

TARGET

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PARADISE ENTERTAINMENT LTD: THIS HORROR STORY IS UNLIKELY TO MELT AWAY IN A HURRY

On scanning the Annual Report of Paradise Entertainment Ltd (滙彩控股有限公司) (Code: 1180, Main Board, The Stock Exchange of Hongkong Ltd) in respect of the Financial Year, ended December 31, 2020, one might well be inclined to think along the lines: *'This IS a horror story, n'est ce pas?'*.

And, on scanning the Interim Results of this Company with regard to the six months, ended June 30, 2021, one is unlikely to obtain very much of a feeling of euphoria in spite of the fact that there had been some relatively minor (financial and other) improvements, here and there, compared with the situation that existed as at the closing days of the 2020 Financial Year.

Paradise Entertainment Ltd describes its principal activities, at Page 22 of the 2020 Annual Report, as follows:

'The Company is an investment holding company of a diverse group of companies that are principally engaged in the provision of casino management services, and the development, sale and leasing of electronic gaming equipment and systems.'

It would not be unfair to state that Paradise Entertainment Ltd is in the business of encouraging gamblers to take a flutter at gaming tables – especially those gaming tables, owned and/or managed by Paradise Entertainment Ltd.

The History And Business Of Paradise Entertainment Ltd

Paradise Entertainment Ltd had its shares, listed on the premier equity market of the Hongkong Special Administrative Region (HKSAR) of the People's Republic of China (PRC), on January 20, 1997, following its incorporation in Bermuda on December 3, 1996.

Under the heading, *'Corporate Profile'*, found at Page Four of the 2020 Annual Report, one was informed:

'The Company is the holding company of a diverse group of companies that are embracing synergies of two principal business segments, namely,

provision of casino management services (operating under its trade name or brand “LT Macau”); and the development, sale and leasing of electronic gaming equipment and systems (operating under its trade name or brand “LT Game”). Such synergies provide the Group a unique and privileged position in the Macau¹ and overseas gaming markets.

‘Since 2007, LT Macau has positioned itself as a casino management service provider focusing on mass market patrons for satellite casinos in Macau upon the commencement of Group’s service contract with SJM² for the provision of casino management services in Casino Kam Pek Paradise. In 2014, the Group entered into another service contract for provision of casino management services in Casino Waldo, a satellite casino of Galaxy in Macau, which expired on 29 February 2020 after the Group had determined not to seek renewal or extension of the service contract. LT Macau sets itself apart from its peers by offering patrons affordable minimum bets which attract a large, diverse and loyal patron base, and achieves a notable edge by leveraging technology to lower its operational costs and increase game efficiency and productivity.’

Notes:

1. ‘Macau’ or ‘Macao’: The Macao Special Administrative Region of the People’s Republic of China.
2. SJM: Sociedade de Jogos de Macau SA (澳門博彩股份有限公司), one of the three concessionaires for the operations of casinos in Macau. Sociedade de Jogos de Macau SA is 90-percent owned by SJM Holdings Ltd (澳門博彩控股有限公司), a company, whose shares are listed on the Main Board of The Stock Exchange of Hongkong Ltd, being Stock Code: 880.
3. MOP: Macau Pataca, the lawful currency of Macau.

At Page Eight of the 2020 Annual Report, under the heading, ‘**BUSINESS OVERVIEW**’, one was told:

‘2020 is undoubtedly an extraordinary year. Since the outbreak of Covid-19 in early 2020, the pandemic has hit hard on the economies of Macau, Hong Kong and nearby regions as well as the global economy. This unprecedented pandemic has created worldwide global health crises and severely undermined the customers’ confidence and patterns on purchase on many vulnerable businesses including gaming.

‘As part of the measures to contain the spread of Covid-19 in Macau, the Macau government announced the suspension of operations of all casinos in Macau for at least 15 days from 5 February 2020. Operations in Casino Kam Pek Paradise were suspended on 5 February 2020 and resumed on 20 February 2020 while operations in Casino Waldo were suspended on 5 February 2020 and resumed on 24 February 2020. Moreover, the Macau government has adopted a series of restrictions and quarantine requirement policies to prohibit or significantly reduce non-local citizens from entering into Macau. According to the statistical information

published by DICJ ^(a), Macau's total GGR ^(b) for the year ended 31 December 2020 declined by 79.3% from MOP292.4 billion to MOP60.4 billion when compared to the year ended 31 December 2019. Arrivals in Macau tumbled 85.0% from about 39.4 million for the year ended 31 December 2019 to 5.9 million for the year ended 31 December 2020, leaving casinos in Macau devoid of customers. It is reasonable to expect that the social and economic activities would not be able to resume to normal within a short period of time, and the requisite time for the full economic recovery of Macau and the world would remain to be seen.'

Notes:

- (a) DICJ: Direcção de Inspecção e Coordenação de Jogos (博彩監察協調局), the Gaming Inspection and Coordination Bureau in Macau.
- (b) GGR: Gross gaming revenue, being total net win generated by all casino gaming activities combined, calculated before the deduction of commissions and other expenses, if any.

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