

A method and system for playing jackpot and live baccarat game on a baccarat machine with an option for insurance betting.

4.2 Patent Number 7918723 Issued 5 April 2011 Expiring 17 September 2026

A method and system for playing jackpot and live baccarat game are provided. One feature of the jackpot method involves the use of card combinations that includes at least one zero-point card. Another feature of the jackpot method involves initial jackpot contribution from the banker who operates the baccarat game. It is also provided a software program or a set of software program for carrying out any or all the steps of the disclosed gaming method.

4.3 Patent Number 7922587 Issued 12 April 2011 Expiring 17 September 2026

At least two betting terminals for playing a game, comprising a network of terminals linked to different game tables, wherein each of the terminals comprises a mechanism to switch on a plurality of games so as to allow a player at one terminal to switch to different tables and place bets at different games at a time.

4.4 Patent Number 8182321 Issued 22 May 2012 Expiring on or after 5 August 2025 but not later than 17 September 2026, subject to the expiration date of, as a continuation-in-part to, Application 11/198218

A method and system for playing jackpot and casino games are provided. The method includes playing a baccarat or felt table game which allows a player to bet on jackpot and includes dealing cards to a player hand and a bank hand, allowing one player to place a bet on live baccarat or felt table game, allowing another player to place a bet on jackpot and determining the outcome of the live baccarat game according to the set of conventional casino game rules, and determining the outcome of the jackpot according to a combination of cards.

4.5 Patent Number 8210920 Issued 3 July 2012 Expiring 14 February 2028

A method and system for playing jackpot and live baccarat games are provided. One feature of the jackpot method involves the use of card combinations. Another feature of the jackpot method involves initial jackpot contribution from the banker who operates the baccarat game. It is also provided a software program or a set of software program for carrying out any or all the steps of the disclosed gaming method.

4.6 Application 11/198218, Filed 5 August 2005, Patent Pending

A method and system for playing jackpot and live baccarat games are provided. One feature of the jackpot method involves the use of card combinations. Another feature of the jackpot method involves initial jackpot contribution from the banker who operates the baccarat game. It is also provided a software program or a set of software program for carrying out any or all the steps of the disclosed gaming method.

4.7 Application 11/938733, Filed 12 November 2007, Patent Pending

A method of playing a live casino game, comprising dealing cards to a player hand and a bank hand according to a set of conventional casino game rules, allowing at least a first player to place a bet on the casino game, granting a right of first refusal to place a bet on jackpot to the first player by virtue of the first player's bet on the casino game, allowing the first player to exercise the right of first refusal to bet on the jackpot or at least a second player to place a bet on the jackpot if the first player declines the right to place a bet on the jackpot, determining the outcome of the live casino game according to the set of conventional casino game rules, and determining the outcome of the jackpot according to a combination of cards.

4.8 Application 12/984558, Filed 4 January 2011, Patent Pending

A method and system for playing jackpot and live baccarat game are provided. One feature of the jackpot method involves the use of card combinations that includes at least one zero-point card. Another feature of the jackpot method involves initial jackpot contribution from the banker who operates the baccarat game. It is also provided a software program or a set of software program for carrying out any or all the steps of the disclosed gaming method.

4.9 Application 13/033543, Filed 23 February 2011, Patent Pending

Methods for carrying out any or all the steps of the disclosed gaming method for playing jackpot and live baccarat games with an option for insurance betting. After first two cards are dealt to a player's hand and a banker's hand, according to a set of baccarat rules, and one or more of the players are allowed to place a bet on live baccarat on either the banker's hand to win or the player's hand to win, an insurance bet becomes available for the player to be placed on the player's hand or the banker's hand and various rules are set forth for winning the insurance bet.

