



Paradise

# Paradise Entertainment Limited

*(Incorporated in Bermuda with limited liability)*

1180.HK

2022 Interim Results

25 August 2022

# Business Update

For the six months ended 30 June 2022





## BUSINESS UPDATE – 1H 2022

- 1) The protracted Covid-19 pandemic has ravaged the globe, whose sporadic resurgences via various new variants have crippled the world economy. Gaming industry, in which the Group is engaged, relies heavily on international travelling and close human contact, and is expected to face continuous huge pressure.
- 2) With the extension of existing gaming concession between Macau government and SJM Resorts from 26 June 2022 to 31 December 2022 (pursuant to which Casino Kam Pek Paradise is licensed for operation), the Group has confirmed its commitment to SJM Resorts to continue providing efficient casino management services for Casino Kam Pek Paradise to 31 December 2022. We shall stay tuned on the developments of the new gaming law in Macau in compliance with regulatory changes, as well as identifying cooperation opportunities in order to contribute to the Macau gaming industry within the ambit of the new gaming law.



## BUSINESS UPDATE – 1H 2022 (continued)




- 3) The Group's sale of slot machines in overseas markets boosted in 1H 2022 (mostly switched from leasing to purchasing by end customers). We shall keep alert on the ever-changing market situations and revise our strategies in good time where necessary.
- 4) Our flagship product, the LMG machines, continued to make strides in the gaming industry on the improvement of the operational efficiency of casinos and the provision of an optimal solution to resolve the issue of the climbing operating costs of casinos, particularly the labour costs of dealers.
- 5) Continued investment in R&D of electronic gaming equipment and systems to create more innovative gaming products that align well with casinos of mass market.
- 6) We remain confident that LMG machines and other ETG machines have ample room for development in the future, both in Macau and in overseas gaming markets.



## Casino Management Services

# GAMING TABLES AND MACHINES IN OPERATION

(Average number of units)		1H 2022	1H 2021
 (managed by the Group since Aug 2008)	<i>Traditional gaming tables</i>	37	39
	<i>LMC gaming tables/machines</i>	9/495*	10/481*
	Total gaming tables	46	49
	<b>Slot</b> machines	102*	80*



*\*Due to the pandemic with safety distancing measures imposed by the Macau government, only around half of the machines under the Group's management could be put into operations. The numbers shown in above table represent average number of gaming tables and machines which were in operation during the relevant periods.*

Electronic Gaming Equipment & Systems

DEPLOYMENT OF GAMING MACHINES



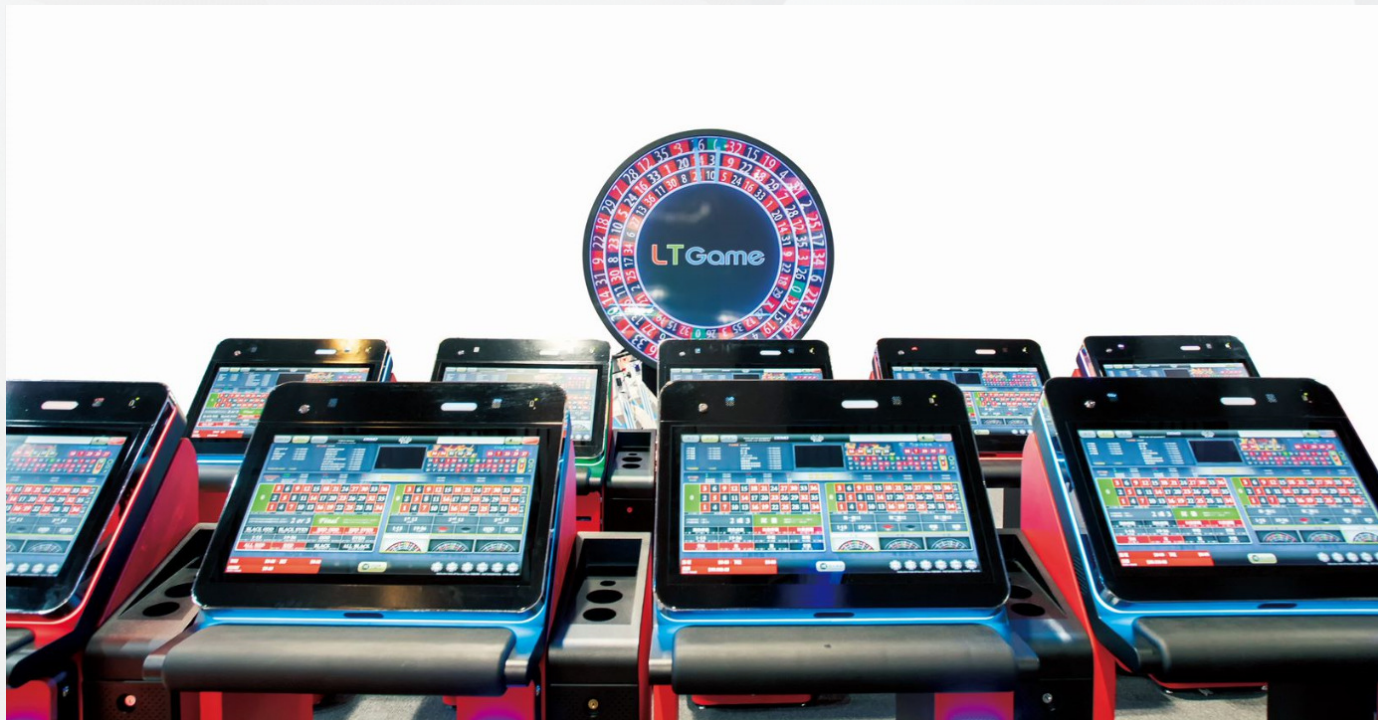
Major deployment during the period	1H 2022 (Number of machines)	1H 2021 (Number of machines)
LMG machines in Macau: - provision of upgrading services (for the period)	84	1,228
Slot machines overseas: - sale (for the period)	498	12

