



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

Investor Presentation

26 March 2018



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(A) Overview



What is 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, robotic dealers and other innovative gaming equipment 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
 - Currently provide casino management services to two satellite casinos which generate stable and strong cash inflow to the Group
 - Focus primarily on mass segment in the Macau Peninsula with strong growth potential in GGR and visitation
 - Consolidate and derive synergy from the two operating segments of the Group

Key Statistics of Paradise

Market Statistics

Per Share Stock Price (23/3/2018)	HK\$1.00
52 Week High	HK\$1.40
52 Week Low	HK\$0.52
Average Daily Volume (3 months)	0.76 million shares
Market Capitalization	HK\$1,052 million

Historical Financial Summary

(in HK\$ millions)

	2015	2016	2017
Revenue	1,092.1	1,163.3	1,011.8
Gross profit	412.9	453.8	405.9
Adjusted EBITDA	69.6	97.5	22.8
Loss for the year	(148.9)	(355.1)	(47.5)
Bank Balances and Cash*	237.4	370.8	284.4

* Including bank balances, cash and chips on hand

Major Shareholders

Name	# of shares held	%
Jay Chun (Chairman and Managing Director) and his controlled corporation	630,960,880	59.97%
FIL Limited	73,084,000	6.95%
Controlled corporation of Shan Shiyong (Executive Director)	26,097,580	2.48%
Other Shareholders	322,042,855	30.60%
Total	1,052,185,315	100.00%

Information updated as of 31/12/2017 known to the Company according to public filing records



(B) Gaming Equipment and Systems



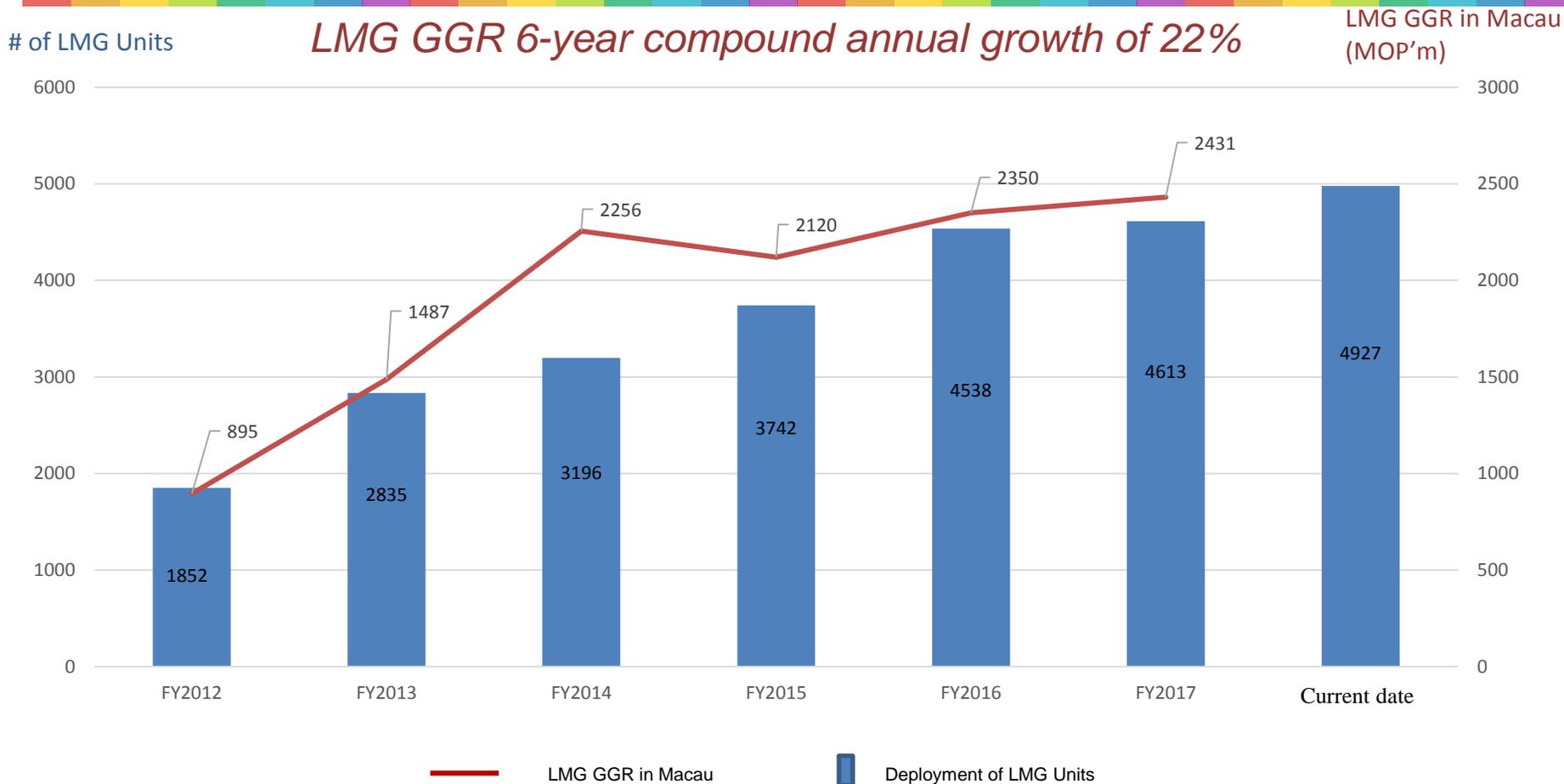
(i) Flagship Product - Live Multi Game (“LMG”) in Macau