4.10 Application 13/042633, Filed 8 March 2011, Patent Pending

A system in a casino for playing a game, the system comprising: a network of betting terminals linked to a plurality of game tables, first players playing a first game at each of the game tables, at least one first game being a live baccarat game, wherein each of the betting terminals comprises a mechanism to display a plurality of first games occurring at the game tables in the casino so as to allow a second player at each one of the betting terminals to switch to different game tables, place bets at different first games at a same time, place a separate jackpot wager bet on a jackpot game based on the first games being played live at the game tables and select betting options, wherein the system includes a display part having a screen for showing game number and respective amounts available for betting.

4.11 Application 13/483803, Filed 30 May 2012, Patent Pending

A method and system for playing jackpot and live baccarat games are provided. One feature of the jackpot method involves the use of card combinations. Another feature of the jackpot method involves initial jackpot contribution from the banker who operates the baccarat game. It is also provided a software program or a set of software program for carrying out any or all the steps of the disclosed gaming method.

As advised by the Company's legal adviser on US intellectual properties laws, in the unlikely event that application 11/198218 is rejected by the USPTO, the validity and the term of the patent numbers 7914368 and 8182321 would not be affected (i.e. the expiration period will be the same as set out above) but the exact expiration date cannot be ascertained now.

5.0 DEFINITION OF APPRAISAL

We have appraised the Patents on the basis of fair value. Fair value as used herein is defined as "the estimated amount for which an asset could be exchanged, or a liability settled, between willing parties in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion".

6.0 INVESTIGATION AND ANALYSIS

Our investigation included discussions with members of the management of the Company in relation to the development and prospects of the gaming equipment industry in the US, and the development, operations and other relevant information of the Company. In addition, we have made relevant inquiries and obtained such further information, statistical figures regarding the industry from external public sources, as we consider necessary for the purpose of this appraisal.

As part of our analysis, we have reviewed such financial information and other pertinent data concerning the Patents provided to us by the Management and the Company and have considered such information and data as attainable and reasonable. We have also consulted other sources of financial and business information.

The appraisal of fair value of the Patents requires consideration of all pertinent factors, which may or may not affect the operation of the business and its ability to generate future investment returns. The factors considered in this appraisal include, but not necessarily limited to, the following:

- The nature and prospect of the Company.
- The financial condition of the Company.
- The economic outlook in general and the specific economic environment and market elements affecting the business, industry and market.
- Renewal of relevant leases, licenses and agreements.
- The business risk of the Company such as the ability in maintaining competent technical and professional personnel.
- Investment returns and market transactions of entities engaged in similar lines of business.

7.0 GENERAL APPRAISAL APPROACHES

There are three generally accepted approaches to obtain the fair value of all assets or liabilities, namely, the market approach, the income approach and the cost approach. Each of these approaches is appropriate in one or more circumstances, and sometimes, two or more approaches may be used together. Whether to adopt a particular approach will be determined by the most commonly adopted in valuing an asset or a liability that is similar in nature.

7.1 Market Approach

This approach examines the comparative characteristics of reasonably comparative properties. When there is sufficient market driven transactional data from which to estimate comparable assets or liabilities, this approach is appropriate. If the selected comparable assets or liabilities are not, indeed, comparable to the subject asset or liability, the market approach is weakened.

7.2 Income Approach

It relies on the cash flow that the subject asset or liability is expected to generate over its life. As such, this approach requires a reasonable estimate of future cash flows and their risk. Thus, quality of valuation depends on the accuracy of the estimates used in the valuation model.

7.3 Cost Approach

It looks at the cost to reproduce or replace the subject asset or liability. This approach is less appropriate for intangible assets or liabilities, since the cost to replace is seldom reflective of its value, except at the inception of its life.

8.0 APPRAISALS APPROACHES FOR THE PATENTS

In the process of valuing the Patents, we have taken into account of the uniqueness of the Company's operation, the industry it is participating, and the availability of information and data. We considered that market approach is not applicable in the absence of recent and similar market transactions. The cost approach is generally considered as inappropriate for the valuation of intangible assets.

