



Paradise

Paradise Entertainment Limited

(Incorporated in Bermuda with limited liability)

1180.HK

2022 Annual Results

28 March 2023

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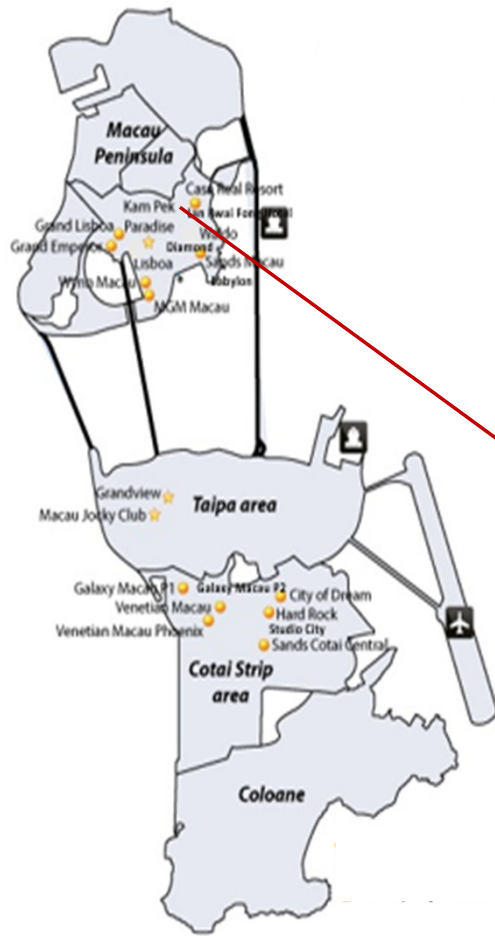
Contacts Information

About Paradise

Paradise Entertainment Limited (SEHK: 1180)

Paradise is one of the world's unique and leading gaming equipment and systems suppliers in arrays of a range of high-tech products as well as a seasoned professional casino management services provider

2. Company Overview



BUSINESS SEGMENTS

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



- Provide casino management services to a Macau satellite casino which generates stable and strong net cash inflows to the Group
- Focus on mass gaming segment in the Macau Peninsula
- Fully utilise the Group's patented high-tech innovative electronic table gaming experience into the satellite casino, which is unprecedented, unique, vibrant and prominent among the industry

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CASINO MANAGEMENT SERVICES

- One of the worldwide leading gaming equipment and systems providers established
- Inventor, patent-owner and sole-supplier of our flagship product **LMG** in Macau
- Deployment of new self-developed **slot** machines in the North American and Macau markets
- Dedicated to research and develop new innovative gaming equipment and systems
- Strategic agreement with IGT for overseas deployment of **LMG**

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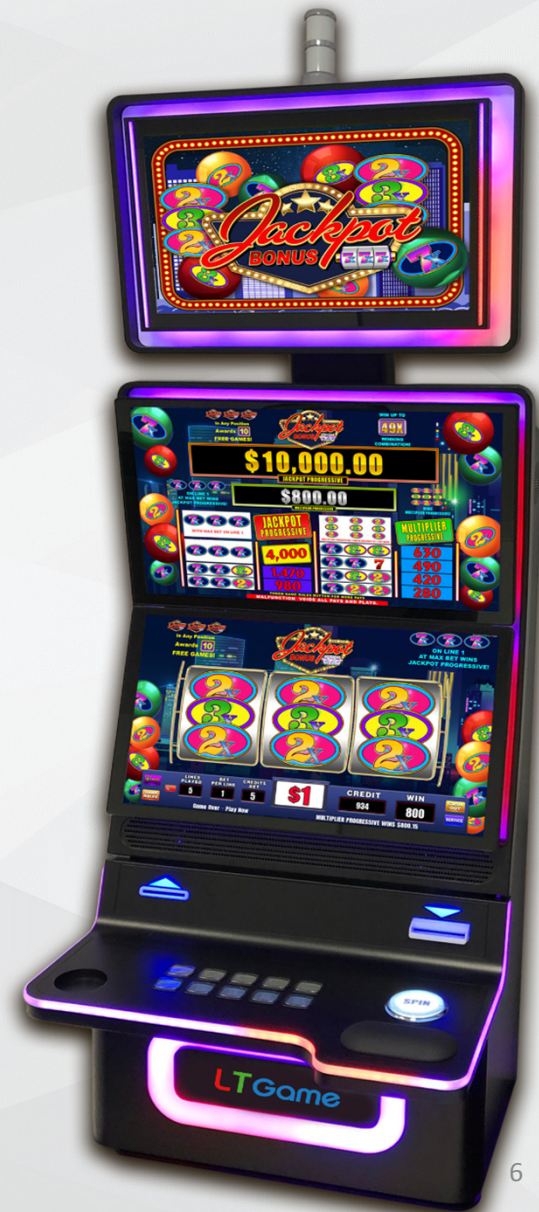
ELECTRONIC GAMING EQUIPMENT & SYSTEMS

