



Paradise

Paradise Entertainment Limited
滙彩控股有限公司
(1180.HK)

Investor Presentation
22 August 2018



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Company Overview



About Paradise

- Listed on the Main Board of the Hong Kong Stock Exchange (1180.HK)
- Currently has Two Major Operating Segments

Gaming Equipment and Systems

- Major local gaming equipment and systems provider in Macau
- Inventor, patent-owner and sole-supplier of our flagship product – LMG
- Strategic agreement with IGT to distribute ETG products with strong growth potential in US and other overseas markets
- New slot machines, casino management system and other new innovative gaming equipment and systems are in the pipeline of launching to market
- Dedicated to research and develop new gaming equipment and systems to provide players with premium gaming experience and improve casino's operating efficiency

Casino Management Services

- Provides casino management services to two satellite casinos which generate stable and strong cash inflow to the Group
- Focuses primarily on mass segment in the Macau Peninsula with strong growth potential in GGR and visitation

**Unique Position from the Two Operating Segments
Brings in Synergies to the Group**

Key Statistics of Paradise

Historical Financial Summary

(in HK\$ millions)

	2015	2016	2017	1H2018
Revenue	1,092.1	1,163.3	1,011.8	563.9
Gross Profit	412.9	453.8	405.9	246.9
Adjusted EBITDA	69.6	97.5	22.8	59.7
Profit (Loss) for the Year / Period	(148.9)	(355.1)	(47.5)	26.3
Bank Balances and Cash*	237.4	370.8	284.4	293.9

* Including pledged bank deposit, bank balances and cash, and chips on hand

Major Shareholders

Shareholder	# of shares held	%
Jay Chun (Chairman and Managing Director) and his controlled corporation	630,960,880	59.96%
FIL Limited	73,084,000	6.95%
Controlled corporation of Shan Shiyong (Executive Director)	26,097,580	2.48%
Other Shareholders	322,042,855	30.61%
Total	1,052,185,315	100.00%

Information updated as of 30/06/2018 known to the Company according to public filing records



Gaming Equipment and Systems



(i) Live Multi Game (“LMG”) in Macau

- Flagship product
- Patent-protected
- 100% market share of LMG in Macau
- Around 61% market share of ETG in Macau up to Q12017
- 4,700+ LMG terminals installed in 24 casinos as at 30/06/2018 in Macau
- Average daily net win of HK\$1,566 per terminal or HK\$156,600 per table at Casino Kam Pek Paradise in 1H2018