LTGame



# Financial Update

For the six months ended 30 June 2022



# FINANCIAL HIGHLIGHTS – 1H 2022

GGR

Casino Kam Pek Paradise

HK\$ **283.1**<sub>m</sub>  
(1H 2021: HK\$416.9m)



Adjusted EBITDA

loss of HK\$ **64.4**<sub>m</sub>  
(1H 2021: profit of HK\$5.1m)



Reported Revenue

HK\$ **181.1**<sub>m</sub>  
(1H 2021: HK\$257.9m)



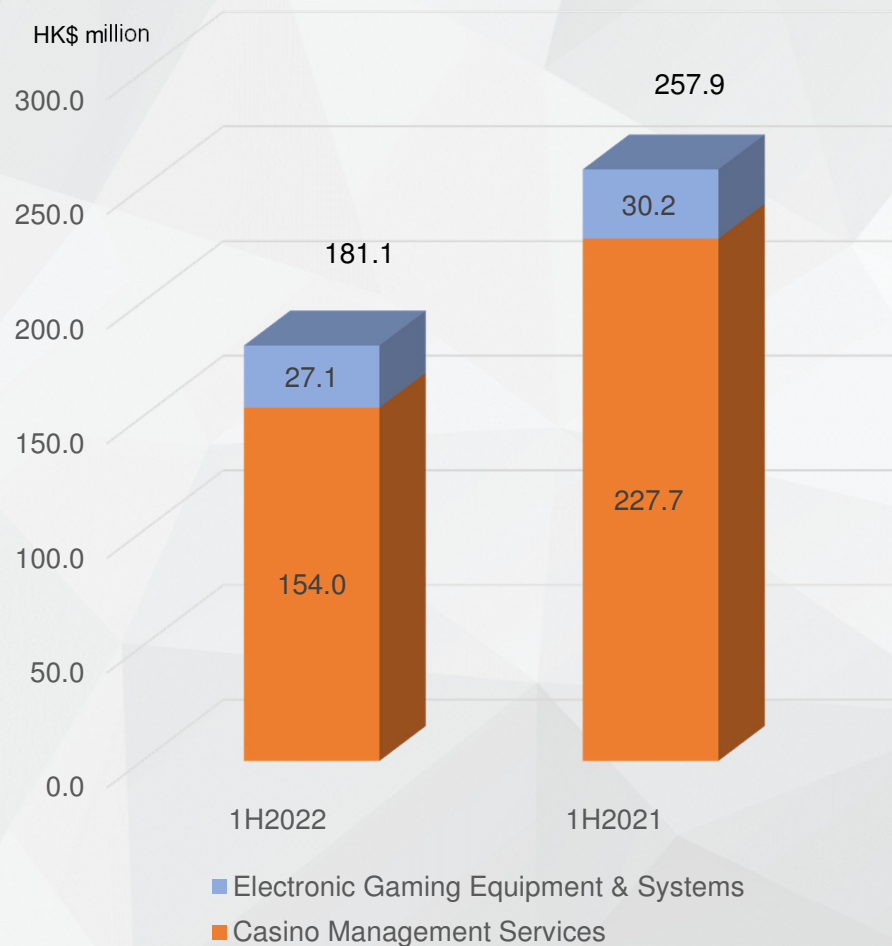
Net loss

HK\$ **96.7**<sub>m</sub>  
(1H 2021: net loss of HK\$21.5m)



