



滙彩控股有限公司

Paradise Entertainment Limited



## 2014 Interim Results

28 August 2014



# 1H2014 Performance Highlights



- ❖ **1H2014 reported revenue up 50.7% yoy to HKD610million**
  - Casino service contributes 86.9% of revenue
  - Gaming system contributes 13.1% of revenue
  
- ❖ **EBITDA for the group up 44.1% yoy to HKD113million**
  - Resilient casino service operation performance, Casino service EBITDA increased by 89.2% to HKD125.3million
  - Gaming system EBITDA increased by 59.7% yoy to HKD35.5million
  
- ❖ **Dramatic growth in number of tables and LMGs under management**
  - Began managing Casino Waldo and Macau Jockey Club
  - Profit from operation grew 101% yoy to HKD123.0million
  - Net cash generated from operation increased 323.9% yoy to HKD224.1million
  
- ❖ **Casino service business remains robust**
  - Casino Kam Pek Paradise Avg. monthly GGR up 25% yoy to HKD133.7million
  - Casino Kam Pek Paradise July 2014 GGR record high at HKD165million
  - Casino Waldo Avg. monthly GGR up 20% yoy to HKD42.8million
  
- ❖ **Gaming system to pick up in 2H14**
  - Strong profit sharing from machine
  - Revenue driver transforms from single product sales to the supply of total-gaming-solution
  - Nevada sales license granted at the end of June
  - Exclusive distribution agreement signed with IGT, rapid expansion in the USA & Canada to be anticipated
  - Signed distribution agreement with Ainsworth, sales in Australia to accelerate
  - New technologies in the pipeline ready to be rolled out in 2H14
  - Shortage of tables and labor cost inflation expected to worsen, macro tailwinds to drive tremendous LMG sales in Macau
  
- ❖ **First Interim dividend announced in 2014**
  - Announce interim dividend of HKD0.02 per share to be paid on or about 24 October 2014

