

## BUSINESS

### OVERVIEW

We are an entertainment, gaming and leisure group comprising (i) one integrated land-based casino and resort and two full-service land-based casinos operating in the Czech Republic, offering primarily slot machines and table games, and (ii) three hotels in Germany and one hotel in Austria that offer accommodation, catering, conference, and leisure services.

Our long operating history in central Europe could be traced back to the establishment of *Palasino Furth im Wald* (formerly known as *Česká Kubice*) in 1995, which marked our decades-long operation history in central Europe. Since then, we actively expanded our casino portfolio with the establishment of *Palasino Excalibur City* (formerly known as *Route 59*) in 1999 and *Palasino Wulowitz* (formerly known as *Route 55*) in 2004. Our three casinos have been operating under the brand "*Palasino*", and our tagline, "*at the heart of the game*", captures the essence of our Palasino casinos, where players experience a range of emotions, from the thrill and excitement of winning to the disappointment of losing. Leveraging on our robust facilities and market positioning, we are committed to providing a unique casino environment to fully manifest our tagline. Our established presence in the Czech gaming industry are deeply rooted in our ability to cater for players of different risk appetites and gaming preferences by offering a wide variety of slot machines. To create an entertaining and memorable playing experience, we also provide a broad range of non-machine gaming options, including table games and poker, all of which are located within our contemporary-styled casinos.

We tapped into the hospitality business with the launch of *Hotel Savannah* in 2008, which, along with the interconnected *Palasino Excalibur City*, form our landmark resort, *Palasino Savannah Resort*. The resort offers a range of integrated gaming, hospitality and catering services, including gaming, wellness and spa, accommodation, conference and banqueting services, and catering, which not only open doors to gaming patrons but also serves as a get-away destination for friends and families. Over the years, we have built a portfolio of hotels in Germany and Austria through acquisitions, namely *Hotel Columbus*, *Hotel Auefeld* and *Hotel Kranichhöhe*, in Germany and *Hotel Donauwelle* in Austria. The hotels in Germany and Austria primarily position themselves as business and leisure hotels targeting individuals as well as corporate clients who organise business conferences and special events in Germany and Austria. Our hotels offer different kinds of accommodations, high-quality food and beverage offerings and a variety of meeting and conference rooms.

Due to the outbreak of COVID-19, the governments of the countries which we mainly conduct our business operations, have imposed a series of measures to contain its spread. Such measures have led to the closure of our casinos and hotels for intermittent periods during the years ended 31 March 2021 and 2022. Notwithstanding the above, due to the easing of lockdown protocols and the gradual recovery of the global economy, our Group has been able to maintain growth in its revenue during the Track Record Period. Our revenue increased from HK\$145.8 million for the year ended 31 March 2021 to HK\$351.2 million for the year ended 31 March 2022 and further increased to HK\$529.0 million for the year ended 31 March 2023.

Our net profit increased significantly from HK\$2.6 million for the year ended 31 March 2021 to HK\$40.1 million for the year ended 31 March 2022, and further increased to HK\$44.2 million for the year ended 31 March 2023. Our EBITDA amounted to HK\$32.1 million, HK\$77.0 million and HK\$85.4 million, respectively, for the three years ended 31 March 2023.

## BUSINESS

In relation to our gaming operations, our number of slot machines, which generated most of our revenue during the Track Record Period, increased from 442 for the year ended 31 March 2021 to 446 for the year ended 31 March 2022 and further increased to 560 for the year ended 31 March 2023 and our average slot win per machine per day was HK\$1,152, HK\$1,596 and HK\$1,657, respectively, during the Track Record Period. Regarding our hotel and catering operations, our average occupancy rate was 34.8%, 34.7% and 49.0% for the three years ended 31 March 2023, respectively, which was in line with the industry average, as concurred by CIC.

### STRENGTHS

We believe that the following key strengths are the bedrock of our positioning as a well-established entertainment, gaming and leisure group:

#### **Established presence in central Europe with a long operating history since 1995 with strong knowledge of the gaming and hospitality industry in terms of customer preference**

Our long operating history in central Europe can be traced back to the establishment of *Palasino Furth im Wald*, which marked our entry into the market. Harnessing its success, we grew our footprints by establishing *Palasino Excalibur City* in 1999 and *Palasino Wullowitz* in 2004 to elevate our market standing. Over the past 20 years, we evolved from a casino owner and operator to an entertainment, gaming and leisure group that covers multiple target customers, including gaming patrons, individual travelers and corporate clients primarily located across central Europe. This transformation was made possible through the launch of the *Palasino Savannah Resort* and our subsequent expansion into the hotel business. Our growth and diversification strategy have allowed us to provide our customers with a holistic gaming and hospitality experience. As at 31 March 2023, we offered a total of 560 slot machines, 59 gaming tables (including poker tables) across three casinos, and 572 of suites and rooms, 48 conference rooms and 11 catering facilities across our resort and hotels.