# GROUP REVENUE & ADJUSTED EBITDA

## Reported Revenue by Segments



## Group Adjusted EBITDA by Properties/Nature

HK\$ million	1H 2022	1H 2021
<b>Casino under the Group's management:</b>		
• Casino Kam Pek Paradise	(23.3)	39.1
<b>Subtotal</b>	<b>(23.3)</b>	<b>39.1</b>
<b>Electronic gaming equipment and systems:</b>		
• Sale/leasing	(9.4)	11.8
• R&D and other costs	(22.0)	(27.9)
• Royalty income from IGT	1.0	1.8
<b>Subtotal</b>	<b>(30.4)</b>	<b>(14.3)</b>
<b>Other businesses</b>	<b>(3.6)</b>	<b>(12.0)</b>
<b>Corporate and other expenses</b>	<b>(7.1)</b>	<b>(7.7)</b>
<b>Group Adjusted EBITDA</b>	<b>(64.4)</b>	<b>5.1</b>



# CASINO UNDER MANAGEMENT PERFORMANCE HIGHLIGHTS



**1H 2022**

**1H 2021**

**GGR**

- Traditional Tables

- LMG

- Slot Machines

HK\$ **283.1m** [-32.1%]

HK\$ **119.6m** [-36.5%]

HK\$ **148.9m** [-30.6%]

HK\$ **14.6m** [+5.0%]

HK\$ **416.9m**

HK\$ **188.4m**

HK\$ **214.6m**

HK\$ **13.9m**

**GGR Contribution**

- Traditional Tables

- LMG

- Slot Machines

42.2%

52.6%

5.2%

100.0%

45.2%

51.5%

3.3%

100.0%

**Reported Revenue**

HK\$ **154.0m** [-32.4%]

HK\$ **227.7m**

**Adjusted EBITDA (loss)**

HK\$ **(23.3)m**

HK\$ **39.1m**

**Remarks: Macau Total GGR**

MOP **26,269m** [-46.4%]

