



Paradise Entertainment Ltd

匯彩控股有限公司
(1180.HK)

2015 Interim Results Presentation

28th August 2015

1H15 Results Highlights

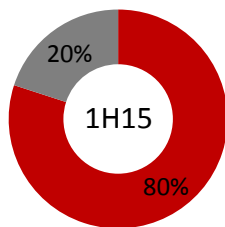
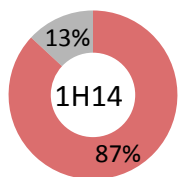
- **1H15 reported revenue decreased to HKD571.1 million (-6.4% yoy)**
 - Gaming system increased to HKD114.0 million (+42.5% yoy) due to higher revenue-sharing LMG contribution
 - Casino services revenue decreased to HKD457.1 million (-13.8% yoy) due to lower GGR at Casino Kam Pek
- **Positive EBITDA in an overall tough operating environment (-66.3% yoy to HKD49.8 million)**
 - Gaming system EBITDA jumped to HKD64.0 million (+80.3% yoy) while Casino service broke-even in 1H15
 - Gaming system EBITDA margin improved to 56.1% (+11.7 bps yoy) from higher contribution of revenue sharing LMG
 - Streamlining cost component – lowered selling and distribution expense
- **Group's gaming system showed robust growth (+42.5% yoy to HKD114.0 million)**
 - Income from revenue-sharing LMG machines grew as number of deployment increased to 1,664 units (+22.4% yoy)
 - Deployed 170 LMGs in Macau and 24 LMGs overseas (FY2014: 140 units). Installation expected to ramp up in 2H15
- **Group's casino services (GGR: -10.5% yoy) still performed better than industry (GGR: -37% yoy)**
 - Casino Kam Pek Paradise revenue decreased 11.4% yoy, versus mass industry's level -29% yoy. Decline was mainly due to the drop in visitations
 - Casino Waldo recorded revenue decline of 8.8% hoh (took-over effective Mar-14) due to the softening gaming market in Macau. Additional LMGs and slots installations in Jun-15 have shown encouraging result.
 - Casino Macau Jockey Club ramped up quicker than expected, revenue increased to HKD19.8 million (+35.6% hoh)
- **Strong balance sheet**
 - Free cash flow over ~HK\$70 million in 1H15 (~3.1% free cash flow yield)
 - Well-maintained Cash on hand (HK\$318.8 million as at 30 June 2015, ~14% of market capitalization)

1H15 Results Analysis

HK\$M	1H15	1H14	Change (%)	Remarks
Revenue	571.1	610.4	(6.4%)	
Gaming system	114.0	80.0	42.5%	Higher number of LMG machines deployed
Casino service	457.1	530.4	(13.8%)	Mainly due to visitation drop in Casino Kam Pek and longer-than-expected ramping up of Casino Waldo
Gross profit	252.5	362.6	(30.4%)	
EBITDA	49.8	147.9	(66.3%)	Due to decline of casino service
Gaming system	64.0	35.5	80.3%	Contribution from revenue-sharing LMG machines
Casino service	0.4	125.3	(99.7%)	Higher cost from labor as well as full six month cost impact from Casino Waldo and MJC
Profit before tax	(11.7)	50.5	(123.2%)	
EBITDA margin	8.7%	24.2%		
Gaming system	56.1%	44.4%		Improved EBITDA margin from revenue-sharing LMG machines
Casino service	0.1%	23.6%		Lower revenue per labour cost
EPS (Basic)	(2.26)	4.32	(152.3%)	
Bank and cash balances*	318.8	321.3	(0.8%)	Cash balance remains healthy
Dividend (HK cents)	-	2.0	Nil	

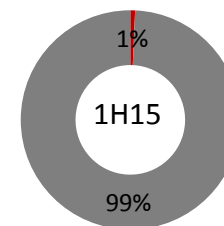
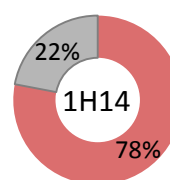
Revenue