We have therefore adopted the income approach to arrive at the fair value of the Patents. For the avoidance of doubt, the Patents have not yet been put to commercial use. The fair value of the Patents is determined on the basis of expected free cash flow from operation to be generated from the selling in the US of the electronic gaming machines with the system as protected by the Patents (hereinafter referred to as the “**Electronic Gaming Machines**”).

8.1 Market Comparables

We have searched suitable market comparables (hereinafter referred to as the “Comparables”) according to Global Industry Classification Standard (“GICS”) level 4 classification, Consumer Discretionary – Consumer Services – Hotels Restaurants & Leisure – Casinos & Gaming, and selected the following companies which represent an exhaustive list, although they are not supplying identical products, they are engaged in the manufacture and supply of similar and competing products. (Note: The GICS was developed by Morgan Stanley Capital International (“MSCI”) and Standard & Poor's (“S&P”), aim to enhance the investment research and asset management process for financial professionals worldwide. The GICS structure consists of 10 sectors, 23 industry groups, 59 industries and 122 sub-industries.)

Company Name	Stock Code	Equity Beta
Bally Technologies Inc.	(BYI US)	0.427
International Gaming Technology Inc.	(IGT US)	0.579
SHFL Entertainment Inc.	(SHFL US)	1.235
WMS Industries Inc.	(WMS US)	1.015
Average		0.814

8.1.1 Bally Technologies Inc. designs and manufactures a variety of local-area and wide-area progressive games that provide slot players with the opportunity to win jackpots ranging from hundreds of thousands to millions of dollars.

8.1.2 International Gaming Technology Inc. designs and manufactures computerized casino gaming systems. The company also develops and manufactures systems that monitor slot machine play and track player activity, as well as wide area progressive systems.

8.1.3 SHFL Entertainment Inc. is a gaming supply company that provides products and services to the casino industry. SHFL Entertainment offers, among other products, electronic gaming machines on a wide variety of stand-alone and progressive slot machine titles feature stunning graphics, enticing progressive jackpots and rewarding free game features.

8.1.4 WMS Industries Inc. is a leading global innovator in the design, manufacture and distribution of electronic and digital gaming entertainment and gaming machines for the casino industry.

8.2 Discount Rate

We further retrieved 10 years market return and risk free interest rate from Bloomberg, which are 10.509 percent (R_m) and 1.757 percent (R_f) respectively as at the Valuation Date, hence, determined a market premium 8.752 percent. In accordance with the capital asset pricing model (“CAPM”), which is denoted by $R_e = R_f + \beta \times (R_m - R_f)$ we have estimated the cost of equity finance to be 8.88 percent (R_e) with reference to the average equity beta of 0.814 (β) for the Comparables.

We adjusted the cost of equity finance with a risk premium of 10.00 percent for intangible assets on the basis of business risk involved with similar class of intangible assets and a size premium of 3.89 percent according to the Ibbotson Valuation Yearbook 2012 and the size of the Business Enterprise, thus arrived at an adjusted cost of equity finance of 22.77 percent and adopted as the appropriate discount rate (hereinafter referred to as the “Discount Rate”).

The Ibbotson Valuation Yearbook 2012 is published for people involved in the valuation of businesses and is a separate version of the Ibbotson Stocks, Bonds, Bills, and Inflation (SBBI) Classic Yearbook, which has been revised and updated annually for more than 25 years.

The Ibbotson SBBI Classic Yearbook has become a standard reference publication in both the investment and business valuation communities. It was extended from the seminal study in 1976 by Professor Roger Ibbotson that analyzed the long term returns of the principal asset classes in the US economy, his findings documented the relationship between risk and return.

We further adopted a discount for lack of marketability (hereinafter referred to as the “DLOM”) of 10.80 percent as suggested by a study conducted by Bruce Johnson published in the Business Valuation Review (December 1999) according to the transaction size. To the best of our knowledge and belief, the researcher did not update his research paper with more recent data and there are no similar researches available.