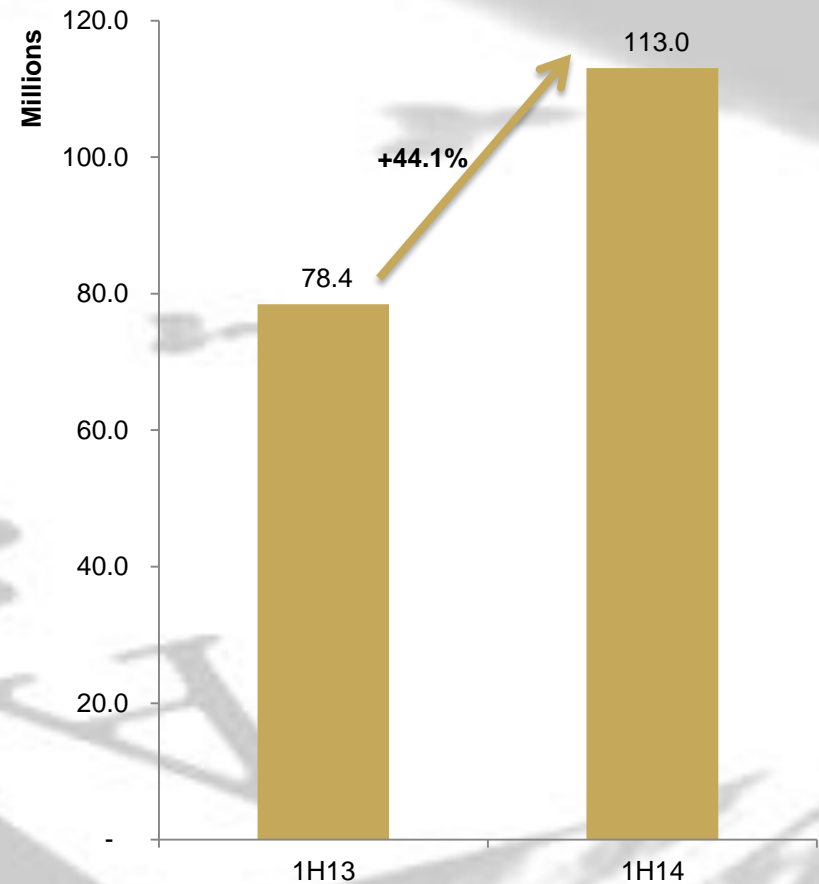
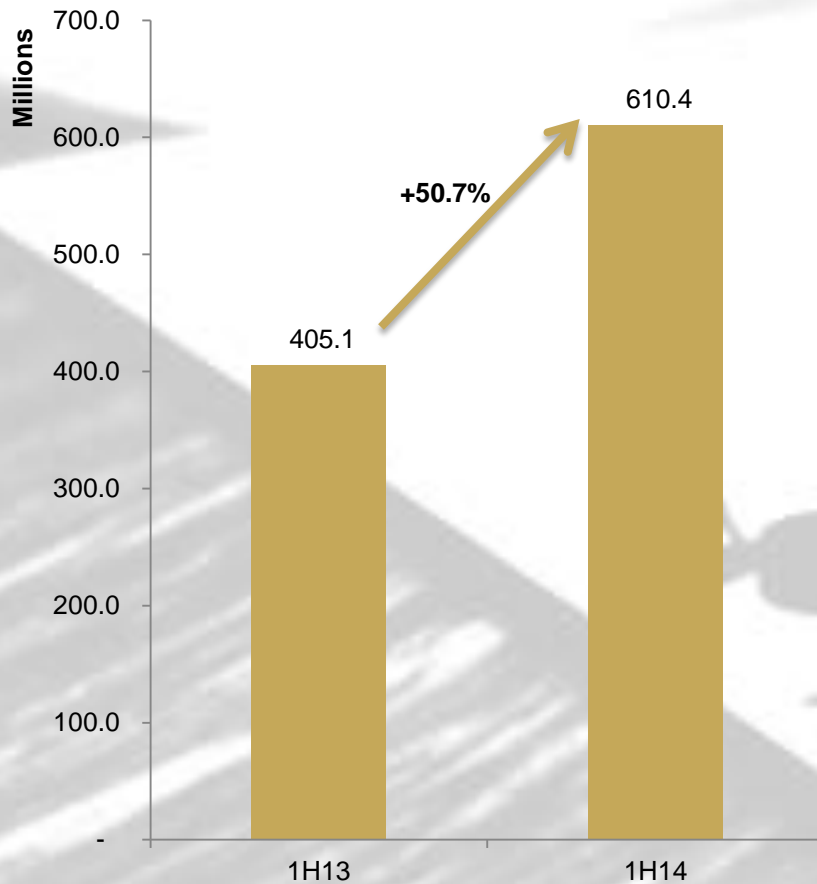
# Reported 1H2014 Results



Total reported revenue up 50.7% yoy & EBITDA for the group up 44.1% yoy

Total reported revenue (HKD'M)

EBITDA for the group (HKD'M)