With over 25 years of operating experience in the gaming industry under the leadership of our senior management, we are well-positioned to capture market opportunities with the accumulated operational experiences and strong industry knowledge accumulated over the years. As a member in the Czech Casino Association, which is itself a member of the European Casino Association, coupled with the fact that one of our senior management, Mr. Tomáš KMENT serving as its president as at the Latest Practicable Date, we are able to represent and advocate the interests as a casino operator with the Czech government authorities. Furthermore, we can leverage on such a platform and connect with other industry stakeholders and stay informed about the latest market trends to keep abreast of the developments of the gaming industry. Our stable and cohesive senior management team has extensive knowledge of the gaming industry in the Czech Republic, and other countries. In particular, Mr. Pavel MARŠÍK, our executive Director, Chief Executive Officer and Chief Financial Officer, has over 22 years of experience in the gaming industry in the Czech Republic and Mr. Colin Chapman STEWART, our Chief Operating Officer — Gaming, has over 40 years of experience in the gaming industry, having worked in various jurisdictions, including the United Kingdom,

## BUSINESS

Poland, Czech Republic, Bulgaria and the Caribbean. For details of the profile of our senior management, please refer to the section headed "Directors and Senior Management" in this document.

### **Strategic locations of our casinos and hotels**

Our properties are strategically located at the heart of central Europe, specifically in the Czech Republic, Germany and Austria, making it convenient for guests from all corners of the continent to visit. Specifically, our casinos are close to the borders of the Czech Republic and Austria, and the Czech Republic and Germany: (i) *Palasino Excalibur City* (part of the *Palasino Savannah Resort*) is located about an one hour's drive from Vienna, the capital of Austria; (ii) *Palasino Wulowitz* is located about a 45 minutes' drive from Linz, the capital of Upper Austria subregion of the north of Austria and the third-largest city in Austria by population; and (iii) *Palasino Furth im Wald* is located about slightly more than one hour's drive from Regensburg, the capital of the Upper Palatinate subregion in southern Bavaria, Germany. Such strategic presence enables our casinos to attract customers from different countries, such as Austria and Germany, as well as from Poland, Slovakia and Slovenia.

We also strategically locate our hotels in Germany and Austria, each with its unique features and advantages: (i) *Hotel Columbus*, located in Seligenstadt, Germany, is conveniently located about 20 minutes' drive from the Frankfurt International Airport and the main train station in Frankfurt am Main; (ii) *Hotel Auefeld*, located on the outskirts of Hann. Münden, Germany, is situated near the city of Kassel, a city in central Germany, and is easily accessible by car or train; (iii) *Hotel Kranichhöhe*, located in Much, Germany, is in close proximity to both Cologne and Dusseldorf and is easily accessible from the Netherlands; and (iv) *Hotel Donauwelle*, located on the banks of the Danube in Linz, Austria, provides guests with a view of the river and the hills of the Mühlviertels in Upper Austria. Our strategically located hotels allow us to serve as gateways to customer traffic from multiple European countries.

### **Diversified portfolio of gaming products and hospitality services**

Our success is anchored in our distinct choice of product offerings. We primarily concentrate on classic casino games, which include slot machines and table games through the operation of three full-service casinos in the Czech Republic with a wide range of gaming products catering to ever-changing player needs and preferences, including classic house games Roulette with both single and double zero, Blackjack and Palasino Texas Poker, as well as an extensive selection of multi-game slot machines offering up to over 50 slot games per machine. To cater for the need of poker players, *Palasino Excalibur City* and *Palasino Wulowitz* hold regular poker tournaments, offering both Texas Hold'em and Omaha Poker and cross-venue quarterly festival tournaments with guaranteed prize pots. According to CIC, our major competitor, which is also a slot machine supplier, mainly offers slot machines of its own brand in its casinos. In comparison, our casinos offer a more extensive range of slot machines sourced from different suppliers, including but not limited to those offered by such competitor.