3. Business Review




BUSINESS REVIEW - 2022

1. The Covid-19 pandemic continued to have a materially adverse effect on the Group's business and financial performance for the year ended 31 December 2022.
2. Entering 2023, we see some green shoots of recovery and the Macau government has started to ease travel restrictions and lifted its quarantine requirements for inbound business and tourist travellers since early 2023. We believe this will help attract foreign investors and tourism to Macau after the reopening of the borders between Mainland China, Hong Kong and Macau.
3. Entered into a new service agreement with SJM Resorts, Limited ("SJM Resorts") on 30 December 2022 for our provision of casino management services in Casino Kam Pek Paradise (which operates under SJM Resorts' gaming concession) for the period from 1 January 2023 to 31 December 2025.
4. In facing unpredictable market changes, the Group will maintain a prudent and conscientious attitude, focus on developing its core business, continue to improve internal operation efficiency and management, and capture other good business opportunities so as to achieve steady growth and healthy returns for the Group.



Casino Management Services

GAMING TABLES AND MACHINES IN OPERATION

(Average number of units in operation)		FY2022	FY2021
 (managed by the Group since Aug 2008)	<i>Traditional gaming tables</i>	31	39
	<i>LMB gaming tables/machines</i>	8/493	10/486
	Total gaming tables	39	49
	Slot machines	98	89



* Due to the pandemic with safety distancing measures imposed by the Macau government and business need during the pandemic, certain gaming tables and gaming machines could not 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.

Pursuant to a new service contract entered into between SJM Resorts and the Group, the Group has been allocated quotas for managing 30 gaming tables and 100 slot machines in Casino Kam Pek Paradise during the period from 1 January 2023 to 31 December 2025.

Electronic Gaming Equipment & Systems

DEPLOYMENT OF GAMING MACHINES



	FY2022 (Number of machines)	FY2021 (Number of machines)
LMG machines in Macau: <ul style="list-style-type: none">- sale- provision of upgrading services	- 149	116 1,449
Slot machines in overseas markets: <ul style="list-style-type: none">- sale	498	99



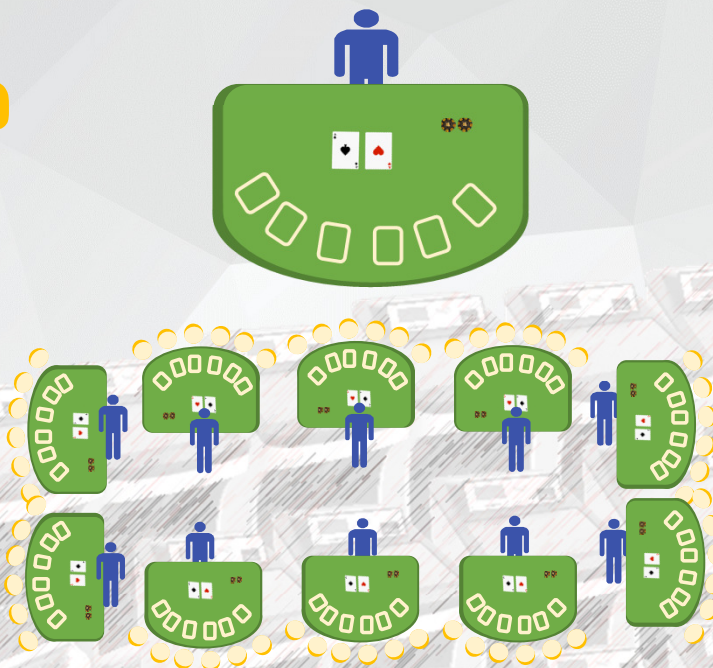
Electronic Gaming Equipment & Systems

WHY LMGs IN CASINOS?