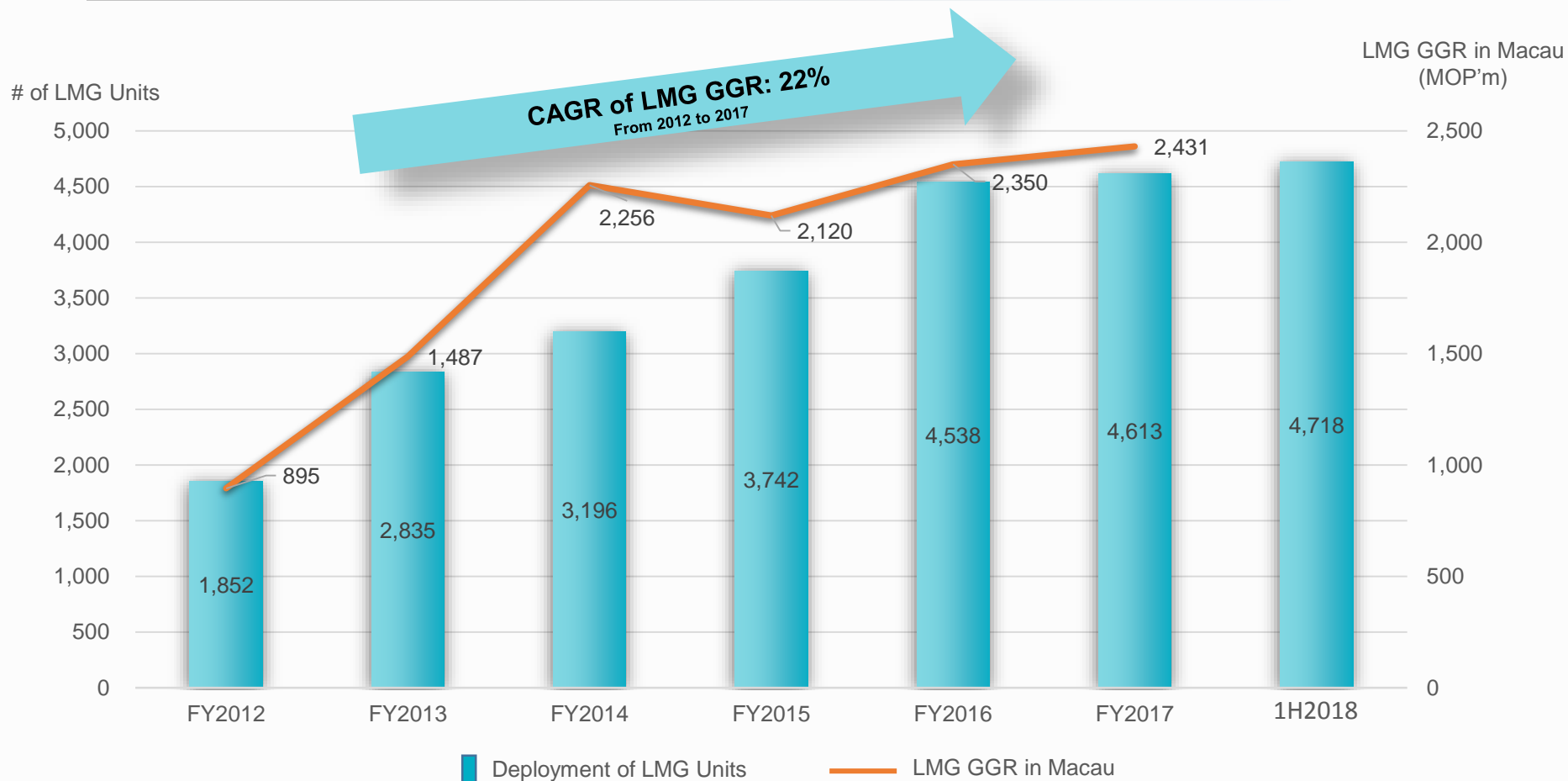


Advantages of LMG over traditional gaming tables:

- Improve gaming efficiency and reduce labor costs
- Increase game security and reliability
- Keep privacy of players with lower minimum wager
- Premium gaming experience for mass segment gaming players

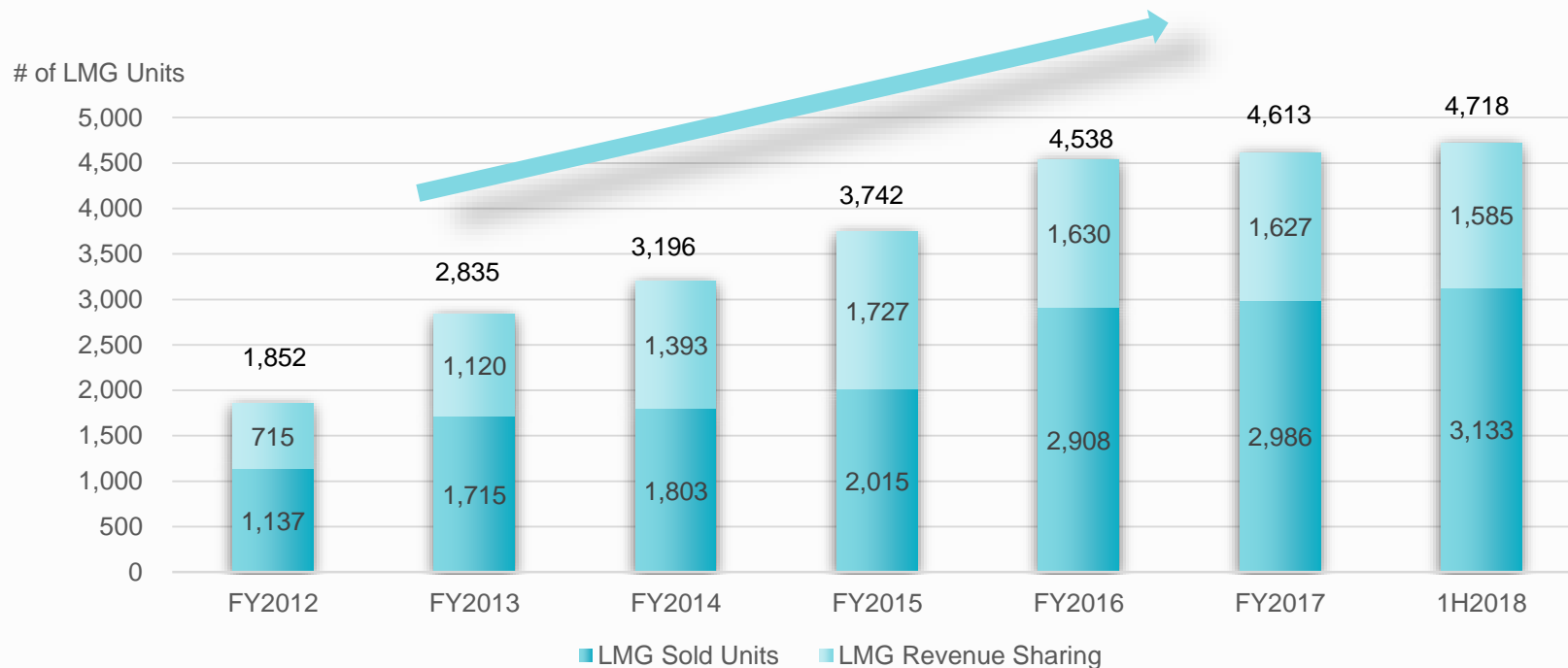
Source: Company and Union Gaming Report published on 19 May 2017

