

Paradise Entertainment Limited Reports 2019 Annual Results

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Mar 26, 2020 - 2019 ANNUAL RESULTS HIGHLIGHTS Group Annual Results Achieved solid results with an increase in total reported revenue- Group reported revenue up 1.5% year-on-year to HK\$1,181.8 million- Group Adjusted EBITDA decreased 27.9% year-on-year to HK\$87.0 million- Profit for the year was HK\$10.6 million Casino Kam Pek Paradise Affected by temporary suspension of LMG terminals for upgrade of the LMG terminals pursuant to the Technical Standards during the year and the accrual for the relevant bonus scheme of SJM for gaming operation employees of HK\$23.2 million- Gross gaming revenue ("GGR") decreased by 11.3% year-on-year to HK\$1,270.2 million- Contributed HK\$141.5 million to Adjusted EBITDA of the Group- Live-Multi Game ("LMG") machines contributed around 42.1% of total GGR- Accrual for the relevant bonus scheme of SJM for gaming operation employees of HK\$23.2 million Casino Waldo Increase in GGR but relatively high operating costs- GGR increased by 8.6% year-on-year to HK\$547.1 million- Contributed a loss of HK\$27.5 million to Adjusted EBITDA of the Group- Following the expiration of the related service contract on 29 February 2020, the Group ceased providing casino management services in the casino since 1 March 2020 Electronic Gaming Equipment and Systems Robust growth driver, sales and upgrades contributed to growth- Revenue of electronic gaming equipment and systems up 82.5% year-on-year to HK\$177.6 million- Sold 799 LMG terminals and provided upgrading services to 1,051 LMG terminals in Macau- Contributed HK\$5.4 million to Adjusted EBITDA of the Group- Research and development and other costs of HK\$88.5 million were incurred to Adjusted EBITDA of this segment, dedicated to develop new innovative products and build up game assets/library to improve/maintain our competitive advantages

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Outlook Debut of new slot machines in Macau and global gaming markets and continue to explore further opportunities- Slot machines - debut of self-developed new slot machines in the worldwide gaming markets including Americas, South East Asia and Macau, etc.- LMG - sale and upgrade of LMG machines continues in Macau and overseas- Other gaming equipment and systems - new innovative ETG and accessories are in deployment pipeline- Other high-tech products - debut of 5G and AI high-tech products which will soon be launched to the market

Balance Sheet Healthy balance sheet, liquid with a low gearing ratio- Cash and cash equivalents of HK\$274.4 million- Net cash (cash and cash equivalents less bank and other borrowings) of HK\$126.5 million- Low leverage position with a gearing ratio of 24.3% (bank and other borrowings over equity)

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Mr. Jay Chun, Chairman and Managing Director of Paradise commented, "The Group continued to record solid results for 2019 with 1.5% increase in total reported revenue to HK\$1,181.8 million and recorded an Adjusted EBITDA of HK\$87.0 million in 2019." Electronic Gaming Equipment and Systems For 2019, revenue from electronic gaming equipment and systems segment amounted to HK\$177.6 million, representing an increase of 82.5% over that of 2018. Revenue for 2019 represented mainly the sale of a total of 799 LMG terminals and the provision of upgrading services to 1,051 LMG terminals at various casinos in Macau pursuant to the new technical standards. In 2019, the Group increased its investment in research and development and other costs on ETG machines, slot machines, casino management systems, etc. from HK\$66.6 million in 2018 to HK\$88.5 million in 2019 mainly for the development of our game assets/library which are important for us to improve and maintain our competitive advantages in the long run. Adjusted EBITDA from the electronic gaming equipment and systems segment for 2019 was HK\$5.4 million, as compared to a loss of HK\$50.7 million for 2018.

