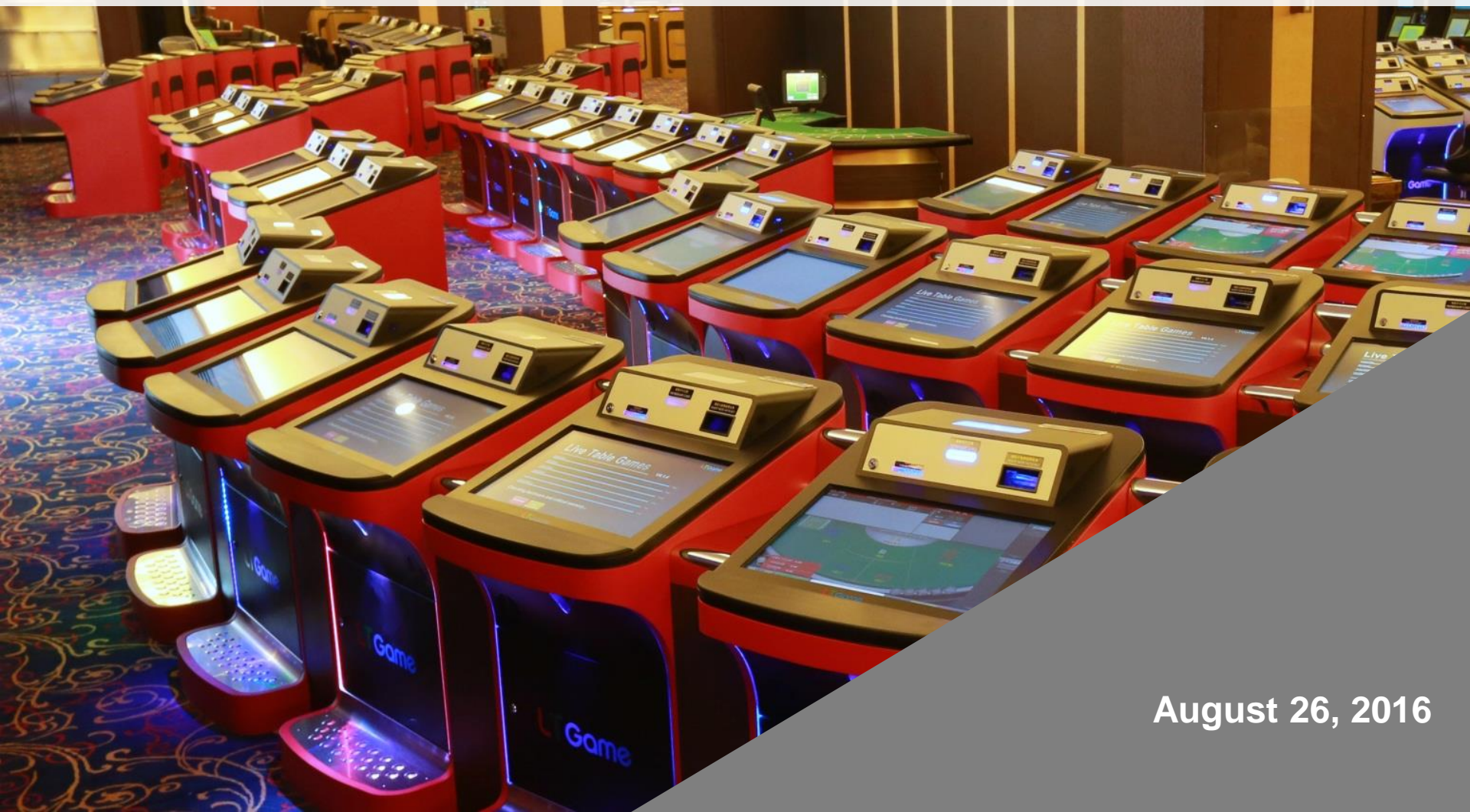




Paradise Entertainment Ltd

匯彩控股有限公司
(1180.HK)