LMG Performance and Deployment in Macau



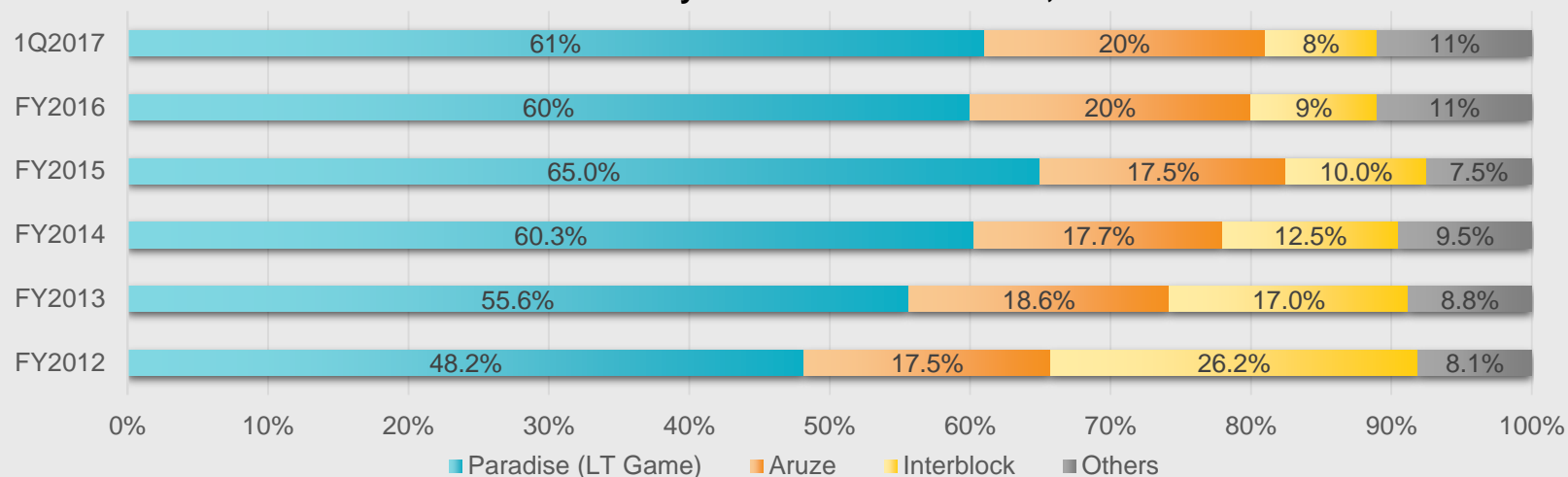
1H2018 LMG GGR in Macau was MOP1,285 million according to DICJ's data.