Traditional Mass Table		LMG Stadium	
Single Shift	Single Day	Single Shift	Single Day
1 pit manager	45 staffs	1 supervisor	12 staffs
2 supervisors		3 dealers	
12 dealers		Tables required	1 table, 2 games simultaneously
Tables required	10 tables	Customers Served	
Customers Served		Maximum number of customers (Seats)	Max 80
Maximum number of customers (Seats)	Max 60 - 80		

Comparison	
+ Increase / - Save	The cost of staffs can be saved every month (HK\$)
- 9 Tables	
+ 10 Games	
- 3 pit managers	(150,000)
- 3 supervisors	(105,000)
- 27 dealers	(675,000)
- 33 staffs	(930,000)

Note: One pit 10 tables set up floor space can fit 80-seater LMG stadium gaming



Advantages of LMG over Traditional Gaming Tables:

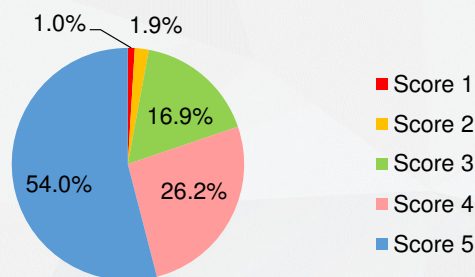
- Improve gaming efficiency and reduce labor costs
- Increase game security and reliability
- Keep privacy of players with lower minimum wager
- Premium gaming experience for mass segment gaming players
- Can meet specific measures and requirements for maintaining appropriate social distance

Electronic Gaming Equipment & Systems

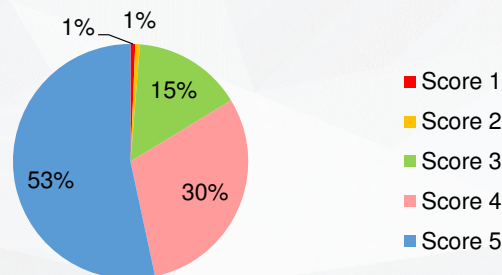
SURVEY ON SATISFACTIONS WITH LMGs

The survey was conducted at Casino Kam Pek Paradise from November to mid-December 2021, successfully interviewed 313 casino guests randomly and asked them about their satisfactions with LMGs. The survey included quality of sound and picture, comfort of seats and related areas, privacy and safety of guests, accuracy of betting and pay outs, fairness of games, reliability of live streaming live cards, and the overall satisfaction level, etc.

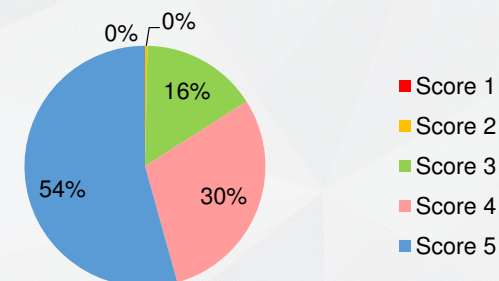
1. When experiencing LMGs, I think my financial privacy and personal information are well protected.



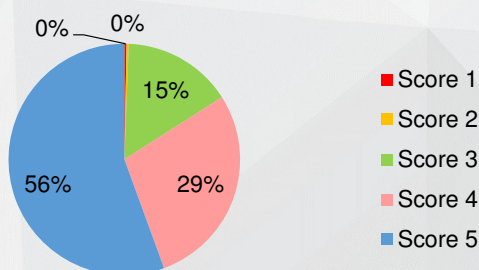
2. The calculation of game results and payouts by the LMGs is very accurate, and no error is noted.



3. The LMGs can broadcast the games and results in real time which is reliable.

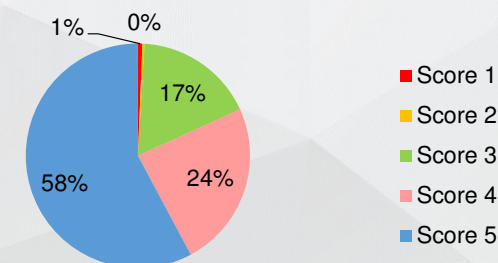


4. I am very satisfied with the overall performance of the LMGs.



Our guests are very satisfied with the overall entertainment experience of our LMGs

5. The overall gaming experience of the LMGs is very enjoyable.



Remarks: Scoring 1 to 5 points, 1 point is the most dissatisfied, 5 points are the most satisfactory