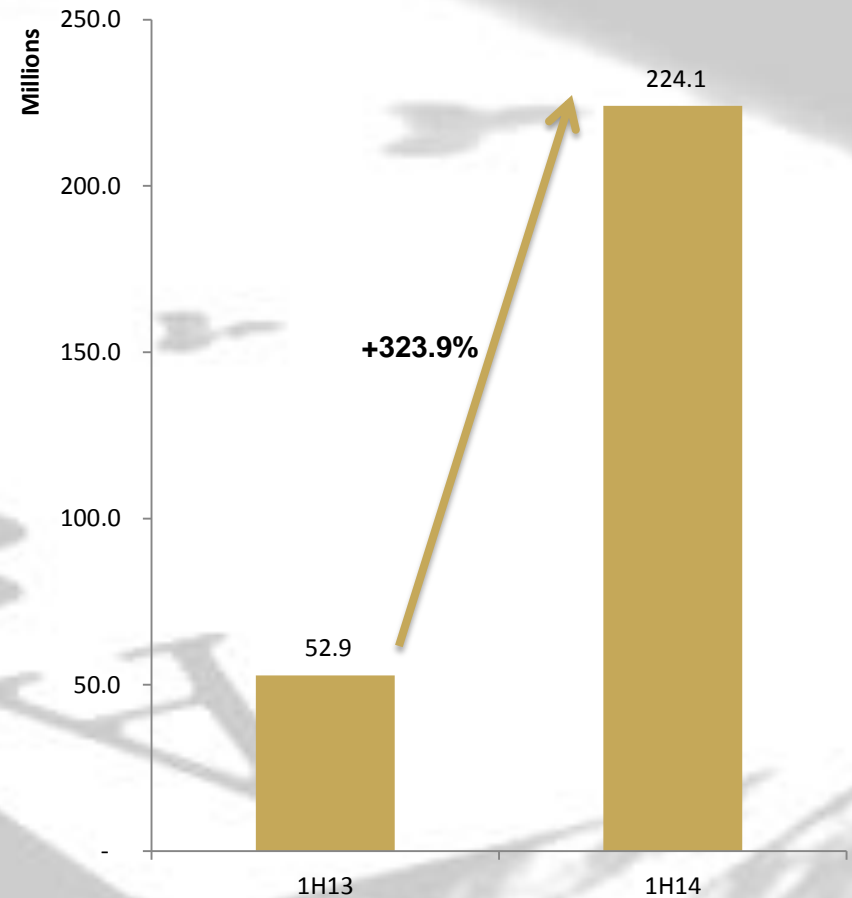
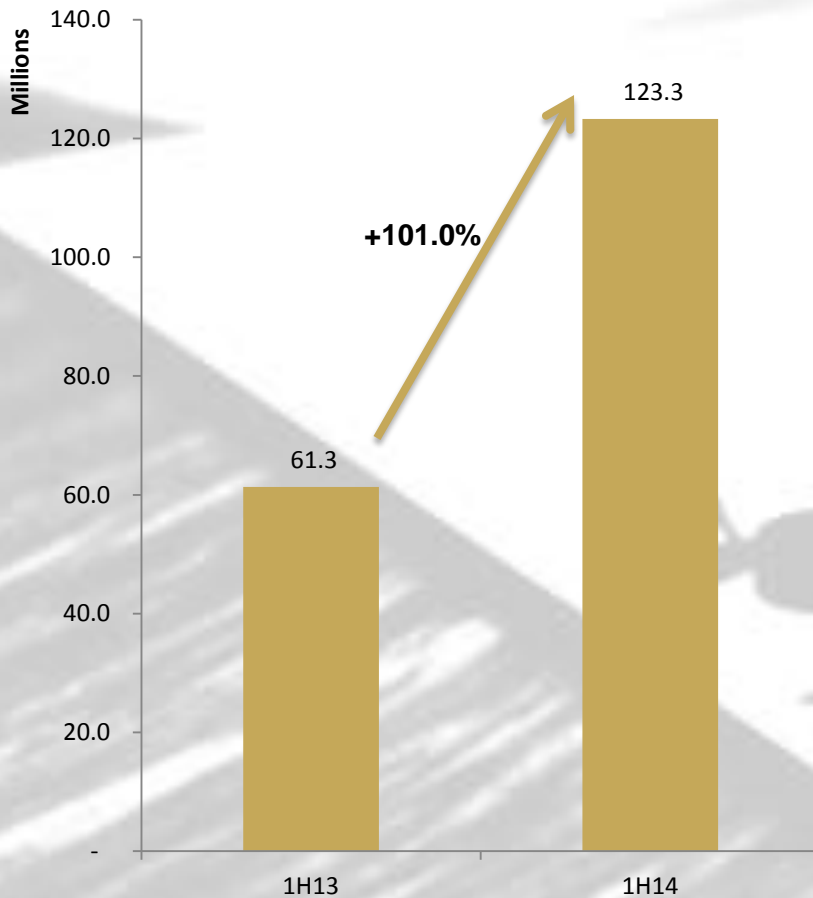
# Reported 1H2014 Results



