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pcg entertainment plc

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UK Investor Show

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Investment Summary

- ◆ PCGE applies western management and accountability to a rapidly growing business sector in China, games, gaming and media distribution, giving access for investors who want exposure to this market
- ◆ Through its subsidiary Sihai Geju the Company controls valuable licenses in China
- ◆ The Company has given notice to acquire 10% each of HPC and HLC. HPC operates poker tournaments and HLC is licensed to be a sales agent for sport lottery products and runs virtual sports lottery games in Hainan Province
- ◆ The Company is in the process of acquiring CPDC, a provider of games management software in Asia
- ◆ A number of gaming and media distribution initiatives in the pipeline for the coming 18 months
- ◆ The Company is presently suspended from trading (AIM Rule 14 RTO) but anticipates readmission in May
- ◆ The Company intends to further develop its Chinese license and pursue additional acquisitions

Management

- ◆ Directors have many years of experience in media, gaming and marketing gained in Europe, the Middle East and Asia-Pacific and in acquisitions, accounting and corporate and financial management.

Nick Bryant: CEO

- *A career in major advertising agencies, media companies and broadcasters in the UK and internationally*
- *Commercial Director at Sky TV in the UK*
- *Group Director of MBC Group in the Middle East*
- *10 years operating games, broadcast channels and promotions in a strictly regulated environment.*

Clive Hyman: CFO

- *Partner at KPMG*
- *Interim CEO at Candy and Candy*
- *Wide experience bringing companies to the market*
- *CFO of Wishbone Gold, an AIM listed company.*
- *Non-Executive Director of OMV Petrol Ofisi AS (Turkey)*

Kung Min Lin: Chairman

- *Ten years currency and index trading in Asia*
- *COO of Osmosa Ltd, a sports betting operator in S.E. Asia*
- *Chairman of Power Capital Global and Moneyswap, both AIM listed companies*

Richard Poulden: Deputy Chairman

- *First went to China shortly after economic reform began in 1980. Has been involved across Asia ever since notably with medical imaging initiatives in China, as a director of AIM listed MoneySwap Plc and with various natural resource initiatives in the wider Asian region*
- *Has executed successful strategies growing companies through acquisition in retail, healthcare and natural resources*
- *Built Sirius Minerals from a market cap. of £2m to £200m*

Professor Michael Mainelli: NED

- *Co-founder of Z/Yen, specialist technical consultancy and the city of London's leading commercial think-tank*
- *Holds non-executive directorships with the UK Accreditation Service and Wishbone Gold*

Alan Gravett: NED

- *More than 20 years in financial services (as a senior executive with Barclaytrust).*
- *A specialist in company and trust structures in Gibraltar*

Licenses

Licenses held by
Sihai Geju

critical success factors

important monetisation
methods



Network Cultural Business Permit

License to operate cultural activities on the internet, including online games such as poker.¹ Provides ability to issue and manage 'virtual currencies'



VAT Business Permit (ISP)

License to conduct value-added telecommunications business such as games and information services via the public mobile telecommunications networks²



Permit for Business Operation of Telecommunication and Information Services

License to publish and monetise games. Including sale of lottery products and information services on the internet