## BUSINESS

The casinos are positioned to attract gaming patrons of different risk appetites. We offer minimum bets starting from €1 and maximum bets of €200 for betting on roulette. Blackjack tables have a minimum bet of €5, with maximum bets of €500. Our slot machines offer minimum bets of 5 cents to a maximum bets of €30.

Apart from attracting gaming patrons, our landmark resort, *Palasino Savannah Resort* offers a range of integrated hospitality services, including wellness and spa, accommodation, conference and banqueting services, and catering. We believe this integrated resort model strives to sculpt a comprehensive and seamless hospitality experience that appeals to the needs of each and every guest. According to CIC, *Palasino Savannah Resort* is the only facility provider in Hatë that runs on resort-style operations.

Our resort and hotels are well-positioned to accommodate both the business and recreational needs of corporate and individual guests. *Palasino Savannah Resort*, which comprises *Palasino Excalibur City* and *Hotel Savannah*, offers gaming facilities and a range of complementary facilities. *Hotel Columbus*, *Hotel Auefeld*, *Hotel Kranichhöhe* and *Hotel Donauwelle* offer a total of over 493 rooms or suites as at 31 March 2023. Our hotels are equipped to organise corporate events, including team-building activities, meetings, product launches and banquets. We also offer a range of of hospitality services, such as catering, conference and meeting rooms equipped with audio-visual equipment such as projectors and screens, public address systems, tele-conference facilities, tennis court and fitness area.

In order to expand our business into online gaming, we obtained the requisite gaming licence in Malta in November 2022. For details, please refer to the paragraph headed "Online Gaming Business" in this section.

In addition to our gaming facilities, our properties offer guests a comprehensive and unique entertainment experience, featuring a variety of live events, including Oktoberfest, Chinese New Year, Christmas and New Year celebrations. These events are designed to introduce, promote and drive new gaming patrons to our casinos, as well as to provide our guests with an enhanced experience that they do not enjoy every day. Our properties also feature a wide selection of dining options that cater for diverse tastes and preferences, ranging from casual dining of local food to upscale indulgence of international cuisine and cocktails. This makes our properties attractive destinations for all gaming patrons and guests.

### **High degree of flexibility and control through a self-operated and managed operating model**

Our casinos and hotels are fully self-operated and self-managed whereby we have direct control over our casinos and hotels operations. We believe that this model provides us with operating flexibility and full control over our operating process. Such an operation model ensures consistency, guest satisfaction and low implementation and

## BUSINESS

maintenance costs. Our operating leverage and high degree of flexibility provides significant upside from an improving market whilst giving us flexibility and resilience in potential downside scenarios. Unlike competing operating business models such as management agreements whereby the management company assumes the responsibility for operating and managing the casino or hotel on behalf of the owners, our operating model gives us full control over the entire operating process with no revenue or profit-sharing component against a stable and predictable cost structure.

With direct control over operations, our Group can have a more personalised and tailored approach to customer services as we will receive constant feedback from our customers. This enables us to promptly address their needs and preferences, leading to increased customer satisfaction and fostering long-term loyalty.

### **Operations on self-owned lands, which provides stability and control without being subject to rental reviews**

*Palasino Savannah Resort, Palasino Wulowitz, Palasino Furth im Wald, Hotel Columbus and Hotel Kranichhöhe* are operated on self-owned lands. As we have the complete ownership and control over the self-owned lands, there are no ongoing lease payments or rent obligations payable to a landlord nor are we subject to any risk of rental review, which in turn significantly reduce our operating costs, allowing us to allocate resources to other operation aspects and/or for development. Furthermore, we have the freedom and flexibility to make decisions regarding the design, construction and operation of our casinos and hotels to suit our future needs, without the need to seek from other parties or being subject to restrictions that maybe imposed by the landlord. In addition, we can also make good use of the self-owned lands as collateral for bank borrowings.

## STRATEGIES

To solidify our market position, we intend to pursue the following strategies:

### **Maintain and further consolidate our market presence in the gaming industry in the Czech Republic and central Europe through asset rejuvenation**

According to CIC, the market size of the gaming market in the Czech Republic, in terms of GGR, increased from HK\$10.8 billion in 2018 to HK\$18.6 billion in 2022 with a CAGR of 14.5% between 2018 and 2022, and is expected to further increase to HK\$31.3 billion in 2027, representing a CAGR of 11.0% between 2022 and 2027, attributable to (i) shift of demand from neighbouring countries; (ii) higher disposable income and consumption expenditure; (iii) recovery of tourism in the Czech Republic from COVID-19; and (iv) advancement of technology. In particular, our Group primarily offers slot machines and table games, which belong to the category of live game. According to CIC, the market size of the land-based slot machine and land-based live game industry in the Czech Republic, in terms of GGR, was HK\$6.6 billion in 2022 and is expected to reach HK\$10.3 billion in 2027, representing a CAGR of 9.3%. For details, please refer to the section headed "Industry Overview" in this document.