8.3 Financial Information

We have reviewed financial information provided to us by the Management and the Company described in this section, which formed the basis of the financial forecast prepared by the Company. The Company has been able to gather information, and gain sufficient experience and track records from the selling of the electronic gaming machines in Macau for the past few years, based on which the Management prepared the financial forecast. The source of revenue is selling of the Electronic Gaming Machines with the system as protected by the Patents in the US.

The Management has forecasted the sales according to the indication of interests from six potential clients in the US but no agreement has been signed for the time being. Such indication of interests from potential clients is generated through the marketing contacts with potential clients. Such sales orders represent over 80 percent of the sales volume projected for 2013, with the Company's successful marketing of the electronic gaming machines in Macau and the satisfaction of the customers, the Company is confident in meeting the set sales target in 2013 and the ensuing years. On the basis of these forecast and factors and the volume that can be reliably supported by the supplier, the Management determined an expected capacity of business operation and the cost of sales.

The Electronic Gaming Machine serves as a medium for its player to play live table games of baccarat, roulette and sicbo so that casinos can be benefited from its salient features, such as saving of labor cost and overhead, reducing the risks of staff (e.g. dealers) shortage, human errors and fraud, possible increase in betting amount. Same as mahjong, baccarat, roulette and sicbo are traditional games with a very long history and are still very popular nowadays, the possibility of baccarat, roulette and sicbo becoming obsolete is relatively low. The Company has been installed similar electronic gaming machines in casinos in Macau since 2009 and the popularity of these electronic gaming machines has increased with time.

Based on the current selling price of the Company's electronic gaming machines in Macau and the selling price of other similar and competing products in the US, the Management estimated the selling price of the Electronic Gaming Machines implementing the technologies described in the Patents, whether approved or pending approval, to enter the market and to remain competitive for the ensuing years. The Management expects to operate at approximately one-third and three-fourths of expected capacity of business operation in the first and second year of operation, and at expected capacity of business operation thereafter until the end of economic life of the Patents, such growth rate has been determined after taking into account of the size of the market, a USD 13.682 billion gross revenue was recorded in 2011 by the major suppliers (as shown in chart 3.2), in the US in gaming industry including number of casinos and availability of the supply of the machines from its supplier, which has enough rooms for the projected operation of the Company. The expected capacity will account for an insignificant market share and is unlikely to attract rivalry actions from competitors.

The Management estimated the Company's cost of sales of the Electronic Gaming Machines to be sold in the US based on the Company's experience and the information gathered in Macau, the existing selling price from its supplier and additional costs to be incurred for the US market. The cost for the US was budgeted in order to support the planned size of operation with increment from initial volume to the expected capacity in the first 3 years and will remain at that size after reaching the expected capacity with appropriate inflation adjustment to the operation cost. Estimation of rental costs is made on the basis of tenancy agreement signed for office space to establish a technical support centre and the staff cost is estimated with due reference made to the industrial average of gaming industry published by Bureau of Labor Statistics of US Department of Labor and the Company's experience in manpower management in the provision of technical support to the customers.

The economic life of the Patents is assumed to be 12 years from commercial implementation, that is end of 2024, as some of the Patents may expire on 5 August 2025 (i.e. with remaining life of about 13 years) and the Management prepared the projected free cash flows from operation on the basis of sales revenue, cost of goods, and establishment cost to support the expected capacity of business operation.

As the financial forecast spans over a 12 years period, the Management applied inflation rates estimated on the basis of historical price indices from start of 2000 to end of 2011 as reported by Bloomberg. Revenue received and costs incurred in the US are subject to an inflation rate of 2.534 percent annualized on the basis of US price indices and the cost of goods exported to the US are subject to an inflation rate of 0.466 percent annualized on the basis of HK price indices.