Short Message Service Access Code Certification

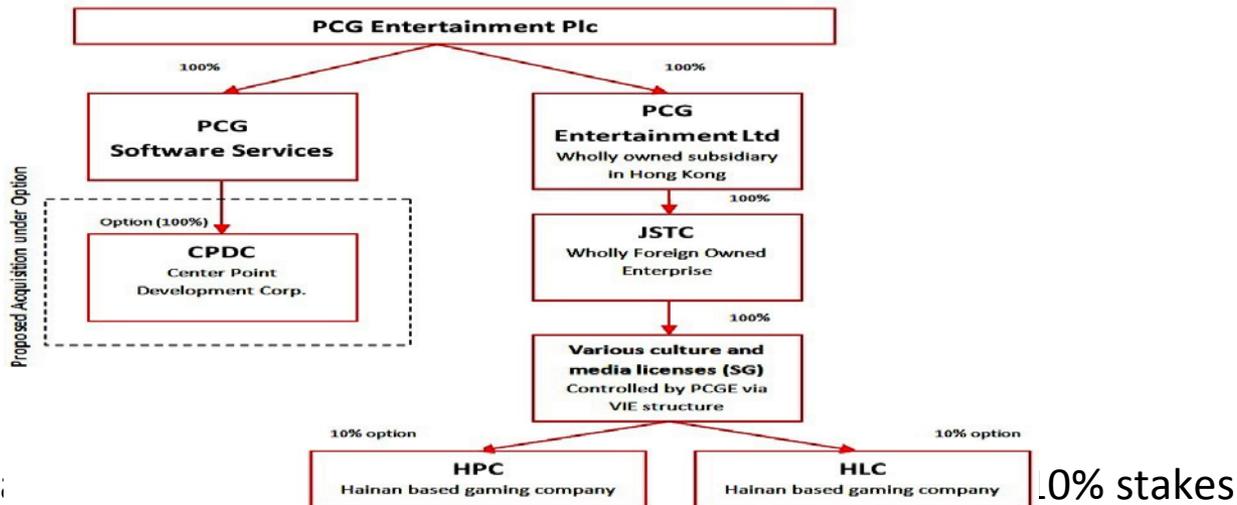
License to generate income from premium-rate SMS codes issued by the mobile network operators

¹ Subject to further regulatory approval

² Between them Chinese mobile networks have 1.25 billion subscribers

Structure and Shareholdings

- ◆ A Wholly Foreign Owned Enterprise (WFOE) and a Variable Interest Entity (VIE) structure enables PCGE to have effective ownership of Sihai Geju in Beijing



- ◆ Sihai Geju holds 10% stakes in each of HLC and HPC
- ◆ CPDC, a games management software company, will be acquired by our wholly-owned subsidiary PCGE Software Services registered in Gibraltar

Poker Tournaments

HPC

- ◆ HPC operates real-world 'Texas Hold'em' poker tournaments in the PRC under the China Poker Games (CPG) brand
- ◆ Their first tournament was in Sanya, Hainan province in 2013. The second major tournament at the same venue in August 2014, with over 1,000 players and in excess of RMB 1 million in prize money, was one of the largest poker tournaments in Asia
- ◆ Further tournaments have followed in Shanghai and other major cities and they plan to have 28 major tournaments annually within the next three years
- ◆ These real-world tournaments have helped to build the CPG brand in China and they have relationships with over 500 clubs across the country
- ◆ It is PCGE's strategy to capitalise on the strength of this brand and to use our licenses to take poker tournaments online

Sports Lotteries

HLC

- ◆ HLC has an operator's license to sell sports lottery games in Hainan province
- ◆ Their 'Flying Fish' game is a popular high-frequency lottery game (starting every 6 minutes) with competitive odds
- ◆ Welfare and sports lotteries are the only legalised quasi-gambling games in the PRC and are regulated by the Ministry of Finance and the provincial lottery authorities

Media Distribution

- ◆ PCGE's strategy is to introduce popular western media properties to the PRC, working with Chinese production companies to adapt them for the local market
- ◆ These will be distributed through conventional broadcast channels, on-line, on-mobile, via IPTV and OTT
- ◆ It is our intention to increase the commercial value of these properties through events, associated spin-off activities, merchandising and licensing
- ◆ The Company is in negotiations regarding its first such project
- ◆ This is an event-based show with strong on-line elements to be broadcast nationally by a top-four broadcaster as well as being widely distributed and promoted on multiple additional channels