- Patent-protected
- 100% market share of LMG in Macau
- Around 61% market share of ETG in Macau up to Q1 2017
- 4,600+ LMG terminals installed in 26 casinos as at 31/12/2017 in Macau
- Average daily net win of HK\$1,405 per terminal or HK\$136,400 per table at Casino Kam Pek Paradise in 2017



- **Advantages of LMG over traditional gaming table:**
 - 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

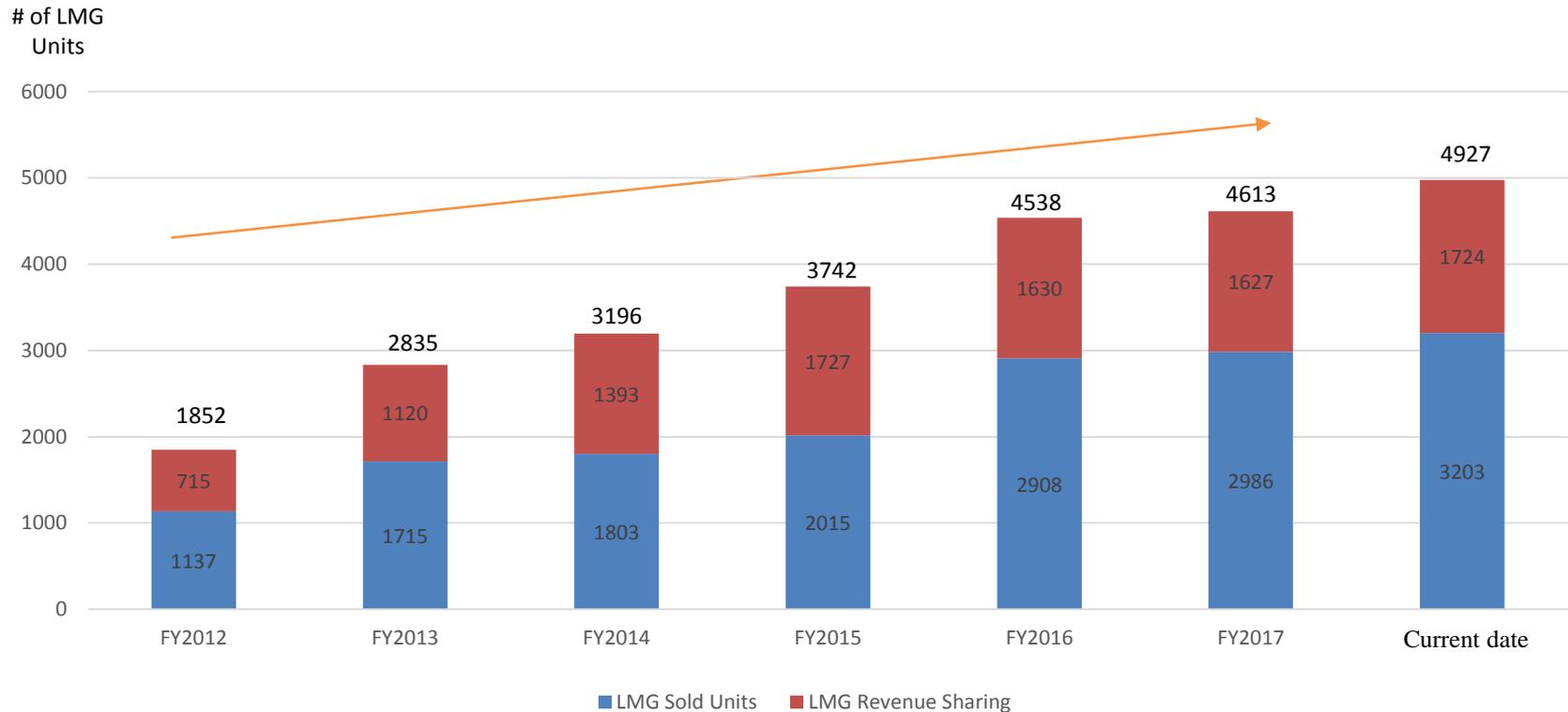
LMG Performance and Deployment in Macau



The current number of LMG units of 4,927 as shown in the above chart comprises 4,613 LMG units deployed as at 31/12/2017 plus 217 units and 97 units installed in February 2018 at MGM Cotai and Casino Waldo, respectively.