Net change in working capital is computed on the basis of total working capital required to support the business operation with reference to the business turnover and cost of goods. As the business operation is approaching the expected capacity from 2013 to 2015, the net change in working capital is higher as compared to subsequent years when the business operation reached the expected capacity.

8.4 Discounted Cash Flow and the Fair Value

We then performed our computation on discounted cash flow on the basis of free cash flow from operation, net change in working capital, and imputed cost of working capital, which is calculated at an annual rate of 5.00 percent, with reference to the US prime lending rate as of the Valuation Date reported by Bloomberg, on the total working capital to support the business operation. The excess earnings is then arrived at by deducting the net change in working capital and imputed cost of working capital from the free cash flows from operation.

Years ended 31 December (in HKD'000)	Free Cash Flow from Operation (A)	Total Working Capital (B)	Net Change in Working Capital (C)	Imputed Cost of Working Capital (D) = (B × 5%)
2013	80,233	7,689	(7,689)	(384)
2014	188,783	17,475	(9,786)	(874)
2015	267,362	24,613	(7,138)	(1,230)
2016	276,050	25,418	(805)	(1,271)
2017	284,966	26,244	(826)	(1,312)
2018	294,117	27,092	(848)	(1,354)
2019	303,509	27,962	(870)	(1,398)
2020	313,149	28,855	(893)	(1,443)
2021	323,040	29,771	(916)	(1,488)
2022	333,193	30,712	(941)	(1,535)
2023	343,612	31,677	(965)	(1,584)
2024	354,303	32,667	31,677	(1,633)

(Note: The total working capital increased by HKD 0.99 million to HKD 32.667 million by the end of 2024, but the same will be released in the course of closing out the business operation.)

We then performed the following discounted cash flow computation for the excess earnings and the fair value of the Patents is therefore determined to be approximately HKD 819 million as of the Valuation Date.

Years ended 31 December (in HKD'000)	Excess Earnings (A + C + D)	PV Factor (@ 22.77%)	Present Values
2013	72,160	0.815	58,810
2014	178,123	0.663	118,096
2015	258,994	0.540	139,856
2016	273,974	0.440	120,549
2017	282,828	0.359	101,535
2018	291,915	0.292	85,239
2019	301,241	0.238	71,695
2020	310,813	0.194	60,298
2021	320,636	0.158	50,660
2022	330,717	0.129	42,662
2023	341,063	0.105	35,812
2024	384,347	0.085	32,669
Fair Value before Marketability Discount			917,881
Less: DLOM			(99,131)
Fair Value as at the Valuation Date			<u>818,750</u>

(Note: The Management expects to operate at approximately one-third and three-fourths of expected capacity of business operation in the first and second year of operation, the growth rate on sales revenue adopted is 125.6% for 2014, and 39.8% for 2015. As the Company expects to operate at the expected capacity from 2015, the annual growth rate on sales revenue from 2015 is 2.534% which is the adopted inflation rate in the US, annualized on the basis of historical price indices in the US from start of 2000 to end of 2011 as reported by Bloomberg.)

8.5 Sensitivity Analyses

Several parameters are adopted in preparing the financial projections and the discounted cash flow which will influence the fair value we arrived at, therefore, sensitivity analyses on these parameters are performed as below. The analysis on selling price and sales volume is performed on a relative basis and the analysis on discount rate and DLOM is performed at one and two percent upward and downward basis.