■ Casino Service
■ Gaming System



EBITDA

■ Casino Service
■ Gaming System



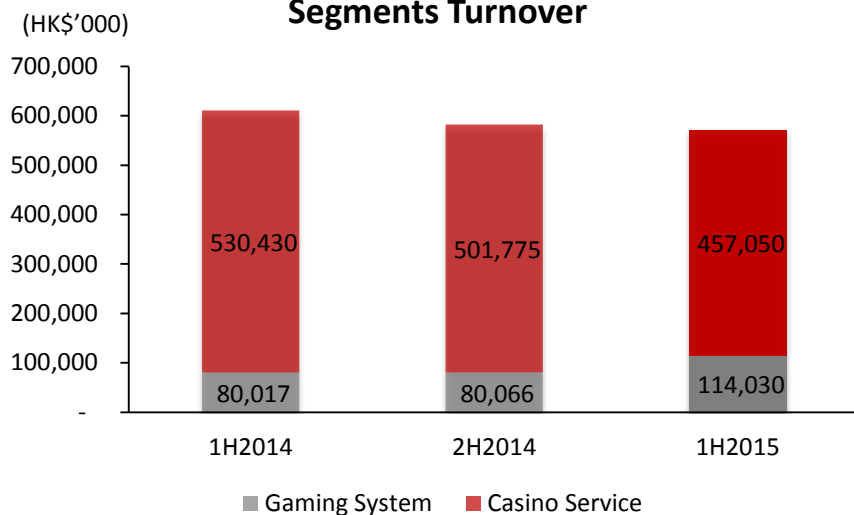
1H15 Results Analysis – Segments

Segments analysis

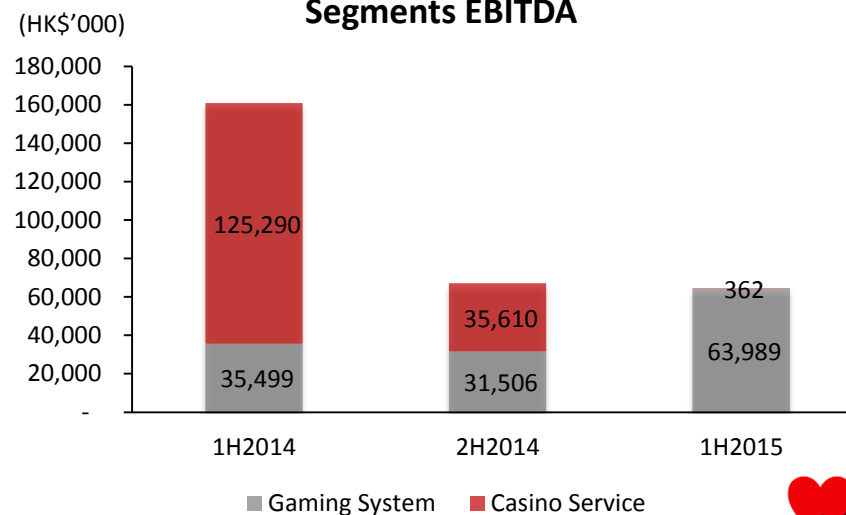
(HK\$ Thousand)

	1H14	2H14	1H15	HoH Chg %	YoY Chg %
Business Segments Turnover					
Gaming System	80,017	80,066	114,030	42.42%	42.51%
Casino Service	530,430	501,775	457,050	-8.91%	-13.83%
	610,447	581,841	571,080	-1.85%	-6.45%
Segment Adjusted EBITDA					
Gaming System	35,499	31,506	63,989	103.10%	80.26%
Casino Service	125,290	35,610	362	-98.98%	-99.71%
	160,789	67,116	64,351	-4.12%	-59.98%
Segment EBITDA margin					
Gaming System	44.4%	39.4%	56.1%		
Casino Service	23.6%	7.1%	0.1%		