## BUSINESS

In order to capitalise on the positive growth trajectory of the gaming industry and maintain and further consolidate our market presence, we plan to rejuvenate our assets, in particular, *Palasino Savannah Resort* and *Palasino Wulowitz*. Our Directors believe that our plan for asset rejuvenation is particularly important to our Group due to the following reasons:

- (i) slot machines in *Palasino Savannah Resort* and *Palasino Wulowitz* are one of our major revenue streams. For the financial year ended 31 March 2023, during the peak hours (i.e. from 8 p.m. to 12 a.m. every Friday and Saturday), the occupancy rate of our slot machines in our three casinos was 75.4%. At some peak hours, the occupancy rate may reach over 80%. According to CIC, the above occupancy rates are considered to be high. Such a high occupancy rate indicates the need to increase our capacity to serve more players, in particular, by way of securing more slot machines;

Further, given the models of slot machines and the game themes offered are constantly evolving, and older machines may not have the latest game themes and cabinets that players expect and in order to continuously stay ahead in the market and satisfy the ever-changing demands from players, it is necessary to procure new slot machines with different and up-to-date game themes and cabinets, which can help keep the gaming experience fresh and exciting for players;

- (ii) we have obtained our first gambling advertising permit in Austria in July 2023. During the Track Record Period, 92.1%, 92.5% and 92.2% of our players in *Palasino Excalibur City* and 94.3%, 95.9% and 95.2% of our players in *Palasino Wulowitz* came from Austria, respectively. We plan to commence our first advertising campaigns by using radio and billboards in Austria in last quarter of 2023. Our future marketing efforts in Austria together with the strategic location of our two casinos which are close to the border of Austria, namely *Palasino Savannah Resort* and *Palasino Wulowitz*, enable us to reach out to more potential players in Austria;
- (iii) the increased capital requirements and stricter gaming regulations to operate a casino in the Czech Republic may potentially result in the eradication of small-size or less competent casino in the Czech Republic, as concurred by CIC. This is primarily due to the proposed amendments to the Czech Gambling Act, which include provisions such as higher security deposits, additional player protection measures, and investments required to enhance casino infrastructure. For details of the proposed amendments to the Czech Gambling Act, please refer to "The New Czech Gambling Act" in this section. Our Group may therefore seize the market opportunities to absorb customers from the casinos which are unable to fulfil the requirements; and

## BUSINESS

- (iv) our Group will continue to benefit from the tightened gambling regulations of our neighbouring countries, for example, prohibitions of casinos and other forms of gaming in Bratislava, Slovakia since 2021 and the gaming operators in Bratislava are allowed to operate until their licences expire, which most of them will expire in one to two years. Due to our proximity to Bratislava, our casino will benefit from such closure by absorbing their customers due to our advantageous condition.

Our asset rejuvenation plan is intended to (i) procure and rent slot machines; and (ii) overhaul the gaming area facilities, back-of-house areas, guest rooms and other hospitality offering, which is tailored to each property's distinct operating conditions. According to CIC, asset quality, including but not limited to gaming area, slot machines, contemporary decoration, extent of hospitality offering, maintenance standard and service level, is by far one of the primary factors when players and travelers select their casinos.

### *Procure and rent slot machines*

In view of the high occupancy rate of our slot machines as mentioned above (i.e. the occupancy rate of the slot machines in our three casinos was 75.4%, during the peak hours for the year ended 31 March 2023), we plan to procure and rent slot machines. The procurement and rental of slot machines is divided into two phases. During the first phase, our focus is to seize immediate market opportunities from the anticipated closure of casinos in Bratislava in late 2024 due to prohibitions of casinos and other forms of gaming in Bratislava since 2021 (as explained above). The first phase is expected to be completed within the first year after [REDACTED]. Moving on to the second phase, our objective is to accommodate the expansion plan of *Palasino Savannah Resort* and *Palasino Wulowitz* (as explained hereinafter).