MOP **49,023m**





# KPIs FOR CASINO UNDER MANAGEMENT



金碧匯彩娛樂場  
KAMPEK PARADISE CASINO



1H 2022  
HK\$

1H 2021  
HK\$

Total GGR for the period

283.1 million

416.9 million

Traditional Gaming Tables  
GGR per table/day



17,900

26,700

LMG Gaming Tables  
GGR per table/day  
GGR per terminal/day



91,400

118,600

1,662

2,465

Blended Table  
GGR per table/day

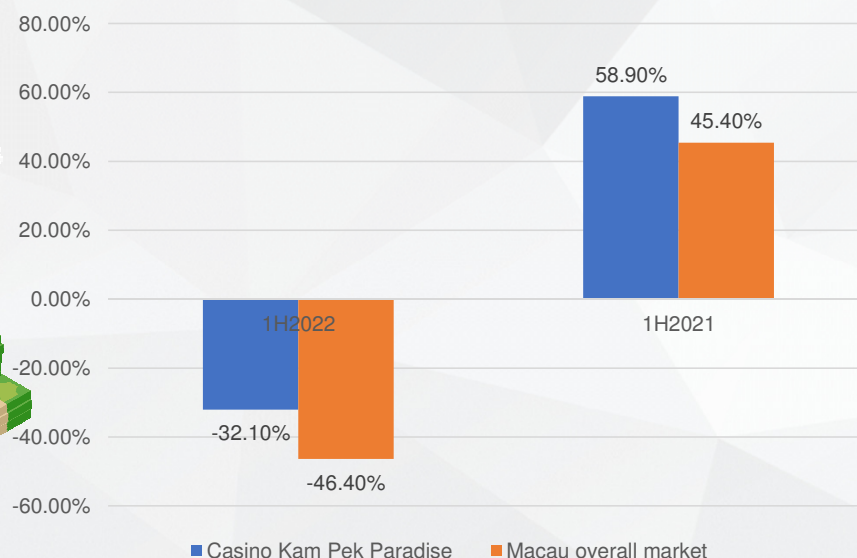


32,200

45,400

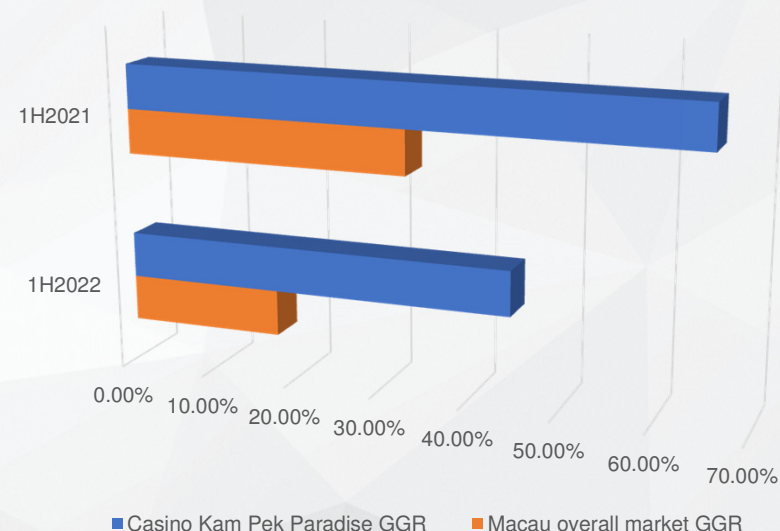
# CHANGES IN GGR: CASINO KAM PEK PARADISE VS MACAU MARKET

YoY change in GGR  
Casino Kam Pek Paradise vs Macau



YoY changes in GGR	1H 2022	1H 2021
Casino Kam Pek Paradise	-32.1%	58.9%
Macau overall market	-46.4%	45.4%

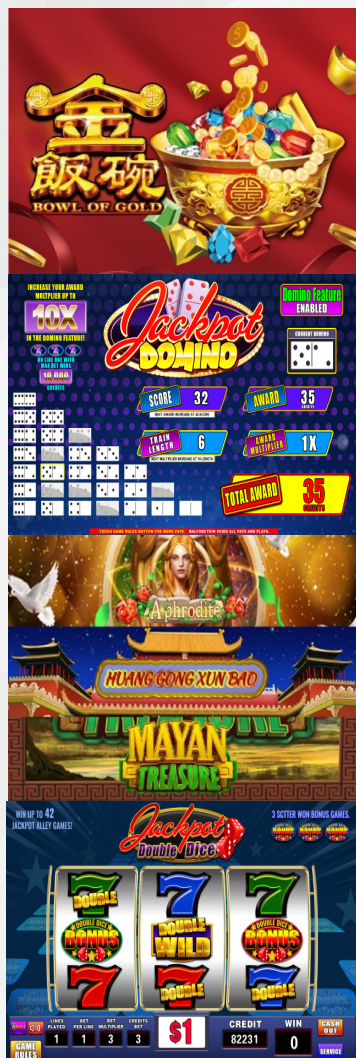
Percentage of GGR to 1H 2019  
(pre-Covid-19) GGR  
Casino Kam Pek Paradise vs Macau



GGR to 1H 2019 (pre-Covid-19) GGR	1H 2022	1H 2021
Casino Kam Pek Paradise	44.5%	65.5%
Macau overall market	17.6%	32.8%



# ELECTRONIC GAMING EQUIPMENT & SYSTEMS PERFORMANCE HIGHLIGHTS



Reported Revenue



R&D and Other Costs incurred



Adjusted EBITDA (loss)