LMG Deployment (Sold vs Revenue Sharing) in Macau

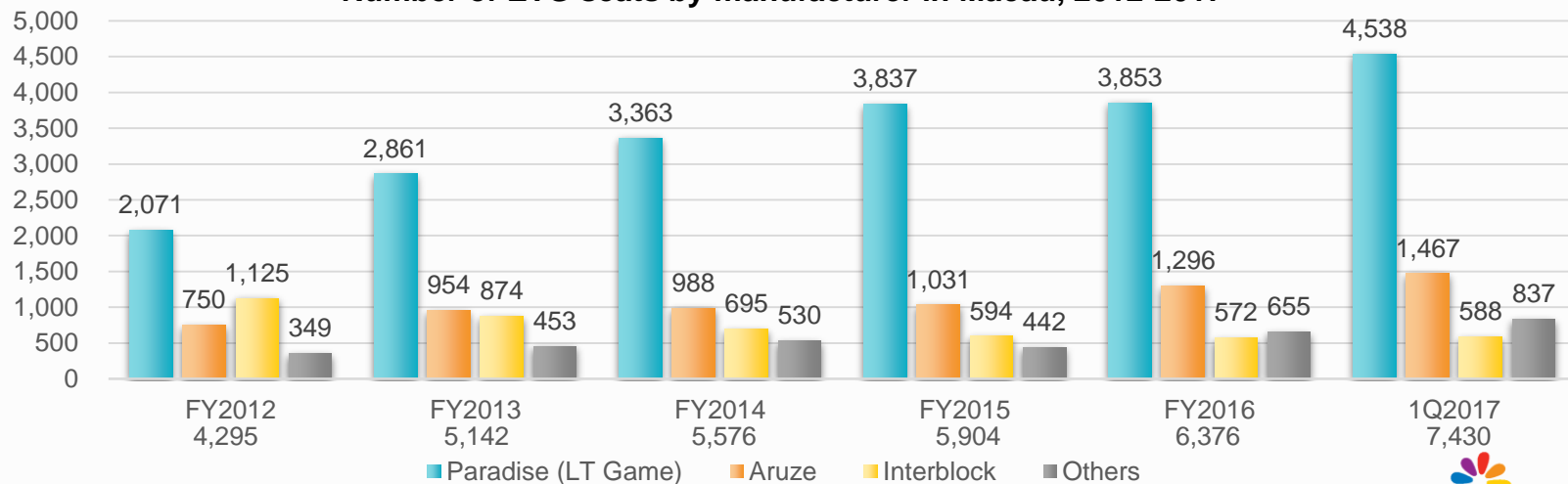


Market Share in Macau

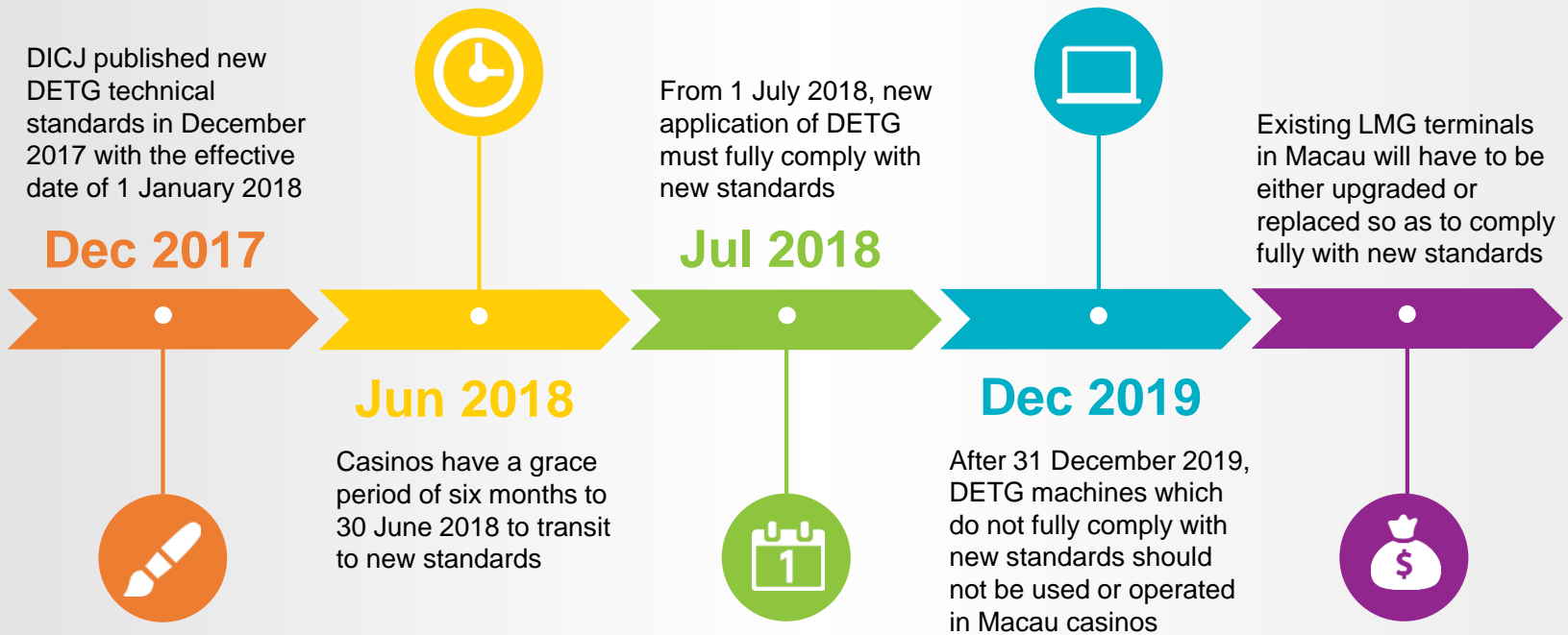
ETG market share by manufacturer in Macau, 2012-2017



Number of ETG seats by manufacturer in Macau, 2012-2017



New DETG Technical Standards in Macau



Such replacement and upgrading of LMG terminals in Macau has accelerated LMG's replacement cycle which brings business opportunities to the Group