8.5.1 Sensitivity analysis on selling price and sales volume

		Sales Volume				
		+10%	+ 5%	No Change	- 5%	-10%
Selling Price	(HKD'000)					
	+10%	1,024,392	976,948	929,501	882,016	834,505
	+ 5%	963,534	918,855	874,141	829,399	784,659
	No Change	902,670	860,722	818,750	776,782	734,810
	- 5%	841,767	802,563	763,363	724,160	684,960
	-10%	780,838	744,408	707,974	671,542	635,111

8.5.2 Sensitivity analysis on discount rate and DLOM

		DLOM				
		8.8%	9.8%	10.8%	11.8%	12.8%
Discount Rate	(HKD'000)					
	20.77%	913,982	903,960	893,938	883,917	873,895
	21.77%	874,831	865,239	855,647	846,054	836,462
	22.77%	837,107	827,929	818,750	809,571	800,392
	23.77%	802,048	793,254	784,460	775,665	766,871
	24.77%	768,755	760,326	751,896	743,467	735,038

9.0 APPRAISAL ASSUMPTIONS

We have adopted certain specific assumptions in this appraisal and the major ones are as follows:

- The future operation will be conducted as planned and the financial projections, including the expected selling prices and sales volume of the products, are realizable.
- The Company will focus on potential customers in the States of Nevada, Mississippi, Connecticut, Pennsylvania, New Jersey, California, and Florida in the US (hereinafter referred to as the “Localities”).
- There will be sufficient supply of technical staff and production support in the gaming equipment industry in which the Company operates.
- The Company will retain competent management, key personnel and technical staff to support its ongoing operations and developments.

- Interest rates and exchange rates in the Localities for the operation of the Company will not differ materially from those presently prevailing.
- All relevant legal approvals and business certificates or licenses to operate the business in the Localities in which the Company operates or intends to operate would be officially obtained, and renewed upon expiry.
- There will be no major changes in the current taxation laws in the Localities in which the Company operates or intends to operate, the rates of tax payable shall remain unchanged, sales tax in any localities will be borne by the end customers, and that all applicable laws and regulations will be complied with.
- There will be no major changes in the political, legal, economic or financial conditions in the Localities in which the Company operates or intends to operate, which would adversely affect the revenues attributable to and profitability of the Company.

10.0 LIMITING CONDITIONS

Our conclusion of the fair value is derived from generally accepted appraisal procedures and practices that rely substantially on the use of various assumptions and the consideration of many uncertainties, not all of which can be easily quantified or ascertained. This appraisal reflects facts and conditions existing at the Valuation Date. Subsequent events have not been considered and we are not required to update our report for such events and conditions. To the best of our knowledge, all data set forth in this report are reasonable and accurately determined. The data, opinions, or estimates identified as being furnished by others which have been used in formulating this analysis, are gathered from reliable sources; yet, no guarantee is made nor liability assumed for their accuracy.

We have relied to a considerable extent on information provided by the Management and the Company in arriving at our opinion of value. We are not in the position to verify the accuracy of all information provided to us. However, we have had no reason to doubt the truth and accuracy of the information provided to us and to doubt that any material facts have been omitted from the information provided. No responsibilities for the operation and financial information that have not been provided to us are accepted. Save as and except for the purpose stated above, neither the whole nor any part of this report nor any reference thereto may be included in any document, circular or statement without our written approval of the form and context in which it will appear.

In accordance with our standard practice, we must state that this report is for the exclusive use of the party to whom it is addressed and for the specific purpose stated above. We assume no responsibility whatsoever to any person other than the directors and management of the Company in respect of, or arising out of, the content of this report. If others choose to rely in any way on the contents of this report, they do so entirely on their own risk.

11.0 REMARKS

Unless otherwise stated, all monetary amounts stated in this appraisal report are in Hong Kong Dollars (HKD). We hereby confirm that we have no present interests in the Company, the Patents, or the values reported herein.

12.0 OPINION OF VALUES

According to the advice of the Company's legal adviser on US intellectual properties laws, as the Patents relate to the same system, the USPTO would require any transfer/assignment of the Patents to cover the entire patent portfolio. In addition, the Company can utilize the Patents for commercial use in the US notwithstanding that some of the Patents are still pending approval. Therefore, no separate value is ascribed to individual patent or patent pending approval.