**Profit from operation up 101.0% yoy &  
Net cash generated from operation up 323.9% yoy**

Profit from operation(HKD'M)

Net cash generated from operation (HKD'M)



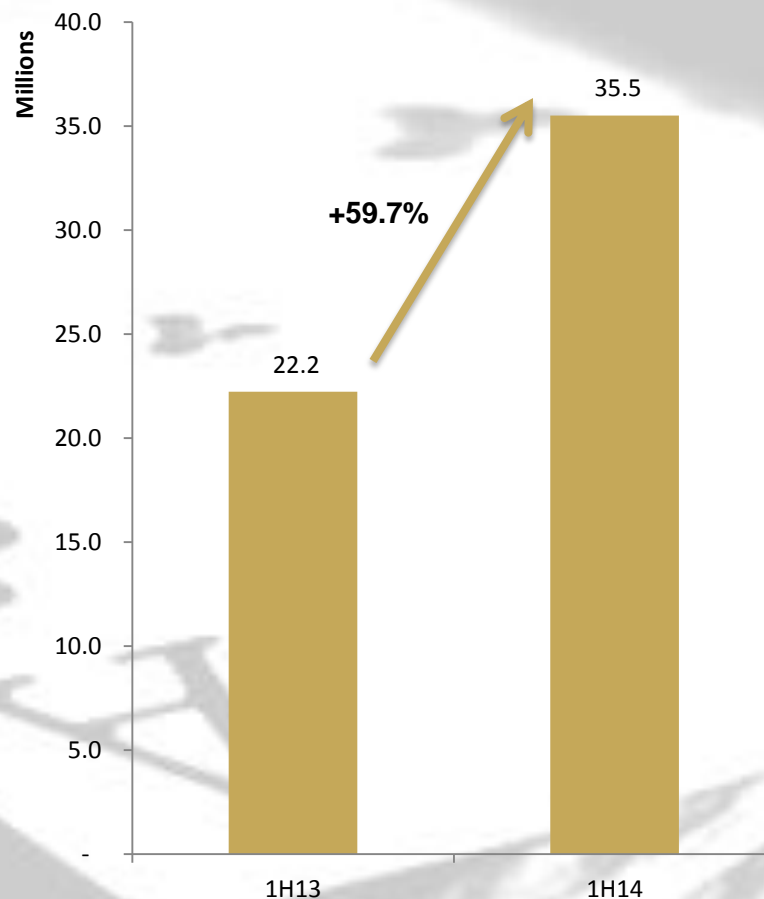
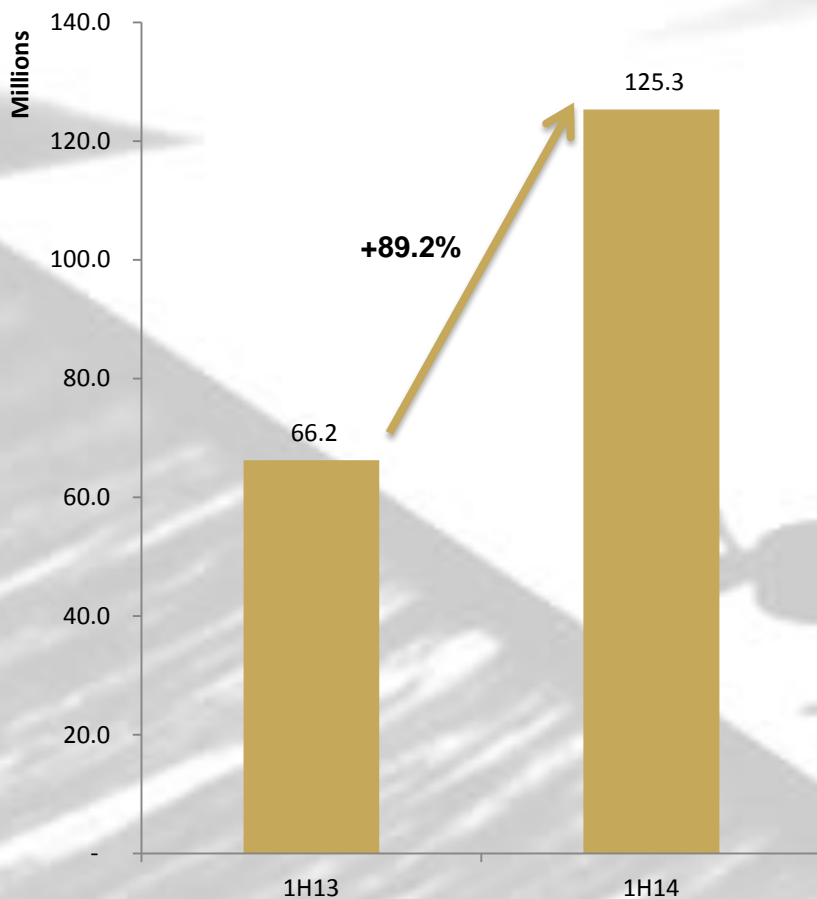
# Reported 1H2014 Results