In February 2018, the Group also entered into an agreement with a casino service provider of Casino L'Arc Macau to install 50 LMG units for the casino.

LMG Deployment (Sold vs Revenue Sharing) in Macau



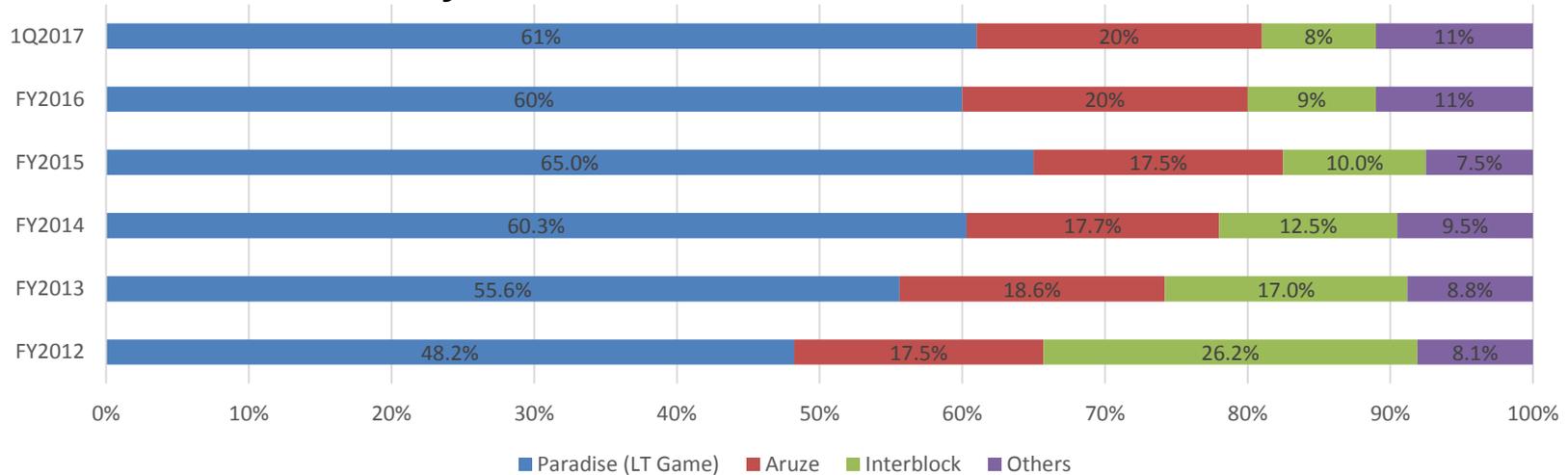
The current number of LMG units of 4,927 as shown in the above chart comprises 4,613 LMG units deployed as at 31/12/2017 plus 217 units (sold) and 97 units (under revenue sharing) installed in February 2018 at MGM Cotai and Casino Waldo, respectively.

In February 2018, the Group also entered into an agreement with a casino service provider of Casino L'Arc Macau to install 50 LMG units (under revenue sharing) for the casino.