OVERVIEW OF SLOT MACHINES WORLDWIDE

Geographic Location	# of Slots	%
Africa	32,766	2.2%
Asia & Middle East	55,393	3.7%
Caribbean	26,236	1.8%
Central & South America	268,253	17.9%
Europe	309,824	20.7%
North America	762,896	51.0%
Oceania	18,884	1.3%
Cruise Ships	20,567	1.4%
Total	1,494,819	100.0%

Source: Casino City's Global Gaming Almanac 2020

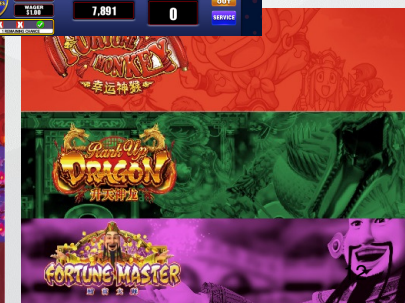
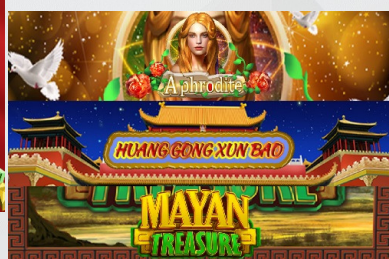
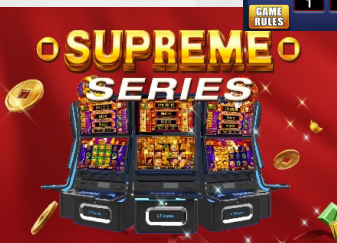
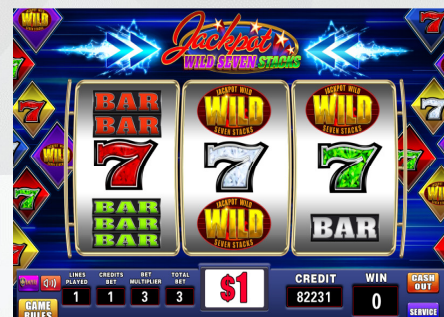


Paradise's primary strategic focus and major markets in the deployment of self-developed **slot** machines

Around 1.5 million slot machines globally

Electronic Gaming Equipment and Systems

OUR FAST-GROWING SLOT GAME LIBRARY



EXPECTED INCREASE IN DEMAND OF GAMING MACHINES

	Macau Total Gross Gaming Revenue					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	%	%	%	%	%
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%	5.8%	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%
2022	28,100	825	3,124	10,149	42,198	66.6%	2.0%	7.4%	24.0%	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

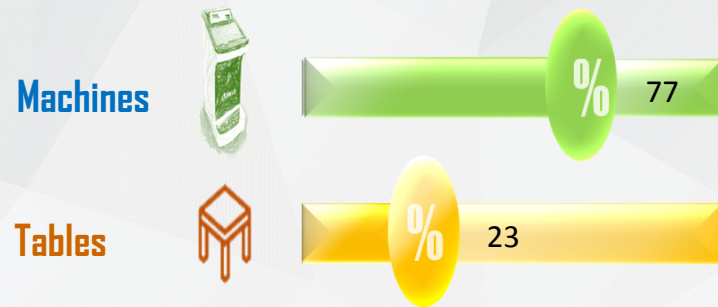
In Macau, operating cost of traditional gaming tables, especially staff expenses, keeps increasing year-by-year, resulting in an increase in the minimum wage amount for the relevant tables, which may not be affordable for customers. So the demand for gaming machines (operating costs are relatively low)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

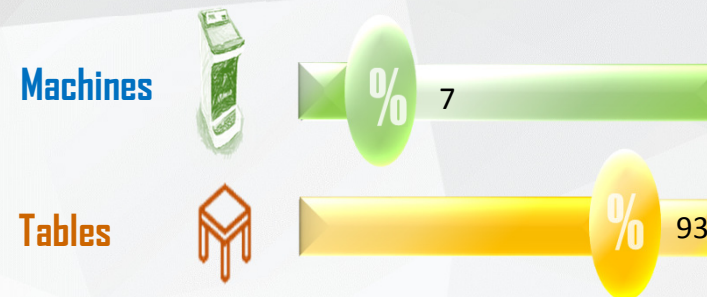
GGR OF GAMING MACHINES VS GAMING TABLES

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)



Competition in Macau casinos will increasingly focus on the mass market. Mass market will follow the North American market model, and gaming machines will be the main source of income for casinos. Operating cost of gaming tables in Macau is getting higher and higher, particularly the increase in labor costs will lead to a decrease in the yield of mass gaming tables. To maintain a breakeven position or even not lose money, minimum bet amount of gaming tables will inevitably be increased. Minimum bet amount to increase to certain point, casino patrons will not afford, and in that case, casinos can only gradually reduce the number of gaming tables and on the other hand increase the number of gaming machines.