Operating EBITDA for Casino service up 89.2% yoy & Gaming system up 59.7% yoy

Operating EBITDA for Casino service (HKD'M)

Operating EBITDA for Gaming system (HKD'M)

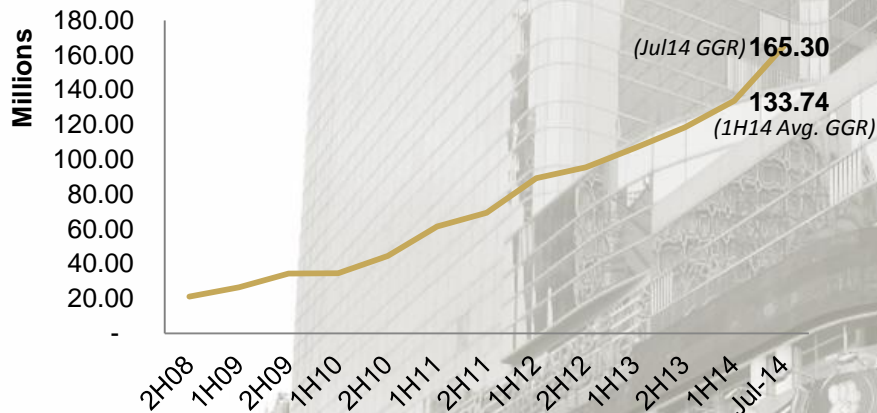




# Casino Service – Casino Kam Pek Paradise

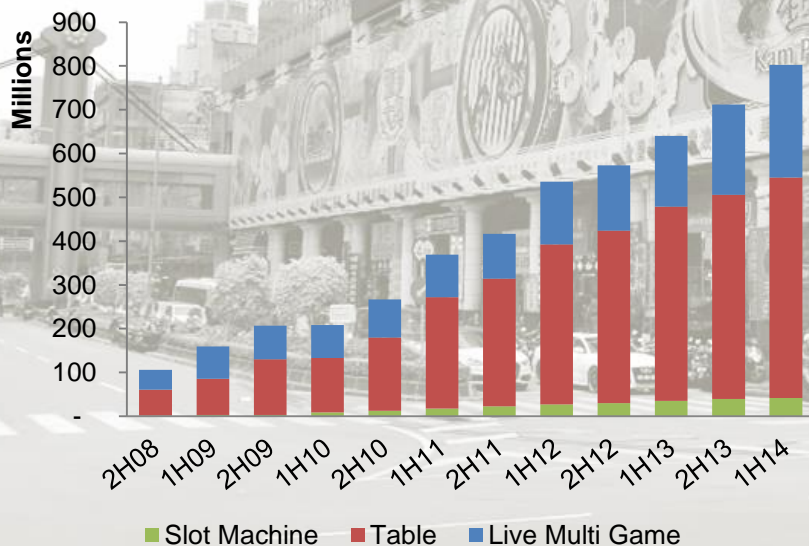


## Average monthly GGR

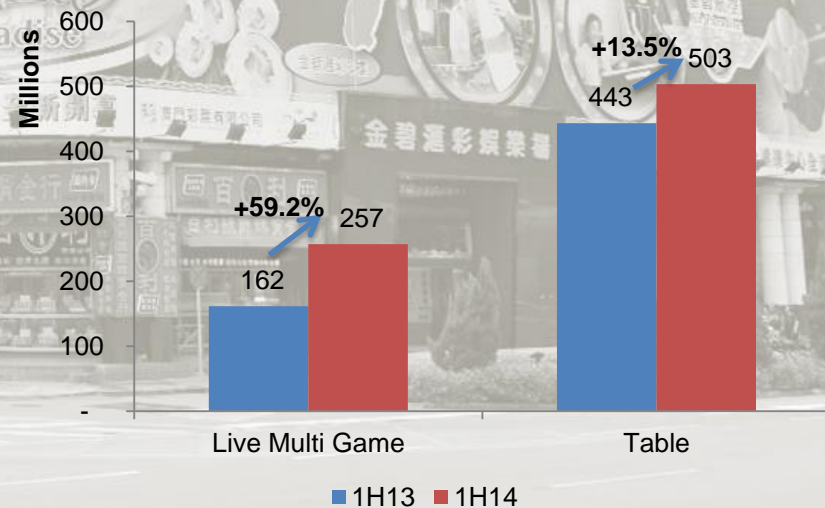


- GGR at Kampek Paradise remained resilient. In particular, GGR generated