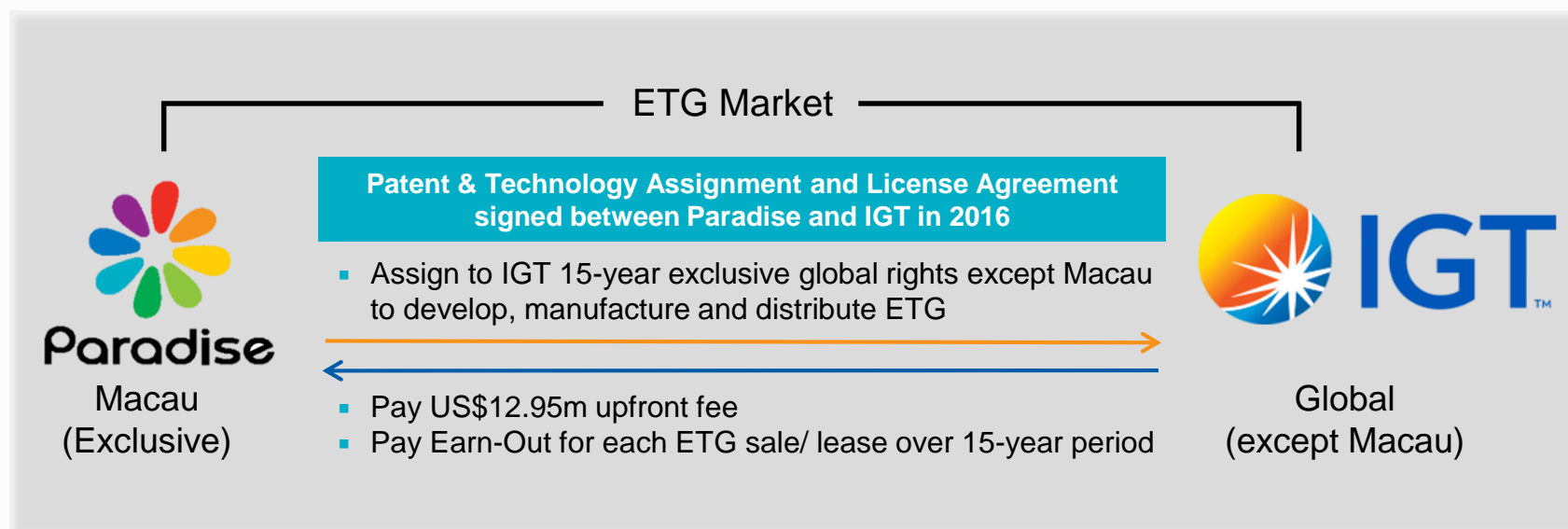
Non-live Multi-gaming Machines in Macau

- The Group licensed InterBlock the right of certain IP of non-live multi-game in Macau
- InterBlock is a worldwide leading developer and supplier of luxury electronic table gaming products and is globally recognized for gaming solutions and technical support in more than 200 jurisdictions
- By leveraging InterBlock's extensive sales and distribution network, proven track record and commercialization expertise, the cooperation will boost the sales of licensed gaming machines and accelerate the penetration of non-live multi-game in Macau
- The Group will explore if it could further leverage InterBlock's sales and distribution network to distribute the Group's existing and new gaming products such as slot machines and other upcoming products in Macau and overseas markets

(ii) Overseas LMG Deployment

- **Deepen relationship with strategic partner – IGT**

- IGT is the world's leading gaming company. It is listed on the New York Stock Exchange under the trading symbol "IGT."

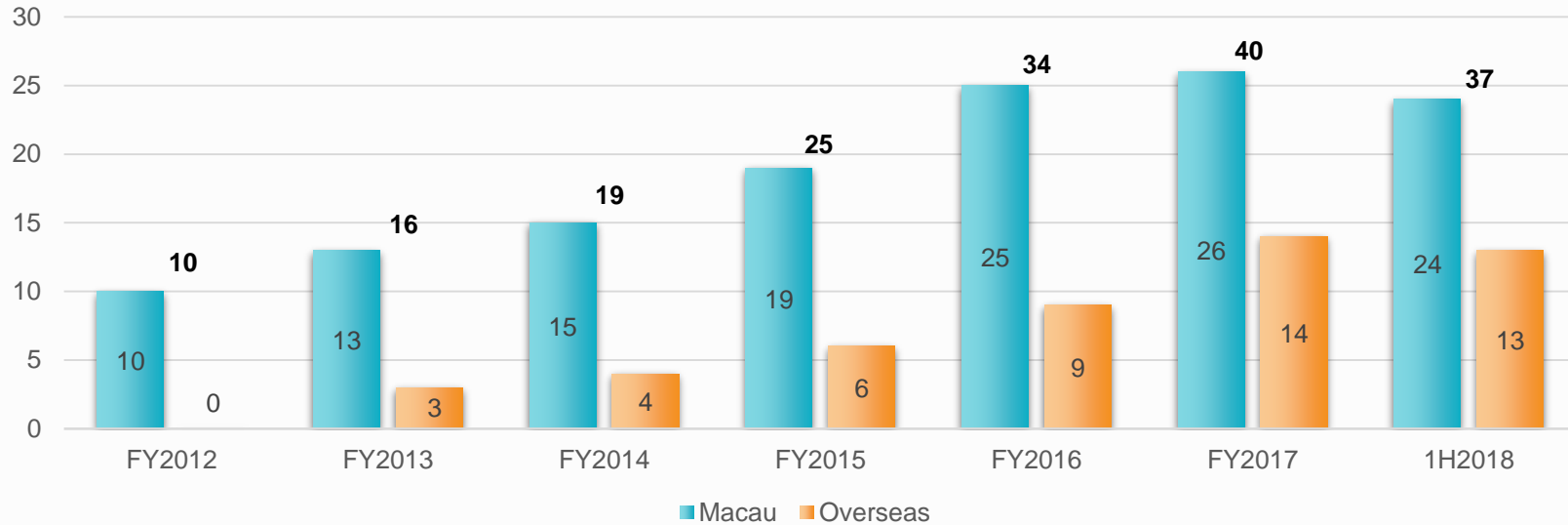


- **Economics of patent & technology assignment and license agreement**

- Recognized total earn-out payment of approximately HK\$3.8 million up to 30/06/2018

Casinos with LMG Deployment

of Casinos



Major Casinos in Macau with LMG

Venetian Macau	Parisian
Sands Macau	Sands Cotai
Wynn Macau	Wynn Palace
MGM Macau	MGM Cotai
Studio City	City of Dream
Galaxy	Starworld
Grand Lisboa	Emperor
Casino Kam Pek Paradise	Casino Waldo