Casinos under the Group's Management Total GGR generated by Casino Kam Pek

Paradise decreased by 11.3% to HK\$1,270.2 million in 2019 when compared to 2018. The decrease was mainly due to the temporary suspension of LMG terminals at the casino for upgrade of the LMG terminals pursuant to the new technical standards (all required upgrade for LMG terminals in the casino has been completed). In 2019, the casino contributed HK\$141.5 million to Adjusted EBITDA of the Group, representing a decrease of 36.2% over that of HK\$221.8 million for 2018. The decrease in Adjusted EBITDA was mainly due to the decrease in GGR generated by the casino for 2019 and the accrual for the Group's reimbursement to SJM of employees' bonus under the relevant bonus scheme of SJM for those gaming operation employees employed by SJM who work for the casino under the Group's management amounting to HK\$23.2 million. As for Casino Waldo, total GGR generated increased by 8.6% to HK\$547.1 million when compared to that for 2018. However, the casino recorded a loss of Adjusted EBITDA of HK\$27.5 million to the Group, as compared to a loss of HK\$24.2 million for 2018. Considering the recent requirement to invest further for additional monitoring system and equipment to Casino Waldo to comply with new regulatory requirements which the Group considered that might be not recovered before end of the existing gaming concession, the relative high operating costs of the casino, and also the adverse impact from the recent outbreak of a respiratory illness, following the expiration of the related service contract on 29 February 2020, the Group has decided to cease providing casino management services in Casino Waldo since 1 March 2020. The Group shall then concentrate its focus on the operations of Casino Kam Pak Paradise so as to maximise the return from the provision of casino management service in this casino to the Group.

Prospect Mr. Jay Chun added, "Our first ever self-developed slot machines were approved by DICJ in 2019 which marked an important milestone to diversify our business to slot machine segment ever since we developed the flagship product the LMG machines in Macau. We have also started to debut our self-developed slot machines to Americas and South East Asian markets in various casinos to emerge as one of the leading gaming companies. We are confident that the innovative slot machines will generate fresh revenue streams for the Group apart from our LMG systems. The launching of new slot machines and new library of slot titles also signify the ambition of the Group to become a leading gaming technology company in the world. In recent years, the Group has continuously increased its investment on research and development for the attainments of innovation and breakthrough in design and applications of 5G, AI and other high-tech products such as smart wear, smart home and wireless terminal products with a view to providing customers' needs with professional solutions on high-tech products in areas of education, sports and living, etc. Global market of smart wear and smart home has been growing and is anticipated to keep flourishing at a robust pace. These high-tech products will generate fresh revenue streams for the Group in the years ahead and we believe that high-tech and gaming industry will merge more closely in future. Relating to the recent outbreak of a respiratory illness caused by a novel coronavirus affecting public health, the Group considers such coronavirus disease will inevitably have adverse effect on the Group's operation. The Group is very cautious about this global health emergency and is committed to take all possible protective measures to the well-being and safety of our patron customers as well as our staff, and at the same time, improve businesses and reduce operating costs of the Group during the tough period of time. Looking ahead, the Group will never rest on its laurels but will continue to acquire top talents and increase its investment in high-tech avant-garde gaming products, aiming to explore more opportunities in the gaming technology space and expand its market share in the gaming industry worldwide. Nevertheless, we are cautious due to a range of geo-political and economic challenges and the virus epidemic which may impact consumer confidence in 2020. We remain confident in the longer-term outlook for Macau in general and believe that the Greater Bay Area integration plan will further facilitate the flow of people, logistics and capital within Macau, Hong Kong and the nine cities of southern Guangdong. We will continue to support and leverage on the Greater Bay Area integration plan. The Group remains cautiously optimistic and will strive to identify new business opportunities in Macau and overseas markets and maximise returns to our shareholders."

Paradise Entertainment Limited (HKEx: 1180) engages in the development, sale and leasing of electronic gaming equipment and systems, as well as the provision of casino management services in Macau. Paradise is the inventor, patent owner and sole provider of Live-Multi Game terminals and dominates the Electronic Table Games market in Macau. The Group has also been developing slot machines. Apart from casino management business in Macau, Paradise envisions to become a global leader in gaming equipment. In addition to the aforesaid businesses, the Group also develops high-tech products in areas including 5G and Artificial Intelligence related products. For more information about Paradise Entertainment Limited, please visit our company's website: <http://www.hk1180.com>.

Contacts

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