2016 Interim Results Presentation



August 26, 2016

1H16 Results Highlights



- **1H16 reported revenue decreased to HKD519.8 million (-9% yoy)**
 - Gaming system increased to HKD117.1 million (+3% yoy) due to stable leasing revenue on Installed base LMG contribution and more LMG machine sales in overseas market
 - Casino services revenue decreased to HKD402.7 million (-12% yoy) due to weaker-than-expected GGR performance in Feb and June
- **Adj. EBITDA loss HKD17.1 million in overall tough Casino operation in Macau**
 - Gaming system EBITDA of HKD49.1 million (-23% yoy) while Casino service recorded HKD51.9 million loss
 - Gaming system EBITDA margin of 42% from stable contribution of Installed base leasing revenue
- **Group's gaming system showed steady growth (+3% yoy to HKD117.1 million)**
 - Income from Installed base LMG machines flat as number of deployment decreased to 1,631 units (as change from management to leasing terms)
 - Deployed 120 LMGs in Macau and 300 LMGs overseas including 112 LMGs inventory and accessories upon IGT licensing deal. A strong Macau and Overseas deployment expected to ramp up in 2H16
- **Group's casino services (GGR: -11% yoy) in line with industry (GGR: -11% yoy)**
 - Casino Kam Pek Paradise revenue decreased 16% yoy, decline was mainly due to the drop in table revenue and weaker-than-expected performance in Feb and June.
 - Casino Waldo recorded revenue growth of 9% yoy thanks to the growth of Net win per LMG (+75% yoy).
 - Casino Macau Jockey Club recorded stable performance, revenue slightly increased +0.5% yoy to HKD19.9 million.
- **Strong balance sheet**
 - Well-maintained Cash on hand (HK\$321.9 million as at 30 June 2016, ~25% of market capitalization)

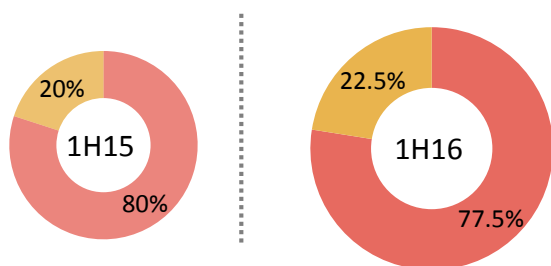
1H16 Results Analysis



HK\$M	1H16	1H15	Change (%)	Remarks
Revenue	519.8	571.1	-9%	Weaker-than-expected GGR performance in Feb and Jun
Gaming system	117.1	114.0	3%	Higher number of LMG machines deployed in overseas market
Casino service	402.7	457.1	-11%	Mainly due to average per table revenue drop 15.8% yoy
Gross profit	174.4	252.5	-31%	
EBITDA	(17.1)	49.8	-134%	Due to EBITDA loss of casino service
Gaming system	49.1	64.0	-23%	Contribution from Installed base LMG machines
Casino service	(51.9)	0.4		Less flexible cost structure on pure gaming operation (COGS drop 4% HoH)
Profit before tax	(409.4)	(11.7)		LMG/RNG technology and patent license agreement with IGT recorded ~HK\$335 million loss because of patent book value write-off of HK\$439 million and upfront fee paid to Paradise Ent. of ~HK\$101 million
EBITDA margin	(3.3%)	8.7%		
Gaming system	41.9%	56.1%		Stable EBITDA margin from Installed base LMG machines
Casino service	(12.9%)	0.1%		Lower revenue per labour cost
EPS (Basic)	(39.6)	(2.26)		
Bank and cash balances*	321.9	318.8	1%	Cash balance remains healthy

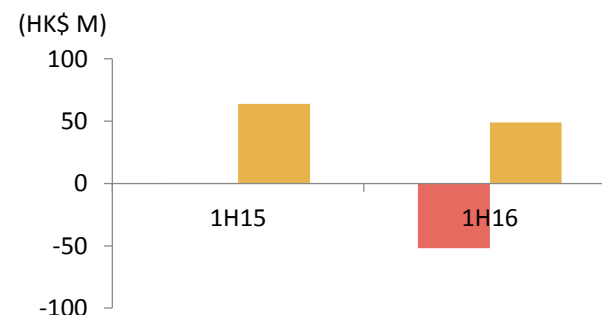
Revenue

- Casino Service
- Gaming System



EBITDA

- Casino Service
- Gaming System



1H16 Results Analysis – Segments



Segments analysis

(HK\$ Million)