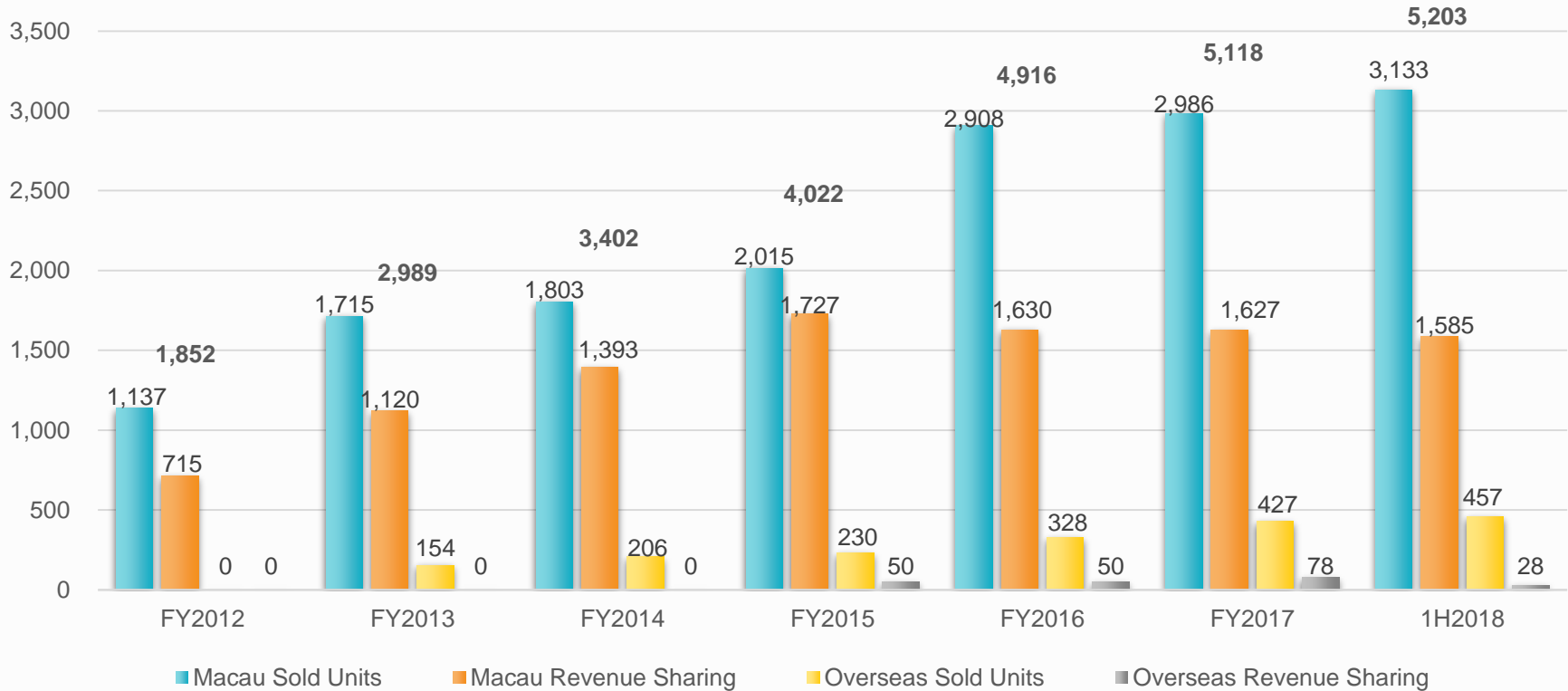
Major Overseas Casinos with LMG

Crown Melbourne	Canberra Casino
Palazzo Vegas	Venetian LVS
Sands Bethlehem	SugarHouse
Palms Casino Resort	Harrah's Philadelphia Casino

Deployment of LMG Terminals

Number of Units

Accumulative overall LMG deployment in Macau and Overseas Markets



(iii) Other Gaming Equipment and Systems



New Slot Machines

Over 100 new products
roll-out at MGS
Entertainment Show 2017
(held in November 2017)

They are in the pipeline of
launching to markets in
near term



Fast Betting Terminal



Virtual Horse Racing Terminal

New Developed / Developing Products in the Pipeline of Launching in Near Term



E-Baccarat Table



Roulette



Personal Dice



Multi Roulette



**Airline Concept
Betting Terminal**



Intelligent Card Shoe



Trend Tracker Display

New Developed / Developing Products in the Pipeline of Launching in Near Term



Automatic Baccarat
(save labor costs and improve gaming accuracy and efficiency, etc.)

**Currency Exchange/
Chip Redemption Machines**







Casino Management Services



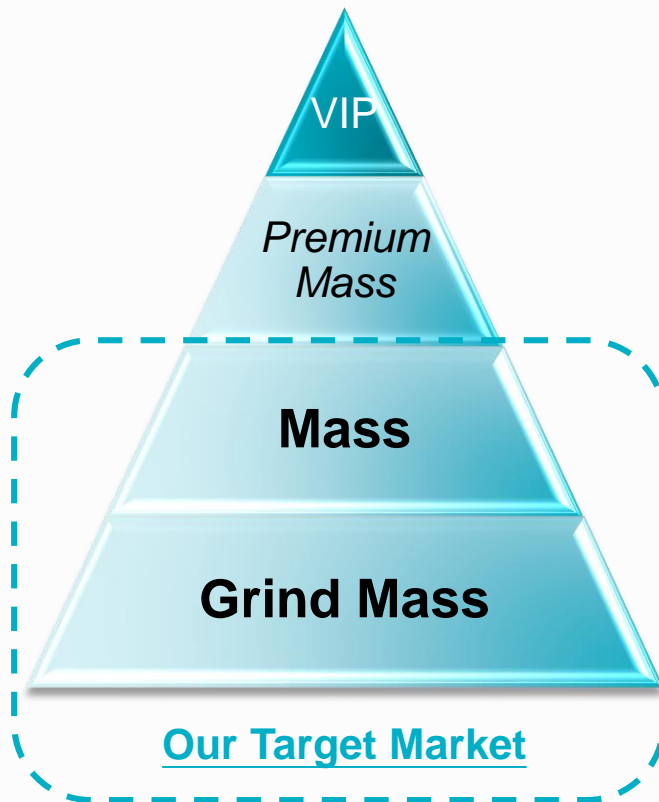
Overview Of Two Casinos Under Management