Huge potential growth demand for gaming machines!

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

4. Financial Review

For the year ended 31 December 2022



FINANCIAL HIGHLIGHTS – 2022 ANNUAL RESULTS

GGR

Casino Kam Pek Paradise

HK\$ **490.9** m
(2021: HK\$761.7m)



Adjusted EBITDA

Loss of HK\$ **109.0** m
(2021: loss of HK\$18.4m)



Reported Revenue

HK\$ **297.8** m
(2021: HK\$494.1m)



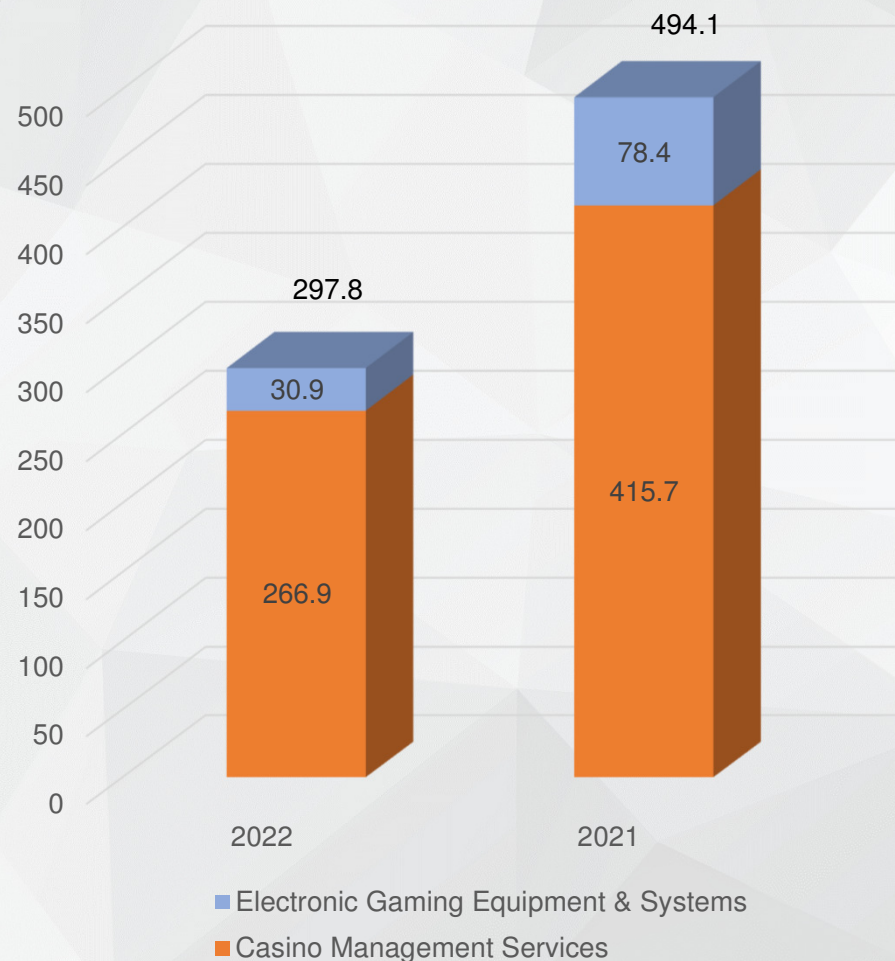
Net loss

HK\$ **166.3** m
(2021: net loss of HK\$88.4m)

GROUP REVENUE & ADJUSTED EBITDA

Reported Revenue by Segments

HK\$ million



Group Adjusted EBITDA by Properties/Nature

HK\$ million	FY2022	FY2021
Casino under the Group's management:		
• Casino Kam Pek Paradise	(38.0)	42.3
Subtotal	(38.0)	42.3
Electronic gaming equipment and systems:		
• Sale/leasing	(18.4)	28.6
• R&D and other costs	(37.4)	(52.6)
• Royalty income from IGT	2.2	2.8
Subtotal	(53.6)	(21.2)
Other businesses	(3.7)	(22.8)
Corporate and other expenses	(13.7)	(16.7)
Group Adjusted EBITDA	(109.0)	(18.4)