from LMGs grew 59.2% yoy signifying a high level of adoption of LMG machines.
- GGR yielded from tables also surged by 13.5% yoy, well above market average.
- Looking beyond 1H14, **Kampek also saw a record high in GGR in the month of July 2014 at HKD165.3mil.**
- Continuous rapid expansion in GGR is anticipated in 2H14.

## GGR breakdown (HKD'M)



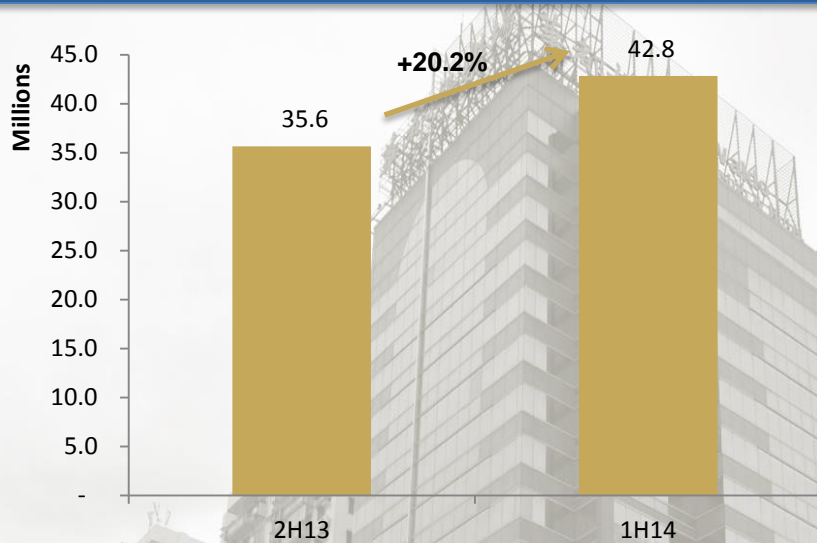
## GGR of LMG & Table Growth (HKD'M)