Segments Turnover

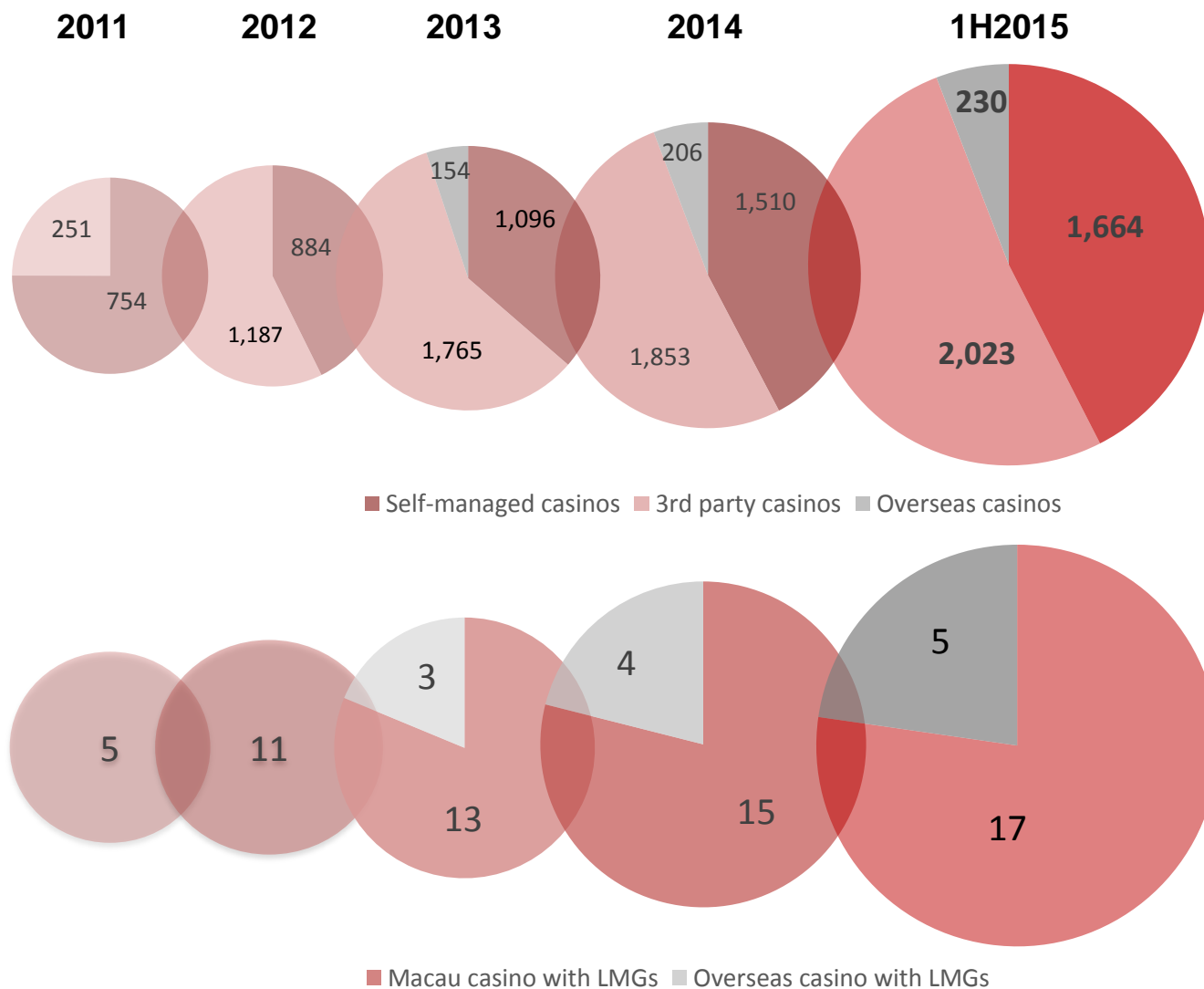


Segments EBITDA



Segment Results – Gaming System

LMG machine installation



- A significant machine installation growth in 2012 and 2013 due to 1st phase of casino opening in Cotai
- 736 and 462 machines installed among 8 newly open flagship casinos in 2012 and 2013 respectively.
- Slow machine installation in 2014 due to no casino opening in Macau.
- Installed 194 machines in 1H2015 (FY2014: 140 units) and machine order steadily pick up in 1H2015.
- Income from LMG revenue sharing grew 18.5% yoy.
- Segment EBITDA margin improved to 56.1% in 1H2015.

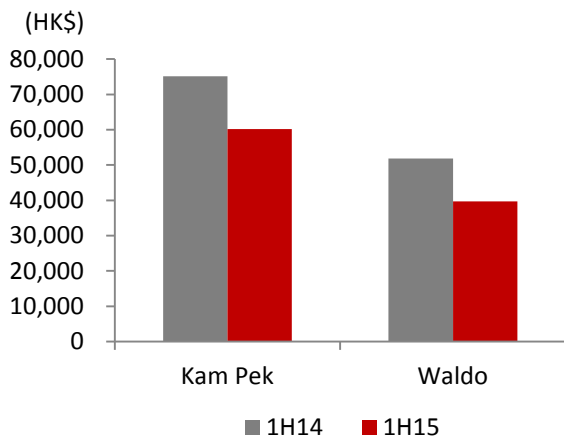
Segment Results – Casino Service GGR Analysis