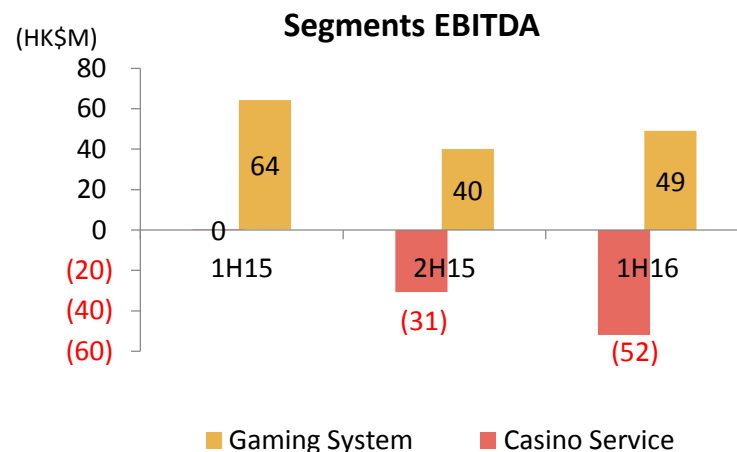
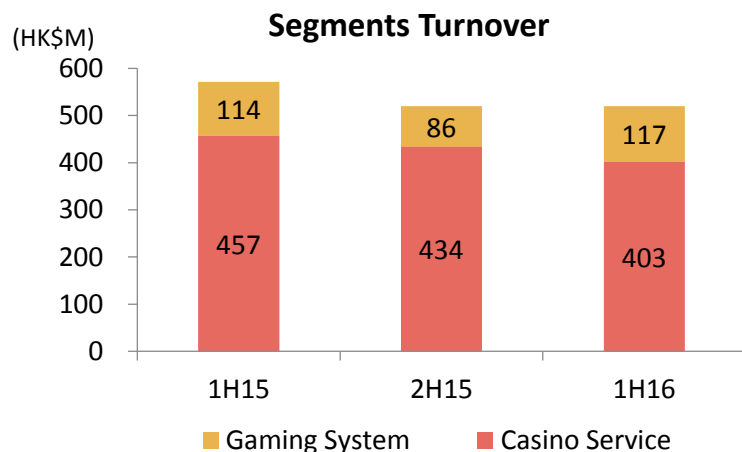
	1H15	2H15	1H16	HoH Chg %	YoY Chg %
Business Segments Turnover					
Gaming System (Installed base)	73.8	72.7	73.6	1.2%	-0.3%
Gaming System (Trading base)	40.3	12.9	43.5	237.8%	8.1%
Casino Service	457.0	434.0	402.7	-7.2%	-11.9%
	571.1	519.6	519.8	0.0%	-9.0%

Segment Adjusted EBITDA

Gaming System (Installed base)	55.4	55.9	48.3	-13.6%	-12.8%
Gaming System (Trading base)	8.6	-16.1	0.8	NM	-90.7%
Casino Service	0.4	-30.8	-51.9	68.6%	NM
	64.4	9.0	-2.8	-130.6%	NM