# Casino Service – Casino Waldo & Lisboa LMG Zone

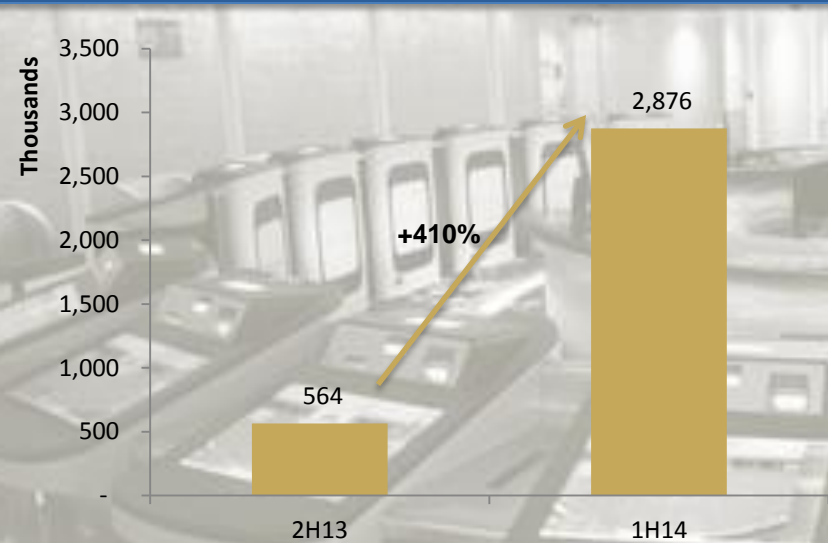


## Casino Waldo average monthly GGR



- 138 LMGs were deployed at Casino Waldo in the month of May 2014. Management plans on adding an additional 150 LMGs to drive revenue in 4Q2014
- Casino Waldo's GGR ramped up impressively at 20.5% growth in 1H14 yoy
- Further growth acceleration is anticipated for 2H14

## Lisboa LMG Zone average monthly GGR



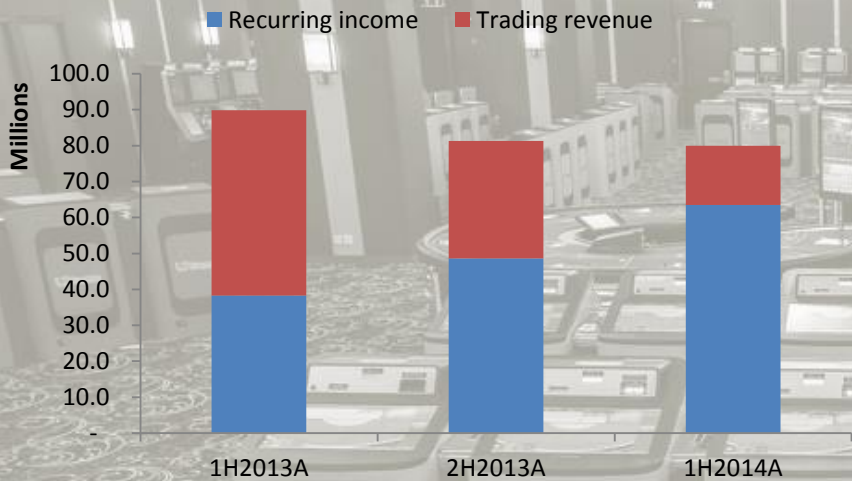
- GGR generated from LMGs installed at Lisboa picked up dramatically by a whopping 410% yoy in 1H14, turning a loss-making operation into a profit generator.
- Continuous improvement in LMG performance is expected in 2H14