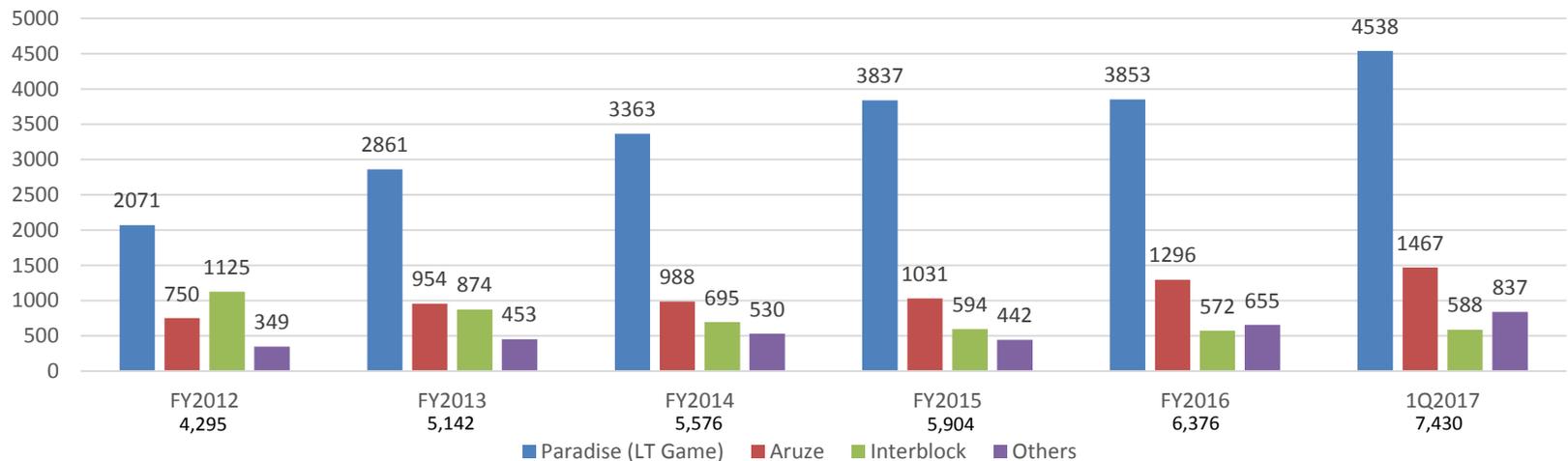
Market Share in Macau



ETG market share by manufacturer in Macau, 2012-2017



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



Source: Peers' data from Union Gaming 6th Annual ETG report published on 19 May 2017

New DETG Technical Standards in Macau

- DICJ published new DETG technical standards in December 2017 with the effective date of 1 January 2018
- Casinos have a grace period of six months to 30 June 2018 to transit to new standards. From 1 July 2018, new application of DETG must fully comply with new standards
- After 31 December 2019, DETG machines which do not fully comply with new standards should not be used or operated in Macau casinos
- Existing LMG terminals in Macau will have to be either upgraded or replaced so as to comply fully with new standards
- Such replacement and upgrading of LMG terminals in Macau has accelerated LMG's replacement cycle which brings business opportunities to the Group