Software Distribution

- ◆ Through our proposed acquisition of CPDC, a Belize registered company based in Taiwan, the Company will become a licensee of online games management software which sub-licences to online games companies
- ◆ CPDC's exclusive licenses from major software producers will give us significant growth potential amongst online game operators across Asia
- ◆ The Board believes that our contacts and knowledge of the Asian gaming software markets also provide significant potential to acquire licenses to distribute on behalf of additional software suppliers
- ◆ Historic management accounts of CPDC state a net profit in 2014 of \$2.3 million, following two years of rapid growth
- ◆ This is a transformative acquisition for PCGE

Acquisitions

- ◆ Our status as a Company listed on the London Stock Exchange provides the opportunity for us to make further acquisitions of sector-relevant companies complementary to our existing business in the region, exchanging illiquid Chinese shares for quoted foreign liquidity

The Market

The Market: Poker Tournaments

- ◆ With the exception of lotteries, which are sanctioned by the State Council, all gambling is illegal in the PRC
- ◆ Poker tournaments such as those run by CPG, which are approved by the governing authorities in China, are not considered to be gambling
- ◆ The Directors believe that there are between 700 and 1,000 poker clubs in the PRC, each with between 500 and 2,000 members
- ◆ Boyaa Games, China's top online poker company, recorded revenues of RMB 945.3m (\$152m) in 2014, up 39% year-on-year
- ◆ Macau generated \$45.3 billion in revenues in 2013 from gaming and gambling (Statistica)
- ◆ PWC predict that Asia will overtake the US as the largest gaming market in 2015
- ◆ The China centre for lottery studies at Peking University estimates that Chinese residents spend around \$97 billion each year via offshore online websites

The Market: Sports Lotteries

- ◆ Sports lottery licenses are issued by the China Sports Lottery Administration Centre. Sales agents such as HLC must obtain permits from provincial government departments
- ◆ Chinese lottery sales have grown dramatically in the past 5 years and the rate of growth is expected to continue
- ◆ The percentage of Chinese playing lottery games in China is significantly smaller than in the west and is expected to grow as regulation improves and the market matures
- ◆ Increasingly lottery sales are being made online and on-mobile

Drivers of Growth:

Rising Disposable Income / Government

- ◆ Growth in GDP/Disposable Income
 - × GDP/Capita grew by 39.2% between 2009 and 2013 to \$3,345. A further 7% growth was predicted for 2014
 - × Over the same period disposable income/capita has grown by over 55% to \$4,000 and a further 10% growth was predicted in 2014 (National Bureau of Statistics, China)
- ◆ Regulation
 - × With an illegal gambling market in the PRC estimated in 2010 at RMB 1 trillion the Directors believe that the PRC government may seek to encourage more legal participation in lotteries by introducing new products and wider distribution channels.

Drivers of Growth: Internet and 4G Penetration

- ◆ Growth in Internet Penetration
 - × The PRC has had more internet users than any other country since 2008
 - × Globally more than one in five of all those with internet access are in China
 - × At the end of 2014 the number of internet users reached 650 million or 47% penetration. This represented an increase of 38 million over the previous year (<https://www1.ccnic.cn/>)
 - × The China Internet Network Information Centre have reported that 557 million of these users, or 85%, went online with their mobile phones in 2014. This represents an increase of 50 million from 2013

Investment Opportunity

- ◆ PCGE launched on AIM on 4th December 2014
- ◆ Market Cap £56 million
- ◆ £3.41 million gross proceeds raised at IPO
- ◆ The Directors anticipate we will be readmitted in May 2015
- ◆ Strategy:
 - × Further development of media licenses in China
 - × Online expansion of lotteries and poker tournaments
 - × Growth of software distribution business (CPDC) across Asia
 - × Development of media distribution business in China
 - × Strategic acquisitions

Advisers

◆ Broker

BEAUFORT

◆ NOMAD

 Sanlam

◆ Lawyers


Pinsent Masons

 Hassans

◆ Accountants

Nexia Smith & Williamson

◆ PR

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Thank You



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