Segment EBITDA margin

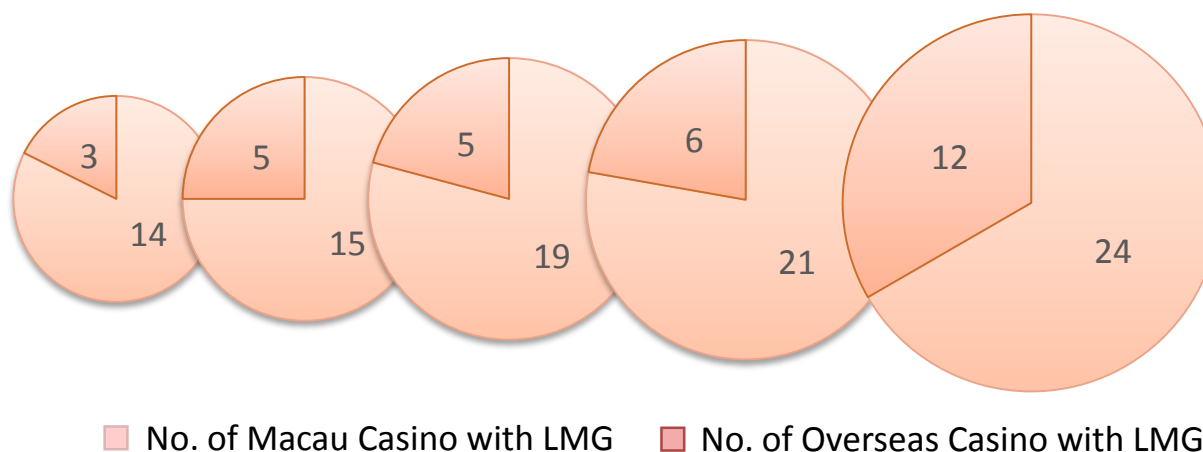
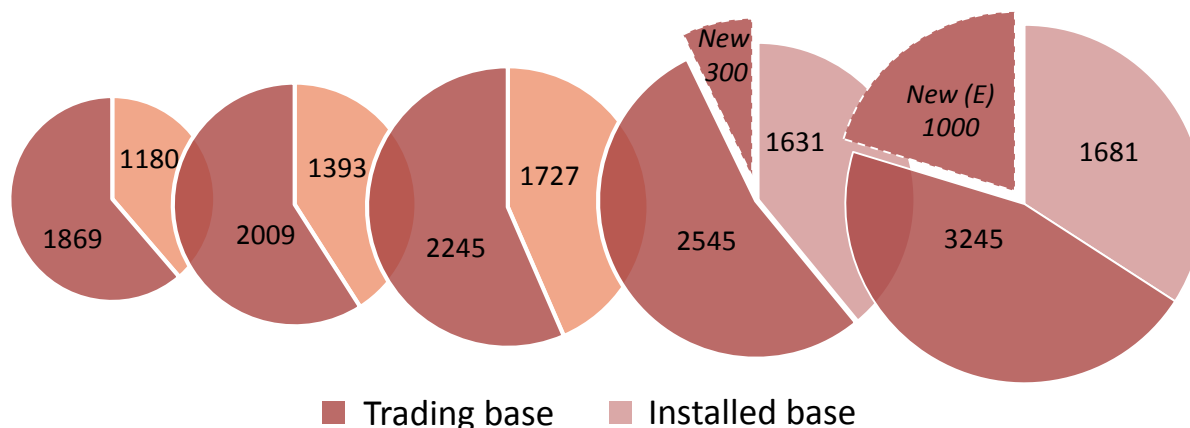
Gaming System (Installed base)	75.1%	76.8%	65.6%
Gaming System (Trading base)	21.4%	-125.0%	1.8%
Casino Service	0.1%	-7.1%	-12.9%



Segment Results – Gaming System

Accumulative overall LMG deployment

	2013	2014	2015	1H16	FY16E
Total #	3049	3402	3972	4176	4926



Trading base

Deployed 300 LMGs in 1H16 (FY15: 236 units) and expecting a total 1,000 units of trading base installation by FY2016

■ Macau

- Deployed 120 LMGs in 2 satellite casinos in 1H16
- Expecting 700 units of installation in various casinos by FY2016.

■ Overseas

- Sold 68 units in Australia and SEA market pre IGT licensing deal*
- Sold 112 inventory & accessory items to IGT as per licensing agreement
- Expecting 300 units of trading base completed by FY2016

Installed base

Deployed 1,631 units of LMGs in 1H16 and expecting a total 1,681 units of installed base by FY2016

■ Macau

- Added 38 terminals in Kam Pek Casino
- Reduced from 234 to 100 terminals in Lisboa LMG Zone

■ Overseas

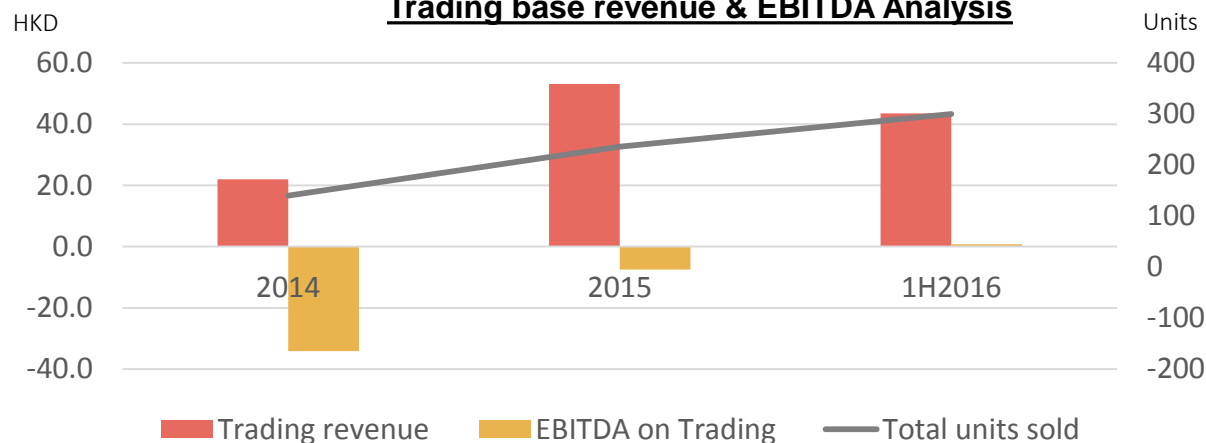
- LMGs were on trial run period in 3 US casinos.