(ii) Overseas LMG Deployment

■ Deepen relationship with strategic partner - IGT

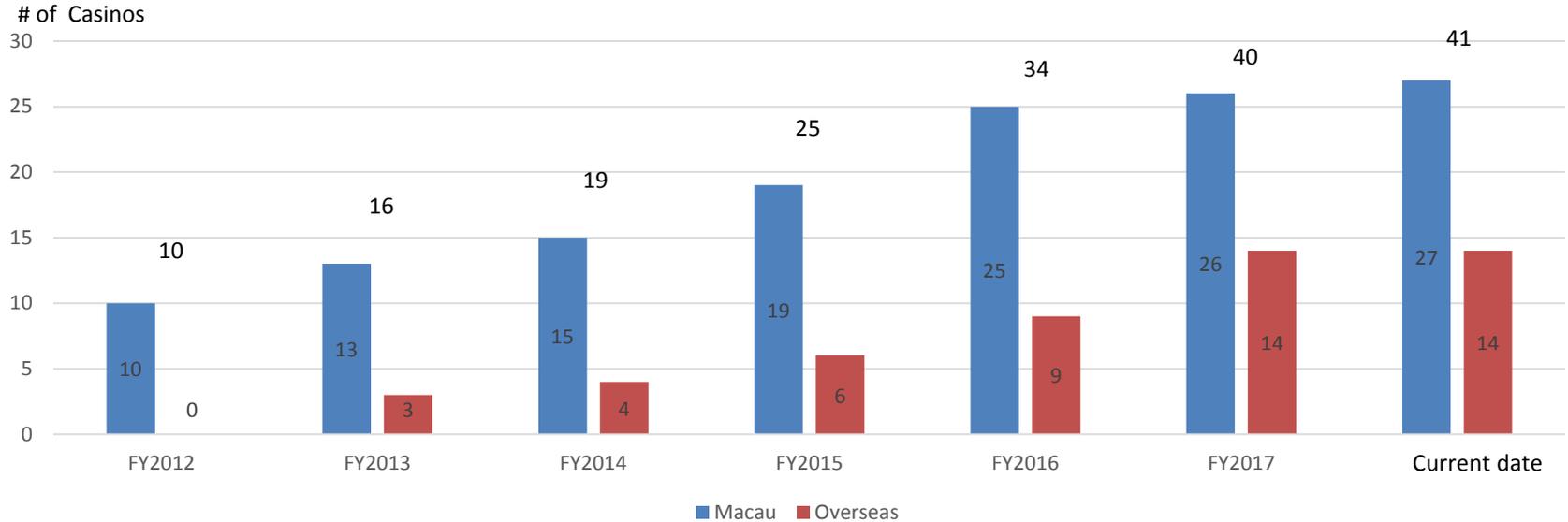
- IGT is the world's leading gaming company. It is listed on the New York Stock Exchange under the trading symbol "IGT."



■ Economics of patent & technology assignment and license agreement

- Recognized total earn-out payment of US\$370,500 (approximately HK\$2.9 million) up to 31/12/2017

Casinos with LMG Deployment



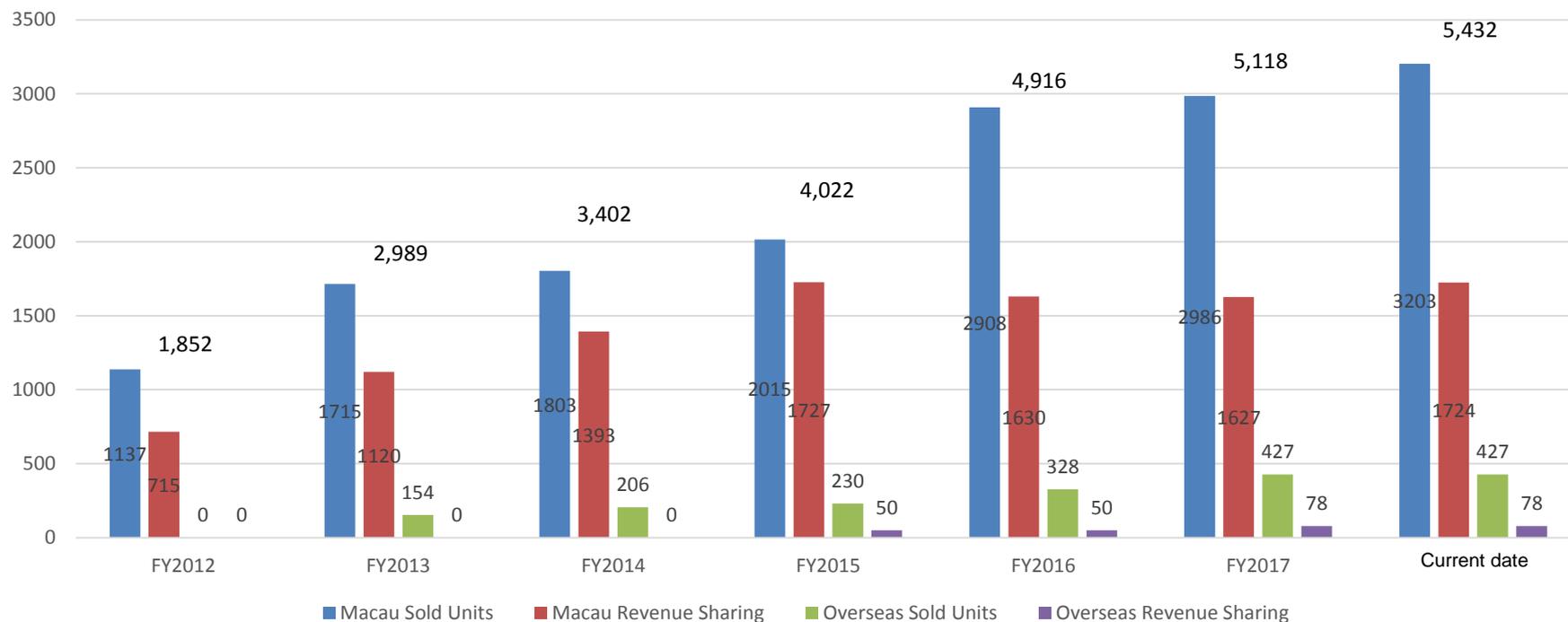
Major Casinos in Macau with LMG	
Venetian Macau	Parisian
Wynn Macau	Wynn Palace
MGM Macau	MGM Cotai
Studio City	City of Dream
Grand Lisboa	Casino Kam Pek Paradise
Casino Waldo	Lan Kwai Fong