1H 2022

1H 2021

Macau Overseas Total

Macau Overseas Total

HK\$ **4.8m** HK\$ **22.3m** HK\$ **27.1m**

HK\$ **25.7m** HK\$ **4.5m** HK\$ **30.2m**

HK\$ **(22.0)m**

HK\$ **(27.9)m**

HK\$ **(30.4)m**

HK\$ **(14.3)m**



# EXPECTED INCREASE IN DEMAND OF GAMING MACHINES

	Macau Total Gross Gaming Revenue (Annual)					Percentage to Macau Total Gross Gaming Revenue				
	Mass market tables	Live multi game machines	Slot machines	VIP tables	Total	Mass market tables	Live multi game machines	Slot machines	VIP tables	Total
	MOP'm	MOP'm	MOP'm	MOP'm	MOP'm	%	%	%	%	%
2016	90,516	2,350	11,384	118,960	223,210	40.6%	1.1%	5.1%	53.3%	100.0%
2017	99,475	2,431	13,164	150,673	265,743	37.4%	0.9%	5.0%	56.7%	100.0%
2018	118,973	2,728	15,048	166,097	302,846	39.3%	0.9%	5.0%	54.8%	100.0%
2019	139,249	2,840	15,138	135,228	292,455	47.6%	1.0%	5.2%	46.2%	100.0%
2020	29,763	923	3,475	26,280	60,441	49.2%	1.5%	5.7%	43.5%	100.0%
2021	52,286	1,370	4,718	28,489	86,863	60.2%	1.6%	5.4%	32.8%	100.0%

## Increase in GGR of gaming machines as a percentage of Macau's total GGR

With the outbreak of Covid-19 pandemic, awareness of public health is increasing, and gaming machines can provide customers with a more private, reclining and safe environment to casino patrons

## Increase in mass GGR and decrease in VIP GGR

In recent years, Macau government has put much effort to promote the development of Macau into a world tourism center, as well as diversification of local businesses. Such policies have reduced the number of VIP customers who come to Macau to gamble solely. On the other hand, more tourists will come to Macau for sightseeing and leisure and these tourists will also go to casinos to have moderate gaming entertainment

## Operating cost of traditional gaming tables keep increasing

In Macau, operating cost of traditional gaming tables, especially staff expenses, keeps increasing year-by-year, resulting in an increase in the minimum wage amount for the relevant tables, which may not be affordable for customers. So the demand for gaming machines (operating costs are relatively low) in casinos will be increased

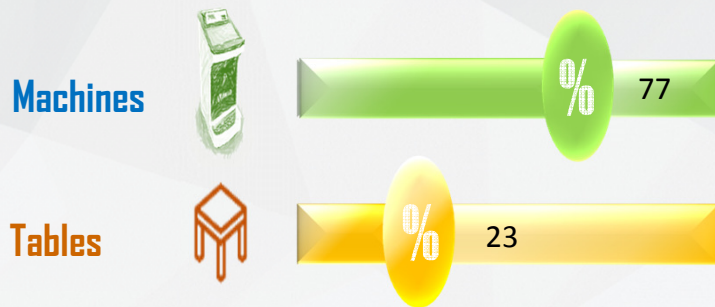
**Demand for electronic gaming machines is expected to increase significantly**

Note: Gaming machines include LMG machines, slot machines and other electronic table game machines



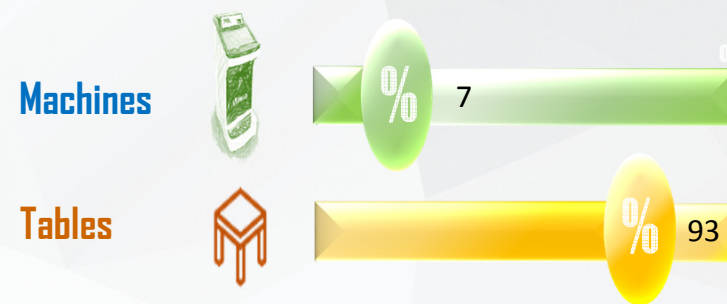
# GGR OF GAMING MACHINES VS GAMING TABLES

## North American markets (now)



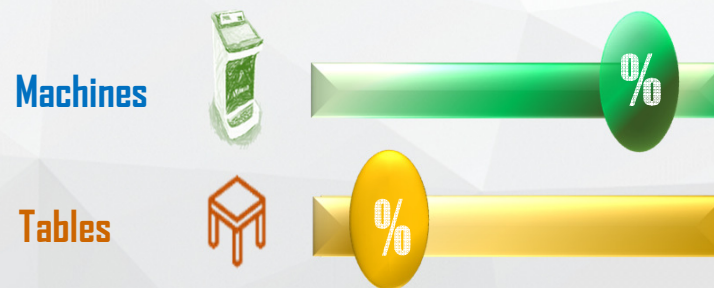
Source: American Gaming Association Statistics 2021

## Macau markets (now)



Source: DICJ Gaming Statistics 2021

## Macau and other South-east Asian markets (future)



**Huge potential growth demand for electronic gaming machines**

Note: Gaming machines include *LMG* machines, *slot* machines and other electronic table game machines

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