Note *: sales agreement before the agreement with IGT in April 2016.

Segment Results – Gaming System

Gaming System Segment Financial Performance

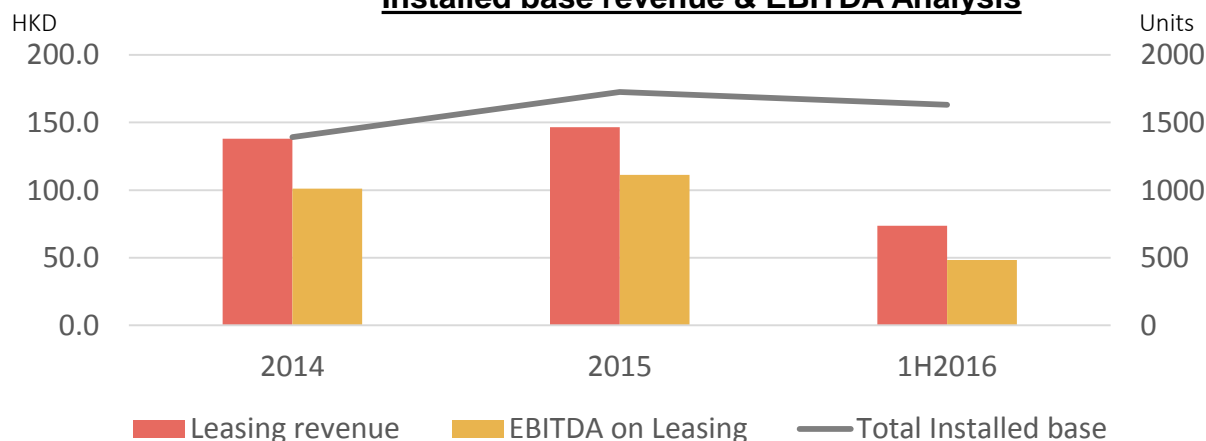
Trading base revenue & EBITDA Analysis



Trading base

- High revenue and EBITDA recorded in 2012 as a significant machine installation growth of casino opening in Cotai
- In 2013-15, expanding to overseas market and cost has been grew gradually in past 3 years (Office setup, Licensing Legal service fees and so on)
- Benefiting from recent IGT licensing deal, overseas development cost has been more manageable and expecting more cost saving from 2H2016 onward

Installed base revenue & EBITDA Analysis



Installed base

- A steady growth of Leasing revenue providing a sustainable free cash flow to the group
- Around 60-70% leasing EBITDA margin in past 5 years
- In-road US gaming market with stronger leasing revenue upside potential

Segment Results – Casino Service GGR Analysis



Casinos under management GGR Summary

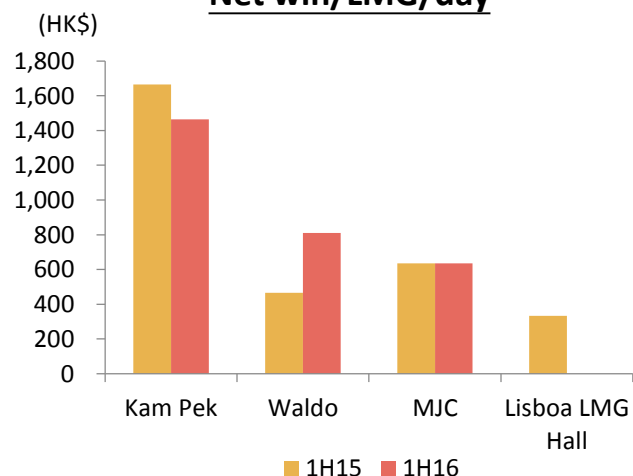
(HK\$ Million)