Major Overseas Casinos with LMG	
Canberra Casino	Trans Hong Quan
Palazzo Vegas	Venetian LVS
Sands Casino Resort	Palace Station
Palms Casino Resort	SugarHouse Casino

Deployment of LMG Terminals

Number of Units

Accumulative overall LMG deployment in Macau and Overseas Markets



The current number of LMG units of 5,432 as shown in the above chart comprises 5,118 LMG units deployed as at 31/12/2017 plus 217 units (sold) and 97 units (under revenue sharing) installed in February 2018 at MGM Cotai and Casino Waldo, respectively.

In February 2018, the Group also entered into an agreement with a casino service provider of Casino L'Arc Macau to install 50 LMG units (under revenue sharing) for the casino.

(iii) Other Gaming Equipment and Systems

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



New Slot Machines



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



Airline Concept Betting Terminal



Intelligent Card Shoe



Trend Tracker Display



Multi Roulette

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

Robotic Dealer (save labor costs and improve gaming accuracy and efficiency, etc.)



*Currency Exchange/
Chip redemption Machines*



(C) Casino Management Services



Overview Of Two Casinos Under Management

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

Casino Kam Pek Paradise

(since Aug 2008)



Casino Waldo

(since Mar 2014)

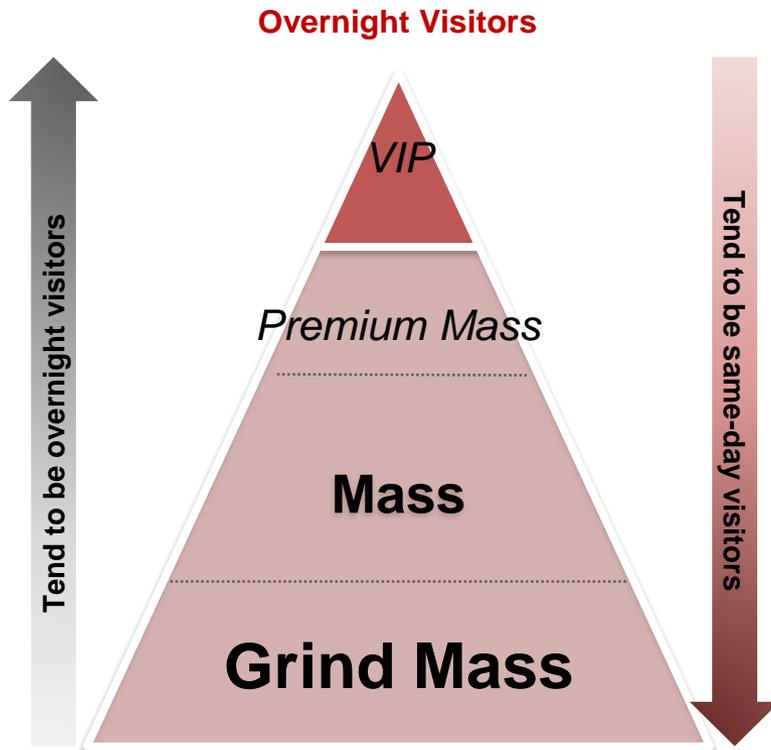


Total Table	49 tables
Traditional Table	39 tables
LMG	10 tables/1000 units
Slot Machine	194 units
2017 GGR	HK\$1,249.7 Million

Total Table	30 tables
Traditional Table	25 tables
LMG	5 tables/432 units*
Slot Machine	176 units
2017 GGR	HK\$513.1 Million

* Include 335 units at 31/12/2017 plus 97 units added in February 2018

Infrastructure and mass segment



Our Target Market
Mass and Grind Mass
Segment

A long term & sustainable targeted market

- **Hong Kong-Zhuhai-Macau Bridge** expects to open in mid 2018, facilitate foot traffic visitation to Macau.
- **New policy favors day-trip market**
In 2017, total visitor arrivals rose by 5.4% year-on-year and the average length of stay of visitors was 1.2 days. For the same year, visitors from the Mainland China went up by 8.5% year-on-year.
- **Stable economic growth in Mainland China**
Wealth creation from Guangdong, Hong Kong and Macao Bay area urban agglomeration development plan. GDP of Guangdong province grows at 7.5% year-on-year in 2017.