**BUSINESS**

The table below sets forth the details of the two phases of the procurement and rental of slot machines plan:

		First phase		Second phase			
	Unit cost (HK\$'000)	Unit	Sub-total costs (HK\$'000)	Unit	Sub-total costs (HK\$'000)	Total unit	Total costs (HK\$'000)
<b>Procurement of slot machines</b>							
- Palasino Savannah Resort	[REDACTED]	20	[REDACTED]	30	[REDACTED]	50	[REDACTED]
- Palasino Wulowitz	[REDACTED]	20	[REDACTED]	20	[REDACTED]	40	[REDACTED]
	<b>Unit rental cost for three years (HK\$'000)</b>						
<b>Rental of slot machines</b>							
- Palasino Savannah Resort	[REDACTED]	20	[REDACTED] <sup>(Note)</sup>	30	[REDACTED] <sup>(Note)</sup>	50	[REDACTED]
- Palasino Wulowitz	[REDACTED]	-	-	30	[REDACTED] <sup>(Note)</sup>	30	[REDACTED]
<b>Total</b>		<b>60</b>	<b>[REDACTED]</b>	<b>110</b>	<b>[REDACTED]</b>	<b>170</b>	<b>[REDACTED]</b>

*Note:* We will finance such expenditure by utilising the cash generated from our operations.

We estimate the total expenditure for the two phases of the procurement and rental of slot machines plan to be HK\$[REDACTED]. Among which, HK\$[REDACTED] will be financed by the [REDACTED] from the [REDACTED], representing [REDACTED] of the [REDACTED] and the remaining will be funded by the cash generated from our operations.



## BUSINESS

### *Overhaul the gaming area facilities, back-of-house areas, guest rooms and other hospitality offering at Palasino Savannah Resort and Palasino Wulowitz*

The expansion and upgrading works, which will be implemented by stages to minimise operational disruptions, are expected to encompass the followings:

#### *Palasino Savannah Resort*

- (i) *Gaming area extension*: gaming area extension to provide an additional area of 750 sq.m. (existing gaming area: 1,913 sq.m.) for slot machines, enlarged poker lounge, a stage for hosting daily and weekly promotions and events and a new bar;
- (ii) *Revamped back-of-house functions*: additional area for cage count, storage facilities, changing facilities for employees and office purposes;
- (iii) *Food and beverage facilities refurbishment*: expansion of our kitchen and preparation and storage area, additional coffee/day bar, expansion of our *a la carte* restaurant, addition of an "open" kitchen to provide a range of international food; and
- (iv) *Others*: additional customers restrooms in the casinos.

We estimate the total expenditure for the expansion and upgrading works for *Palasino Savannah Resort* to be HK\$[REDACTED]. Among which, HK\$[REDACTED] will be financed by the [REDACTED] from the [REDACTED], representing [REDACTED] of the [REDACTED] and the remaining will be funded by the cash generated from our operations. The works for *Palasino Savannah Resort* is estimated to commence in 2026, subject to obtaining the necessary construction permit.

#### *Palasino Wulowitz*

- (i) *Gaming area extension*: gaming area extension to provide an additional area of 600 sq.m. (existing gaming area: 1,650 sq.m.) for slot machines, gaming tables and a stage for hosting daily and weekly promotions and events
- (ii) *Landscaping upgrade*: a major facelift of the casino, including overhaul of the casino's façade, in order to create an eye-catching and visually appealing exterior that grabs the attention of passersby and makes a strong first impression, and installation of a panoramic lift

## BUSINESS

- (iii) *Reception area extension*: expansion of the reception and player processing area to improve crowd management, ensure smooth flow of players and enhance the overall efficiency of the check-in and registration process
- (iv) *Guest rooms expansion*: additional 20 guest rooms specifically designed for players
- (v) *Food and beverage facilities refurbishment*: expansion of our kitchen, preparation and storage area, buffet serving area and dining area
- (vi) *Revamped back-of-house functions*: additional area for cage count, storage facilities and office purposes
- (vii) *Others*: additional customers restrooms in the casinos

We estimate the total expenditure for the expansion and upgrading works for *Palasino Wulowitz* to be HK\$[REDACTED]. Among which, HK\$[REDACTED] will be financed by the [REDACTED] from the [REDACTED], representing [REDACTED] of the [REDACTED] and the remaining will be funded by the cash generated from our operations. The works for *Palasino Wulowitz* is estimated to commence in 2026, subject to obtaining the necessary construction permit.

To facilitate the expansion and/or upgrading of each casino, we plan to construct an additional building on the same plot of self-owned land, on which our existing casino is located.