CASINO UNDER MANAGEMENT PERFORMANCE HIGHLIGHTS



GGR

- Traditional Tables

- LMG

- Slot Machines

FY2022

HK\$ **490.9m [-35.6%]**

HK\$ **207.5m [-39.2%]**

HK\$ **255.9m [-34.5%]**

HK\$ **27.5m [-7.1%]**

FY2021

HK\$ 761.7m

HK\$ 341.4m

HK\$ 390.7m

HK\$ 29.6m



GGR Contribution

- Traditional Tables

- LMG

- Slot Machines

42.3%

52.1%

5.6%

100.0%

44.8%

51.3%

3.9%

100.0%



Reported Revenue

HK\$ **266.9m [-35.8%]**

HK\$ 415.7m



Adjusted EBITDA (loss)

HK\$ **(38.0)m**

HK\$ 42.3m

Remarks:

Macau Total GGR

MOP **42,198m [-51.4%]**

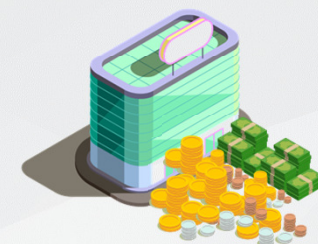
MOP 86,863m



KPIs FOR KAM PEK CASINO UNDER MANAGEMENT



金碧匯彩娛樂場
KAMPEK PARADISE CASINO



Total GGR for the year

FY2022
HK\$

490.9 million

FY2021
HK\$

761.7 million

Traditional Gaming Tables
GGR per table/day



18,300

24,000

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



87,600

107,000

1,422

2,202

Blended Table
GGR per table/day



32,600

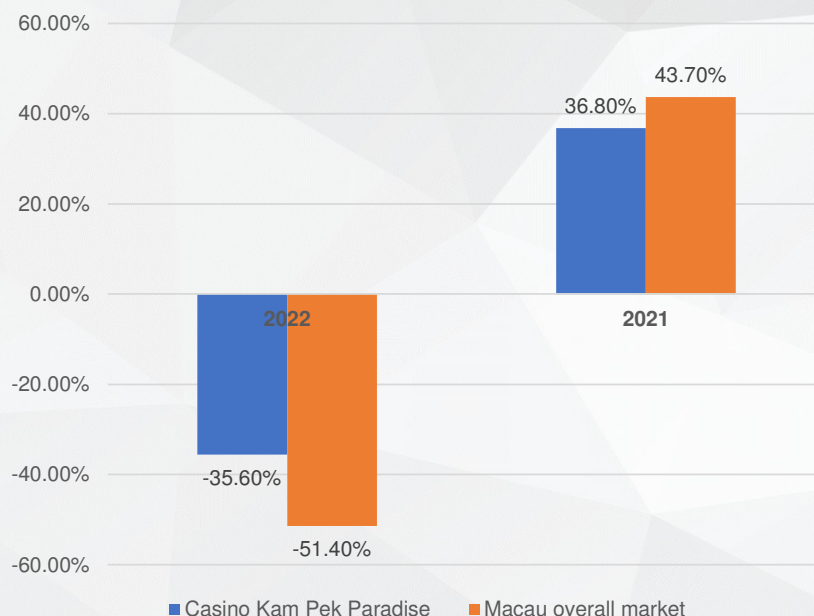
40,900

CHANGES IN GGR: CASINO KAM PEK PARADISE VS MACAU MARKET

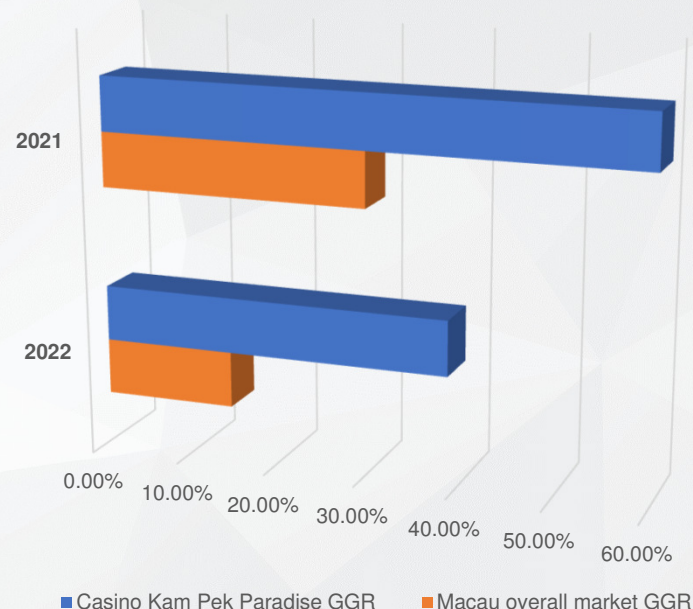
金碧匯彩娛樂場
KAMPEK PARADISE CASINO



YoY change in GGR
Casino Kam Pek Paradise vs Macau



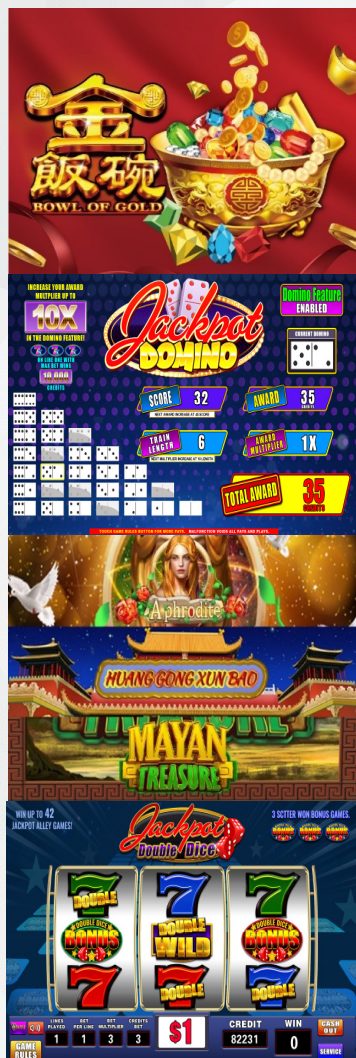
% to 2019 GGR (pre-Covid-19)
Casino Kam Pek Paradise vs Macau



YoY changes in GGR	2022	2021
Casino Kam Pek Paradise	-35.6%	+36.8%