(D) 2017 Annual Results



2017 Annual Results Highlights

➤ Group revenue recorded HK\$1,011.8m (-13% yoy)

- Revenue from casinos under the Group's management recorded HK\$973.9 million (increased by HK\$6.1 million or 0.6% yoy)
 - *stable growth in revenue of the two casinos under Group's management*
- Revenue from electronic gaming equipment and systems recorded HK\$37.9 million (decreased by HK\$157.6 million or -80.6% yoy)
 - *decrease in sale of electronic gaming equipment and systems as more sales in 2016 when there were new flagship casinos opened in Macau*
 - *change of contractual arrangement of Casino MJC from provision of casino management services to revenue sharing from LMG terminals since 1/1/2017*
 - *increase in revenue shared by leasing of electronic gaming equipment and systems to third party casinos by HK\$2.4 million or 24.5%*

➤ Group Adjusted EBITDA HK\$22.8 million (-77% yoy)

- Adjusted EBITDA from casinos under the Group's management recorded HK\$132.1 million (increased by HK\$59 million or 80.7% yoy)
 - *increase in GGR of both casinos under Group's management (increase in EBITDA contribution from Casino Kam Pek Paradise and reduction in loss from Casino Waldo)*
 - *Absence of loss from Casino MJC in 2017 with the change of operation mode at the casino since 1/1/2017 (loss in 2016 was HK\$22.1million)*
- Adjusted EBITDA from electronic gaming equipment and systems recorded loss of HK\$76.9 million as compared to a profit of HK\$ 52.5 million in 2016
 - *decrease in contribution from sale of electronic gaming equipment and systems in 2017 when compared with that in 2016*
 - *included R&D and other costs of HK\$46.9 million (increased by HK\$11.6 million or 32.9%) for investing further in new/upgraded machines and systems*

2017 Annual Results Highlights - continued

➤ KPI of the two casinos under Group's management

- Total GGR for 2017:
 - increased by 1.0% to HK\$1,249.7 million at Casino Kam Pek Paradise
 - increased by 6.0% to HK\$513.1 million at Casino Waldo
- Daily net win per table/terminal:

	Casino Kam Pek Paradise		Casino Waldo	
	2017 HK\$	2016 HK\$	2017 HK\$	2016 HK\$
Traditional tables (per table)	50,700	48,300	42,900	40,200
LMG tables				
- per table	136,400	139,800	61,900	65,000
- per terminal	1,405	1,496	967	866
Total tables (per table)	68,600	67,800	46,100	43,500

➤ Healthy balance sheet

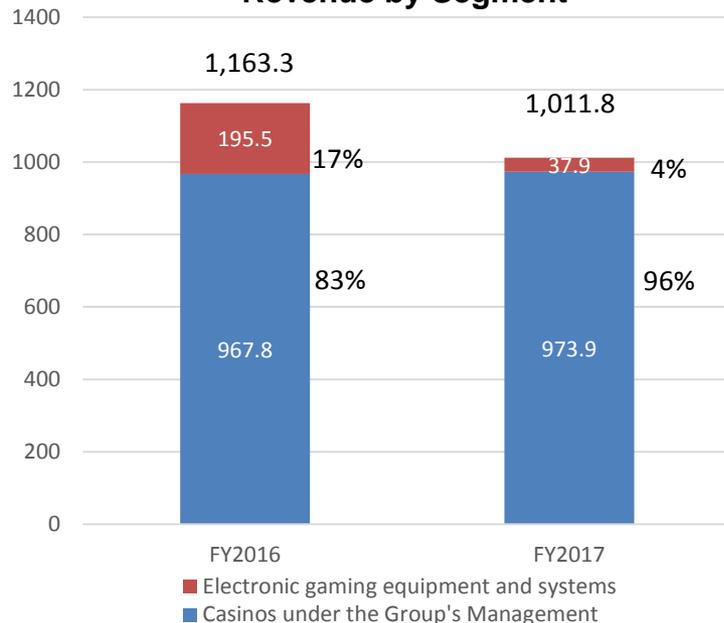
- Well-maintained cash position
 - bank balances, cash and chips on hand of HK\$284.4 million at 31/12/2017 (2016: HK\$370.8 million)
 - net cash position of HK\$281.4 million at 31/12/2017 (2016: HK\$279.0 million)