Casinos under management GGR Summary

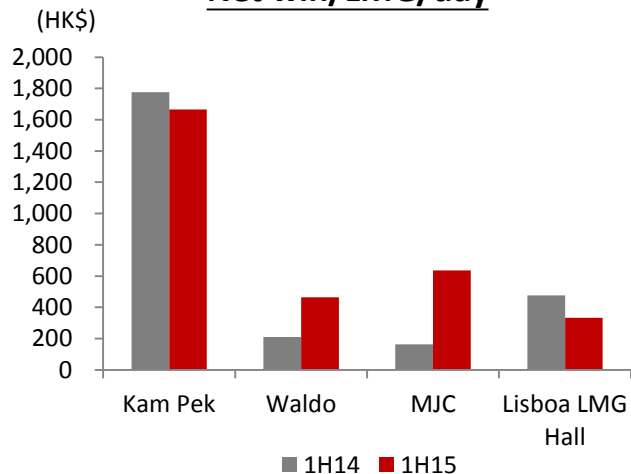
(HK\$ Million)

Casinos	1H14	2H14	1H15	HoH Chg %	YoY Chg %
Kam Pek Paradise	802.4	775.0	710.7	-8.3%	-11.4%
Waldo	255.5	240.6	219.5	-8.8%	-14.1%
MJC (Opened in 05/2014)	1.7	14.6	19.8	35.6%	Nil
Lisboa (LMG Hall)	17.3	15.3	14.1	-7.8%	-18.3%
Total	1,076.9	1,045.5	964.1	-7.8%	-10.5%
<i>Table</i>	<i>756.5</i>	<i>674.4</i>	<i>596.7</i>	<i>-11.5%</i>	<i>-21.1%</i>
<i>LMG</i>	<i>278.5</i>	<i>326.2</i>	<i>330.0</i>	<i>1.1%</i>	<i>18.5%</i>
<i>Slot</i>	<i>41.9</i>	<i>44.8</i>	<i>37.5</i>	<i>-16.3%</i>	<i>-11.4%</i>

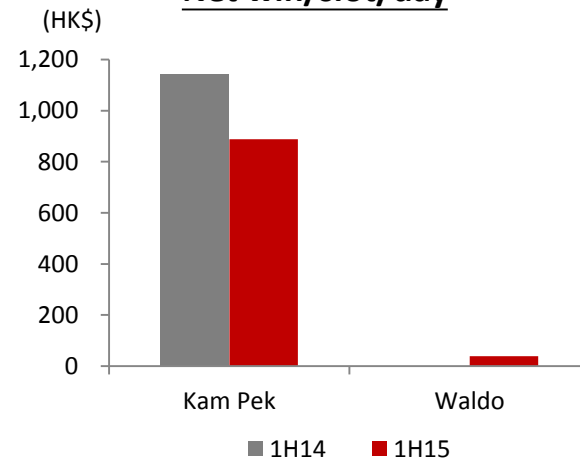
Net win/table/day



Net win/LMG/day



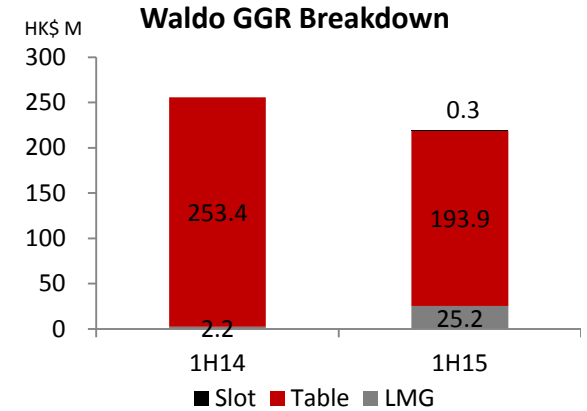
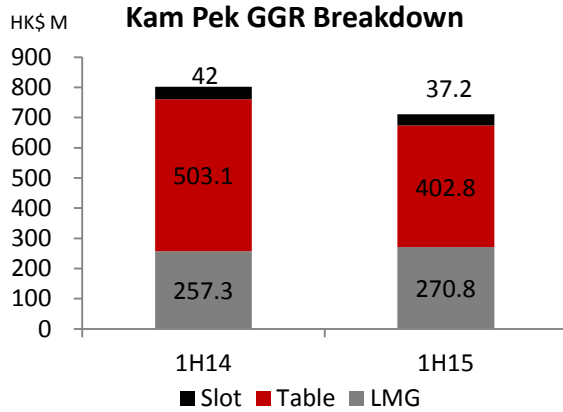
Net win/slot/day