LT (Macau) Limited (a wholly-owned subsidiary of Paradise) entered into service agreements for provision of casino management services to below two satellite casinos. Gaming related revenue generated from LT (Macau) Limited from Casino Kam Pek Paradise is exempted from Macau complementary tax, same as the six gaming concessionaries/subconcessionaries in Macau

	Casino Kam Pek Paradise (since Aug 2008)	Casino Waldo (since Mar 2014)
(Average no. for 1H2018)		
Total Table	49 tables	30 tables
Traditional Table	39 tables	25 tables
LMG Table/terminal	10 tables / 1000 units	5 tables / 416 units*
Slot Machine	194 units	176 units
1H2018 GGR	HK\$687.5 Million	HK\$237.0 Million

* Include 97 units added on fifth floor of Casino Waldo in February 2018

Infrastructure and Mass Segment



A long-term & sustainable targeted market

- **Hong Kong-Zhuhai-Macao Bridge** expects to open very soon, facilitate foot traffic visitation to Macau
- **Visitation to Macau continue to increase**

In 1H2018, total visitor arrivals rose by 8.0% year-on-year and the average length of stay of visitors was 1.2 days. For the same period, same-day visitors increased 7.8% year-on-year, overnight visitors increased by 8.3% year-on-year.
- **Economic development in Guangdong-Hong Kong-Macau Greater Bay Area**

Wealth creation and economic growth from Guangdong-Hong Kong-Macau Greater Bay Area. GDP of Guangdong province grew at 7.5% year-on-year in 2017



2018 Interim Results



2018 Interim Results Highlights

Revenue : HK\$563.9 million (+15.2% yoy)

- Revenue from casinos under the Group's management recorded HK\$509.2 million (increased by HK\$46.9 million or 10.1% yoy)
 - *Overall growth in GGR of the two casinos under Group's management*
- Revenue from electronic gaming equipment and systems recorded HK\$54.7 million (increased by HK\$27.7 million or 102.6% yoy)
 - *Increase in sale of electronic gaming equipment and systems in 1H2018 compared to 1H2017 including sales to MGM Cotai opened in February 2018*

Adjusted EBITDA : HK\$59.7 million (+6,533.3% yoy)

- Adjusted EBITDA from casinos under the Group's management recorded a profit of HK\$78.5 million (increased by HK\$50.0 million or 175.4% yoy)
 - *Increase in total GGR generated by the casinos under the Group's management when compared to that for 1H2017*
 - *Increase in EBITDA contribution from Casino Kam Pek Paradise*
- Adjusted EBITDA from electronic gaming equipment and systems recorded narrowed loss of HK\$4.4 million as compared to a loss of HK\$10.9 million in 1H2017
 - *For 1H2018, sale of electronic gaming equipment and systems contributed Adjusted EBITDA of HK\$22.0 million (six months ended 30 June 2017: HK\$2.8 million) to the Group*
 - *Included R&D and other costs of HK\$29.7 million (increased by HK\$11.4 million or 62.3% compared to 1H2017) for further investing in new / upgraded machines and systems*

2018 Interim Results Highlights

KPI of the Two Casinos Under Group's Management

- Total GGR for 1H2018:
 - Increased by 17.0% to HK\$687.5 million at Casino Kam Pek Paradise
 - Decreased by 4.8% to HK\$237.0 million at Casino Waldo
- Daily net win per table/terminal:

	Casino Kam Pek Paradise		Casino Waldo	
	1H2018	1H2017	1H2018	1H2017
Traditional tables (per table) (HK\$ thousand)	52.6	48.3	38.5	42.2
LMG tables				
- per table (HK\$ thousand)	156.6	129.5	64.3	58.8
- per terminal (HK\$)	1,566	1,369	773	961
Total tables (per table) (HK\$ thousand)	73.9	65.2	42.8	45.0

Healthy Balance Sheet

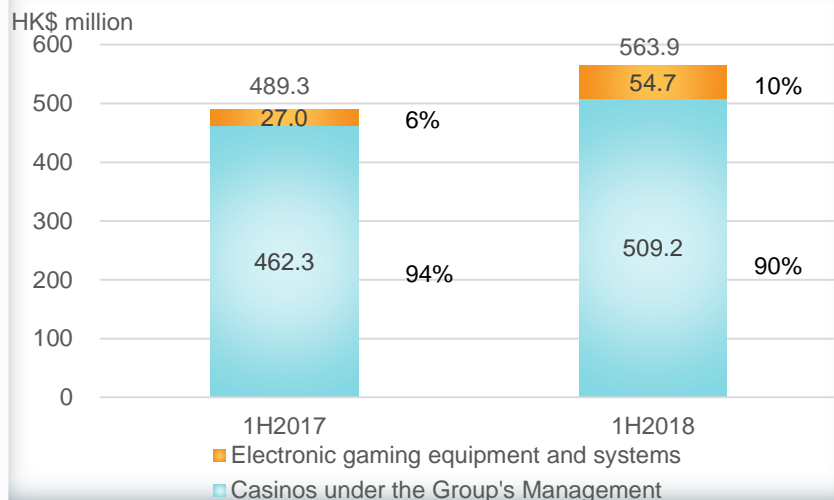
- Well-maintained cash position
 - Pledged deposit, bank balances and cash, and chips on hand of HK\$293.9 million at 30/06/2018 (31/12/2017: HK\$284.4 million)
 - Net cash position of HK\$291.9 million at 30/06/2018 (31/12/2017: HK\$281.4 million)