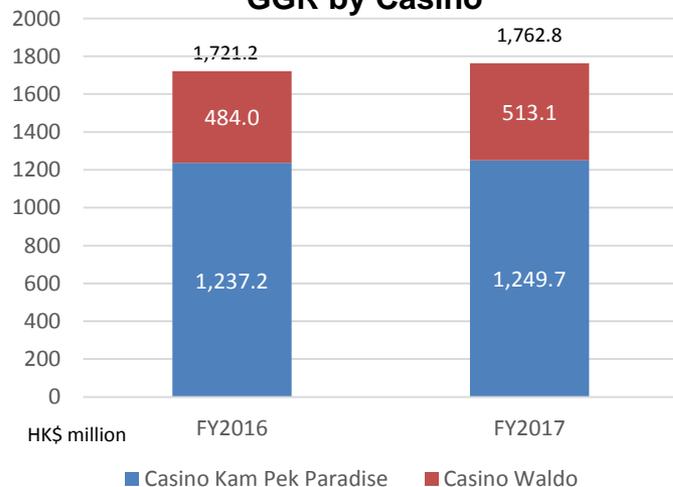
Analysis of Revenue, GGR and Adjusted EBITDA

HK\$ million

Revenue by Segment



GGR by Casino



Adjusted EBITDA by properties/nature

HKD Million	FY2017	FY2016
Casinos under Group's management:		
- Casino Kam Pek Paradise	154.1	131.4
- Casino Waldo	(22.0)	(36.2)
- Casino Macau Jockey Club	-	(22.1)
Subtotal	132.1	73.1
Electronic gaming equipment and systems:		
- Sale of electronic gaming equipment and systems	(35.2)	81.0
- Leasing of electronic gaming equipment and systems	8.5	6.8
- Research and development and other costs	(46.9)	(35.3)
- ETG distribution from IGT	(3.3)	-
Subtotal	(76.9)	52.5
Other expenses	(32.4)	(28.1)
Group's Adjusted EBITDA	22.8	97.5



Analysis of 2017 Annual Results

(HK\$ million)	2017	2016	Remarks
Revenue	1,011.8	1,163.3	
Casinos under management	973.9	967.8	<i>Increase in total GGR from casinos under management</i>
Gaming equipment and systems	37.9	195.5	<i>Lower sale in 2017 and change of contractual arrangement with Casino MJC</i>
Adjusted EBITDA	22.8	97.5	
Casinos under management	132.1	73.1	<i>Increase in total GGR from casinos under management and the absence of loss of Casino Macau Jockey Club</i>
Gaming equipment and systems	(76.9)	52.5	<i>Lower sale in 2017 leading to lower Adjusted EBITDA contribution from sale, increase in R&D costs</i>
Other expenses	(32.4)	(28.1)	
Loss on intangible assets	0.0	(334.8)	<i>The one-off non-cash loss arising from assignment and license of ETG technology to IGT in April 2016</i>
Loss for the year	(47.5)	(355.1)	
Loss per share (Basic, HK cents)	(2.9)	(36.1)	



Paradise

(E) Outlook

- As major local gaming equipment provider and sole supplier of LMG in Macau, Paradise will continue to increase market share in Macau ETG market and focus on having sustainable revenue
- Accelerate replacement cycle of existing LMG terminals to comply with new technical standards and deploy more LMG terminals to new casinos (MGM Cotai and Lisboa Palace etc.) in Macau
- Strengthen long-term partnership with IGT and expedite penetration into the US and other overseas markets
- Continue to research and develop electronic gaming equipment and systems so as to increase our product range and revenue base in future
- With the Hong Kong-Zhuhai-Macao Bridge opening to traffic shortly, mass segment in the Macau Peninsula are expected to have strong growth potential in GGR and visitation in 2018
- Improve operating efficiency of two casinos under management to increase revenue and profit in casino service

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