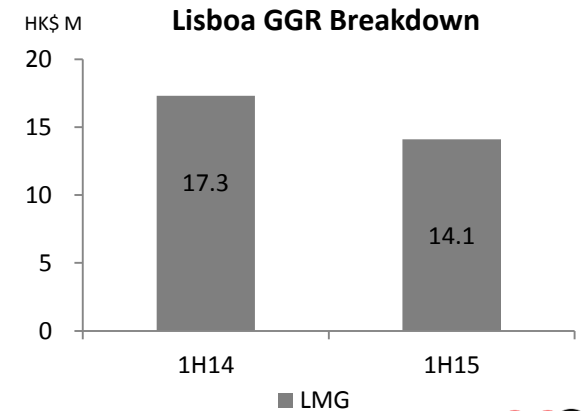
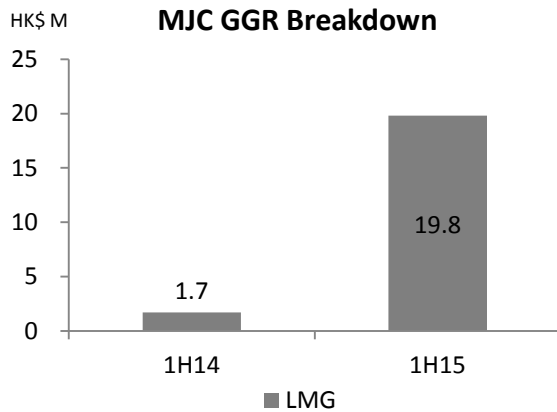
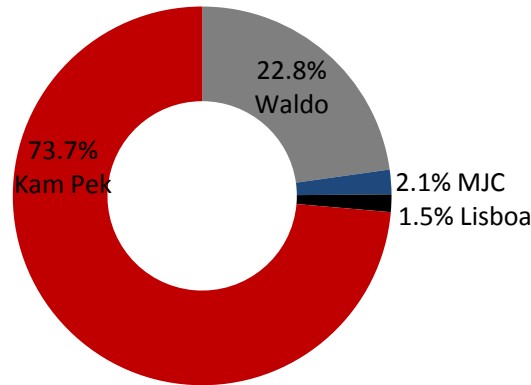
Note: Waldo slot hall opened in June 2015, featuring 139 slots



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



1H15 GGR Breakdown



Milestones Achieved in 1H15

▪ **Gaming systems**

- Deployed 170 LMG machines in Macau (Grand Lisboa and Galaxy Macau Phase II)
- Successfully completed 24-machine trial run at Palazzo, Las Vegas
- Secured approval to sell LMG machine from Nevada Gaming Control Board. Installation at various Las Vegas' casinos expected to begin in 2H15

▪ **Casino services**

- Opened new electronic gaming machine hall at Casino Waldo - additional 162 LMGs and 139 slots

▪ **Corporate**

- Joined Hang Seng family of indexes
 - The Hang Seng Broad Consumption Index (“HSBCI”)
 - The Hang Seng Global Composite Index (“HSGCI”)
 - The Hang Seng Composite Index (“HSCI”)
 - Hang Seng Composite Industry Index (Consumer Services)
 - Hang Seng Composite SmallCap Index.

- **Two-pronged growth strategy in Macau**
 - **A diverse product portfolio**
 - New products roll-out, i.e. E-Baccarat table and Fast Betting Machine (Double 32), to smoothen sales volatility from a single product. Trial run to begin in 2H15
 - Introduction of LMG6 (hardware and software refresh) to replace existing LMG5 terminals. Deployment at selected casinos expected in 2H15
 - **Leaner casino cost structure**
 - Streamlining cost across casinos
- **Growing overseas market contribution**
 - LMG installation to ramp up in Las Vegas. Identified several casino sites
 - Ongoing process for California and Pennsylvania state approval
 - Approval for Power Dragon (to be deployed in the Australian club market) expected in 4Q15
 - Negotiating LMG installation in several Australian casinos

Outlook – Gaming System

Introduction of New Products

E-baccarat Table



Fast Betting Machine (Double 32)



Personal Dice



eDrop Machine



Intelligent Cash Access Machine



VIP Infill Terminal



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