Macau overall market	-51.4%	+43.7%

% to 2019 GGR (pre-Covid-19)	2022	2021
Casino Kam Pek Paradise	38.6%	60.0%
Macau overall market	14.4%	29.7%

ELECTRONIC GAMING EQUIPMENT & SYSTEMS PERFORMANCE HIGHLIGHTS



Reported Revenue



R&D and Other Costs incurred



Adjusted EBITDA (loss)

2022

2021

Macau Overseas Total

Macau Overseas Total

HK\$ **7.4**m HK\$ **21.3**m HK\$ **28.7**m

HK\$ 64.7m HK\$ 10.9m HK\$ 75.6m

HK\$ **(37.4)**m

HK\$ (52.6)m

HK\$ **(53.6)**m

HK\$ (21.2)m



5. Our Strengths, Growth and Comparative Advantages

Net cash position

Flexibility to look into new corporate finance projects

Patents

Patented rights for innovative gaming systems and gaming equipment:

- Great potential Macau market penetrations in ETGs due to increase labour costs and Covid-19 health measures;
- High potential penetrations for slot machines in North America and other States in the US.



LMG

Limited tables, more seats, mass market

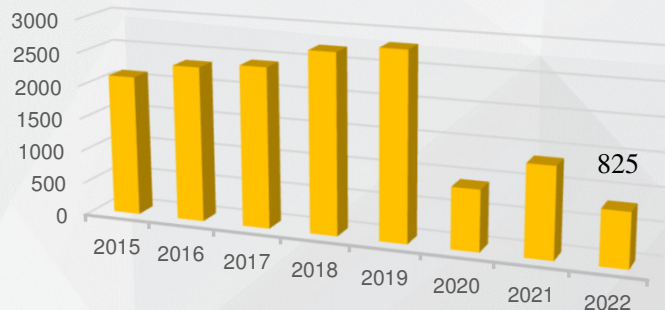
R&D expansion

Mainland China, Macau, Taiwan, US, Australia for testing and developments
Continuous pipeline of innovative gaming products

Steady flow of profit

Supported by the casino management of Casino Kam Pek Paradise

MOP'm DICJ Gaming Statistics LMG Gross Revenue



6. Contacts Information



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