Casinos	1H15	2H15	1H16	HoH Chg %	YoY Chg %
Kam Pek Paradise	710.7	650.1	597.7	-8.1%	-15.9%
Waldo	219.4	244.2	239.1	-2.1%	9.0%
MJC	19.8	17.5	19.9	13.5%	0.5%
Lisboa LMG Hall	14.1	7.5	<i>Changed to Leasing terms on 1/1/2016</i>		
Total	964.1	920.5	856.7	-6.8%	-11.1%
Table	596.7	556.7	502.6	-9.5%	-15.8%
LMG	329.9	321.9	314.6	-2.3%	-4.6%
Slot	37.5	41.9	39.5	-5.7%	5.4%

Net win/table/day

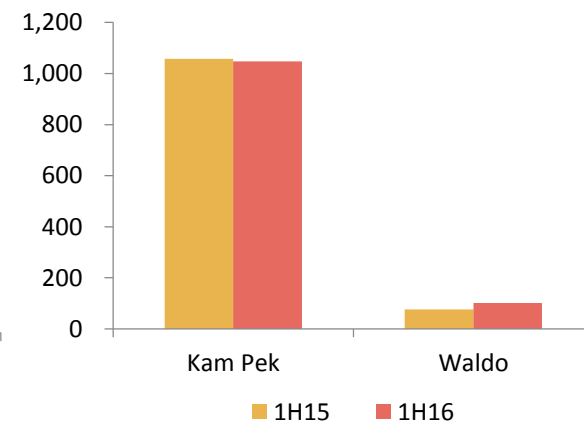


Net win/LMG/day



Note: Lisboa LMG hall changed to leasing model since Jan 2016

Net win/slot/day

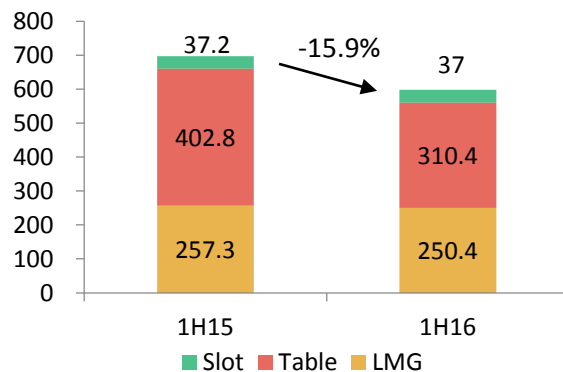


Note: Waldo slot hall opened in June 2015, featuring 139 slots

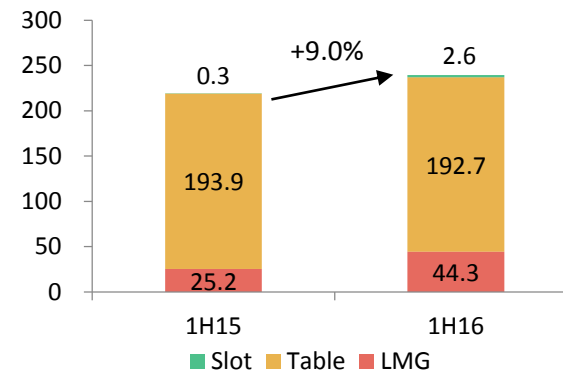
Segment Results – Casino Service GGR Analysis (Cont'd)