For the avoidance of doubt, in the event that the patents pending approval are not subsequently granted, it will not adversely affect the operation of the system as the design can still be implemented. Reverse engineering by competitors will not materially affect the sales and the selling price of the Electronic Gaming Machines in the absence of the core technologies protected by the 5 patents granted.

Based on the investigation and analysis stated above and on the appraisal methods employed, we are of the opinion that the fair value of the Patents as at 31 December 2012 is in the sum of **HKD 819,000,000 (HONG KONG DOLLARS EIGHT HUNDRED NINETEEN MILLION ONLY)**.

Yours faithfully,
For and on behalf of
Ample Appraisal Limited

Johnny Law
CPA, CPA(Aust)
Senior Vice President

K. Y. Mak
CFA, CPA
Chief Technical Advisor

Mr. Johnny Law, CPA, CPA (Aust.), possesses in excess of 10 years' experience in the finance and business valuation industry in Hong Kong. He has involved in the appraisal and evaluation of financial structured products and intangible assets.

Mr. K. Y. Mak, AICPA, CFA, possesses over 10 years of experience in the business valuation industry in Hong Kong and gained his experience in business valuation from his previous managerial position at an international valuer. He is a member of the American Institute of Certified Public Accountants and a Chartered Financial Analyst.

The text of each of the letter from PAN-CHINA (H.K.) CPA Limited to the Directors confirming it has reviewed the arithmetical accuracy of the Profit Alert and the letter from Proton Capital Limited confirming that they are satisfied that the Profit Alert has been made by the Directors with due care, consideration and objectivity and on a reasonable basis both dated 7 January 2013, for the purpose of, among other things, inclusion in this announcement are each reproduced below in appendices IV and V respectively:

APPENDIX IV – LETTER FROM PAN-CHINA (H.K.) CPA LIMITED

7 January 2013

The Directors,
Paradise Entertainment Limited,
Unit C, 19/F,
Entertainment Building,
30 Queen’s Road Central,
Hong Kong

Dear Sirs,

We refer to the profit alert statement made by the Company in its announcement dated 12 October 2012 (the “**Statement**”). Unless the context requires otherwise, terms used in this letter have the same meanings as defined in the announcement of the Company dated 7 January 2013.

We have reviewed the calculations of and accounting policies adopted in arriving at the Statement, for which you as the Directors are solely responsible. The Statement has been prepared by the Directors based on the information then available to the Group.

In our opinion, the Statement, so far as the accounting policies and calculations are concerned, has been properly compiled on the basis of the assumptions made by you as the Directors and was prepared on the basis which are consistent in all material respects with the accounting policies adopted by the Group in its audited consolidated financial statements for the year ended 31 December 2011.

Your faithfully,
For and on behalf of
Pan-China (H.K.) CPA Limited

Chan Kin Wai
Director

APPENDIX V – LETTER FROM PROTON CAPITAL LIMITED

7 January 2013

The Directors

Paradise Entertainment Limited

Unit C, 19/F,

Entertainment Building,

30 Queen's Road Central,

Hong Kong

Dear Sirs,

We refer to the profit alert statement made by the Company in its announcement dated 12 October 2012 (the “**Statement**”). Unless the context requires otherwise, terms used in this letter have the same meanings as defined in the announcement of the Company dated 7 January 2013.

The Statement, for which the Directors are solely responsible, has been prepared by the Directors based on the then information available to the Group.

We have discussed with the Directors and the management of the Company the bases upon which the Statement has been made. We have also considered the letter dated 7 January 2013 addressed to you from Pan-China (H.K.) CPA Limited (“**Pan-China**”) regarding the accounting policies and calculations upon which the Statement has been made.

On the basis of the foregoing and on the bases made by you and the accounting policies and calculations adopted by you and reviewed by Pan-China, we are satisfied that the Statement, for which the Directors are solely responsible, has been made after due care and consideration and objectivity, and on a reasonable basis.

Yours faithfully,

For and on behalf of

Proton Capital Limited

Josephine Lau

Director – Corporate Finance