# Gaming System – LT Game

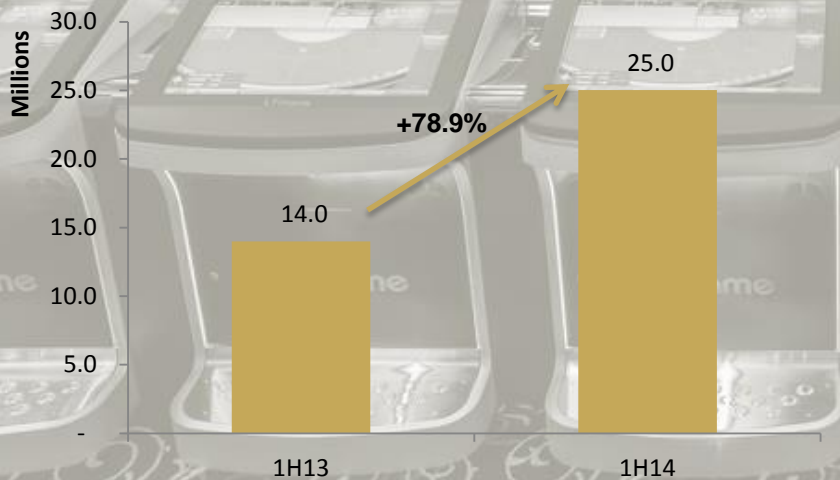


## Gaming system revenue composition



- Impressive increase in Recurring income at ~30% in HoH from 1H13, we are expecting more deployment under **recurring income (profit sharing & daily fee)** in the future
- Inventory grew tremendously at 78.9% yoy signaling promising order book in 2H14
- We are expecting Gaming system revenue to pick up in 2H14 and 2015 with new flagship casinos opening in 2015 and 2015 being the year for machine replenishment in the 3 years cycle
- Cooperation with market leaders in Australia and USA & Canada
- By innovating new technologies and with the addition of our partners' products in our portfolio, we aim to transform our revenue driver to the supply of total gaming solutions to casinos worldwide

## Reported Inventory on Gaming system





## Cooperation with market leaders in Australia and USA & Canada

### Our distribution partner in the USA & Canada



- Established in the 1980s, over 30 years of experience in gaming equipment supply, US listed company (IGT.N)
- Largest manufacturer and supplier of casino games in the world, over USD2billion in revenue
- **Licensed casino equipment supplier in the USA and Canada across ALL jurisdictions**
- Employs almost 5,000 people worldwide
- Distribution in over 40 countries
- Ships more than 50,000 machine units annually
- **The partnership with IGT allows LTG to overcome regulatory hurdles in North America and is pivotal in accelerating its global expansion**

### Our distribution partner in Australia



- Australian listed company founded in 1995
- One of the largest manufacturer and supplier of casino games and equipment in Australia, closed to AUD200million in revenue
- **The Group is licensed by EVERY domestic regulator in Australia**, holds licences in 19 US states and 107 Indian tribal licences, and is registered with three provinces in Canada. It is also licensed in seven other countries namely Macau, Philippines, Singapore, Greece, the Dominican Republic, Peru and Puerto Rico.
- **Cooperation with Ainsworth is crucial in LTG's feat in breaking into the fragmented pokie clubs in Australia**
- Pokie clubs account for roughly 2/3 of the entire Australian EGM market

# Key Turnover Drivers for the 2H14 and 2015

**Grind mass market is the new GGR growth driver**

- Our focus on grind mass market paid off as our casino management business continues to grow rapidly despite overall sector downturn
- Replicating Kam Pek business model to all our new serviced casinos will ensure GGR growth momentum at our properties across the board

**New machine such as 2<sup>nd</sup> Gen LMG, E-Bacarrat table, E-drop box, Slot system**

- Second generation machine deployment in 4Q14 is an important step forward as we transform from a one off sales model to a recurring revenue model
- Continuous innovation and extensive research and development to sustain LTG's competitiveness in the industry
- Numerous revolutionary technologies in the pipeline re-enforces LTG's ambition to become the world's most innovative gaming equipment manufacturer and provider

**Partnership with IGT & Ainsworth (Overseas)**

- Accelerates process of global expansion
- Enable us to overcome the biggest entry barrier in the highly regulated gaming industry
- Leverage sale expertise from market leaders

**More new casinos to open & re-enforcement of 3% table cap (Macau)**

- Enormous demand for LMGs to be expected as new properties open in the next few years
- Plethora of new casinos to open coupled with enforcement of 3% table cap alludes to under-utilized casino floor space
- No other alternative to provide live table games but to install more LMGs

**Labor shortage issue intensifies (Macau)**

- Labor cost inflation is tremendously more serious than previously anticipated
- Opening of new casinos coupled with dealer employment restricted to strictly Macanese citizens mean demand for dealers is bound to surge
- To date, the only viable option to circumvent labor problem in Macau is LMGs



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