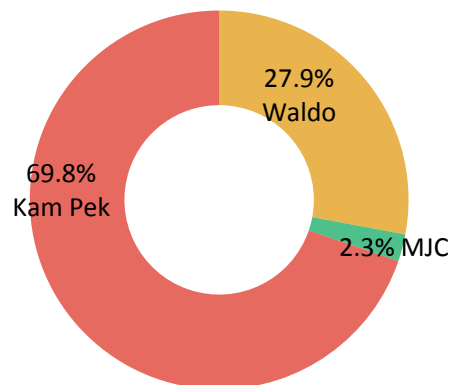
Kam Pek GGR Breakdown



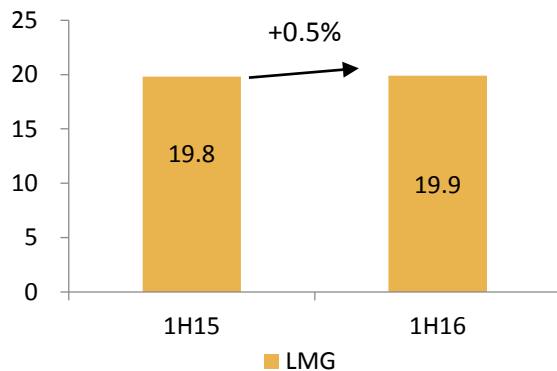
Waldo GGR Breakdown



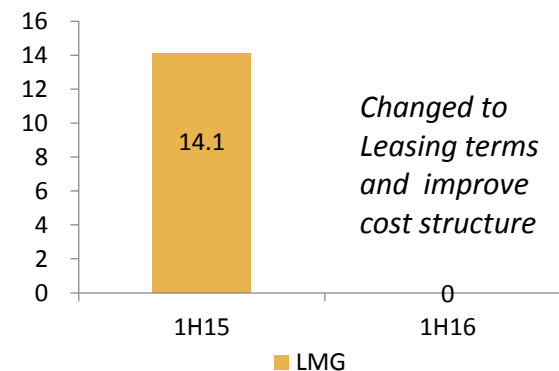
1H16 GGR Breakdown



MJC GGR Breakdown



Lisboa GGR Breakdown



Note: Lisboa LMG hall changed to leasing model since Jan 2016

Milestones Achieved in 1H16



■ Gaming systems

- Macau
 - Deployed 120 LMG machines in Macau (Holiday Inn and Fisherman's Wharf)
- Overseas
 - Deployed 50 LMGs at Canberra casino, Australia and 18 LMGs in Southeast Asia market.
 - Entered into patent and technology assignment and license agreement with IGT in Apr. 2016, and completed the Largest LMG installation (150 units, in US market at Sands Bethlehem) through IGT by the end of June.

■ Casino services

- Streamline operating cost
 - Lisboa LMG Hall business model changed from management terms to leasing terms since Jan 2016.
 - Negotiated casino rental reduction to improve cost structure

■ Two-pronged growth strategy in Macau

• A diverse product portfolio

- New products roll-out, i.e. E-Baccarat table and Fast Betting Machine, to smoothen sales volatility from a single product. Trial run to begin in 2H16

• Leaner casino cost structure

- Streamlining cost across casinos

■ Growing overseas market contribution

- LMG installation to ramp up globally by leveraging IGT's global network and resource.

Outlook – Gaming System



E-Baccarat Table

- **Live dealer**
 - Interaction and gameplay experience unchanged
- **Digital chips**
 - Improves security and accuracy, eliminates human error
- **Efficient back-betting**
 - Games can be broadcasted to LMG terminals for back-betting
- **Higher # of hands per hour**
 - 27 seconds betting time limit and automated payout
 - Deployed in Casino Macau Jockey Club since May-14

Fast Betting Machine

- **High Speed Betting**
 - Two 32-inch size of betting screens to increase efficiency and game excitement
 - Bet simultaneously on more than 10 games per screen

Robotic Dealer

- **Highly automatic**
- **Increase game security and reliability**
- **High speed betting**
 - Dealing cards: ~30 seconds

Outlook – Gaming System (Cont'd)



Intelligent Cash Access Machine

- **TITO**
 - Allows patrons to redeem cash and/or buy tickets
- **Minimizes security risks**
- **Eliminates manual cash handling**
- **Increases efficiency**
 - Faster automated cash counting
- **Lowers labor costs**
 - Eliminates casino cage cashiers



E-Drop

- **High Speed Cash Counting**
 - 1 second to count 16 notes
- **Accurate and Extensible Bill Recognition**
 - Up-to-dated bill recognition technology
 - Extensible: CNY, USD, Euro, JPY, MOP, etc.
- **Convenience of Operation**
- **Real Time Accounting of Table Drops**
 - Fraud protection in count room
 - Real time estimation of win and hold



QFX (Currency Exchange)

- **Currency exchange**
- **Minimizes security risks**
- **Eliminates manual cash handling**
- **Accurate and extensible bill recognition**
 - CNY, USD, JPY, MOP, HKD, etc.
- **Lowers labor costs**

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