Warehouse Purchase

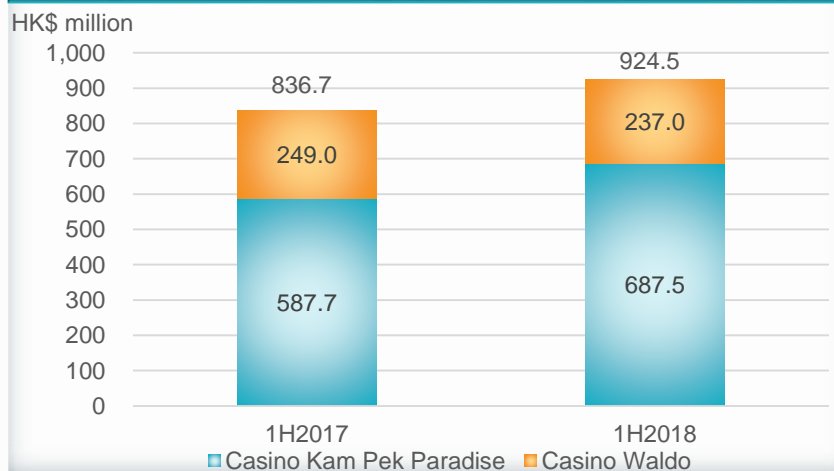
- Reduced ongoing rental payments and provided inventory storage for developing electronic gaming equipment and systems

Analysis of Reported Revenue, GGR and Adjusted EBITDA

Reported Revenue by Segment



GGR by Casino



Adjusted EBITDA by properties / nature

HKD Million	1H2018	1H2017
Casinos under Group's management:		
- Casino Kam Pek Paradise	103.8	43.2
- Casino Waldo	(25.3)	(14.7)
Subtotal	78.5	28.5
Electronic gaming equipment and systems:		
- Sale	22.0	2.8
- Leasing	2.4	3.3
- R&D and other costs	(29.7)	(18.3)
- ETG distribution from IGT	0.9	1.3
Subtotal	(4.4)	(10.9)
Other expenses	(14.4)	(16.7)
Group's Adjusted EBITDA	59.7	0.9



Growth Strategies



Growth Strategies



Favorable Opportunities as Inventor, Patent-Owner and Sole-Supplier of DETG Machines

- Assist casinos currently equipped with DETG machines in meeting requirements of the new Technical Standards
- Accelerate replacement cycle of existing LMG terminals to comply with new technical standards and deploy more LMG terminals to new flagship and satellite casinos in Macau



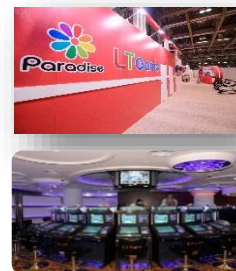
Launch of New Products to Add Sustainable Growth Impetus

- Increase its investment in R&D and high-tech gaming products
- Continue to introduce new gaming products such as slot machines and other innovative gaming products to the market so as to increase product range for gaming and non-gaming industries



Strategic Alliances Unlocked Development Opportunity

- Join hands with IGT for exclusive global rights to develop and distribute LMG
- Cooperate with InterBlock for granting non-exclusive non-live multi-game's IP to Interblock in Macau
- Explore further collaboration with strategic partners for distributing the Group's existing and new electronic gaming products to enlarge market share in Macau and overseas



Professional Gaming Technology Support and Advisory Services

- A niche as a provider of casino management services, at the same time electronic gaming equipment and systems in Macau and patent-owner of DETG machines
- Provide gaming technology support and advisory service to markets in Macau and overseas and expand business lines in gaming technology, casino management and other gaming related services etc



Fuel the Long-Term Growth of the Two Satellite Casinos Managed by the Group

- Improve operating efficiency to provide steady and healthy cash flow for R&D of new high-end products
- Visitation to Macau will shore up thanks to the infrastructure improvements including the Hong Kong-Zhuhai-Macao Bridge, which is scheduled to commence operation very soon

Paradise Entertainment

Contact Information

Hong Kong Office

Unit C, 19/F., Entertainment Building,
30 Queen's Road Central,
Hong Kong SAR

Tel: (852) 2620 5303

Fax: (852) 2620 6000

Macau Office

Suite 1207, 12/F., Macau Landmark,
No. 555 Avenida da, Amizade, Macau

Tel: (853) 2878 7656

Fax: (853) 2878 7848

Company Website

www.hk1180.com

Corporate Strategy & Investor Relations

Bob Shen, Investor Relations Manager

Bobshen@hk1180.com

(852) 2620 5303 / 9168 6118

(86) 18576453107

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