## BUSINESS

### **Continue to expand our gaming business in the Czech Republic or other markets through acquisition of business or asset and/or bidding for new gaming licence**

We will actively seek expansion opportunities in the Czech Republic or other markets by way of acquisition of business or asset. Acquisition of asset provides us with immediate access to the erected properties and/or available gaming facilities. In addition to that, acquisition of business provides us with its casino licence and the existing customer base of the acquired casino and allows us to capture a greater market share by acquiring competitors or businesses with complementary strengths and resources, thereby creating synergy. We will also consider bidding for new gaming licence to establish new gaming operation in order to expand our geographical footprint.

Accordingly, we intend to (i) acquire business or asset in the Czech Republic or other markets and/or (ii) bid for new gaming licence to establish new gaming operation. We plan to use HK\$[REDACTED], representing [REDACTED] of the [REDACTED] for expansion in this connection.

#### *Criteria for Acquisitions of Business or Asset*

Our Board will evaluate and identify potential business targets based on the following selection criteria, including but not limited to: (i) a mid-sized casino situated at the border, which its game offerings are similar to our casinos, with location in the Czech Republic or other markets with high growth potential; (ii) its business operations are in compliance with all relevant laws and regulations in all material respects and, possession of required permits and licences under the relevant laws and regulations; (iii) not less than 100 slot machines and 10 gaming tables; (iv) have the potential of achieving EBITDA of €2 million to €3 million; (v) renowned brand and good reputation without major negative news or reports on unsatisfactory casino services, negative credit records, or pending legal proceedings and disputes; and (vi) its existing customer base, the track record and operating history. Based on the abovementioned key criteria, CIC is of the view that there are about 16 business targets situated in the Czech Republic within 30 km from the border of the Czech Republic that may potentially meet our requirements. We cannot preclude the possibility that there are other available potential business targets in the market at the time of the implementation of our acquisition plan.

In relation to asset, our plan entails acquiring property suitable for casino operations, in particular, a property which is located in the Czech Republic or other markets with significant growth potential and has the capacity to accommodate a minimum of 100 slot machines and 10 gaming tables.

## BUSINESS

### *Implementation of Acquisition/Expansion Plan*

The acquisition will be based on the results of research, due diligence and assessments undertaken in advance. Our management will perform due diligence on potential business/asset and present an internal evaluation proposal to our Board for consideration and approval. Our Board will assess whether the business activities of the potential targets can be integrated into our Group to create synergy and economies of scale to reduce operational costs thus increasing overall sales and profitability of our Group (applicable to acquisition of business). It is expected that our acquisitions will enhance our market share in the gaming industry as a result of our enlarged portfolio of casino operations.

In line with our business practice, we may also explore potential available business targets through (i) our cooperation with business acquaintances and (ii) participation in industry social events. As at the Latest Practicable Date, save for the Possible European Acquisition, we had neither identified any suitable business/asset, nor formulated any specific acquisition plans, nor entered into any definitive agreements for any potential business/asset.


Acquisition of business/asset, however, involves significant risks and uncertainties. Accordingly, we may not be able to materialise our plan. For details of the risks and uncertainties, please refer to "Risk Factors — Risks Relating to Our Business and Operations — Acquisition of business/asset involve significant risks and uncertainties and we may not be able to identify suitable targets or successfully integrate acquired business into our existing operation" and "Risk Factors — Risks Relating to Our Business and Operations — There is no assurance that the Possible European Acquisition and the implementation of our future plan will be successful" in this document. If our future acquisition plan cannot materialise, we will (i) continue identifying suitable business/asset; and (ii) continue attracting more customers through improving our service quality and enhancing our brand recognition in order to expand our market share.

## OUR BRANDS

### **Palasino — at the heart of the game**


In 2022, we underwent an exercise to rebrand as "*Palasino*". The word "*Palasino*" is a combination of the words "*Palace*" and "*Casino*". This wordplay not only evokes a sense of grandeur associated with palaces but also highlights our core business as a casino operator. "*Palasino*" serves as a reflection of our commitment to providing a gaming experience that is both elegant and exhilarating and is a testament to our dedication to offering our customers the best of both worlds. Our casinos were previously operating under the brand "*American Chance Casinos*".

## BUSINESS

Our logo “  ” draws inspiration from traditional card game symbols. The logo prominently features a “spade” card suit symbol and an additional “heart” card suit symbol at its center. The “heart” symbol represents the passion and emotion that are an integral part of the gaming experience. In addition to the “heart” symbol, the negative space created by the infusion of the heart also forms the letter “P”, which is a subtle design element that represents our brand name “Palasino” and highlights our attention to details.

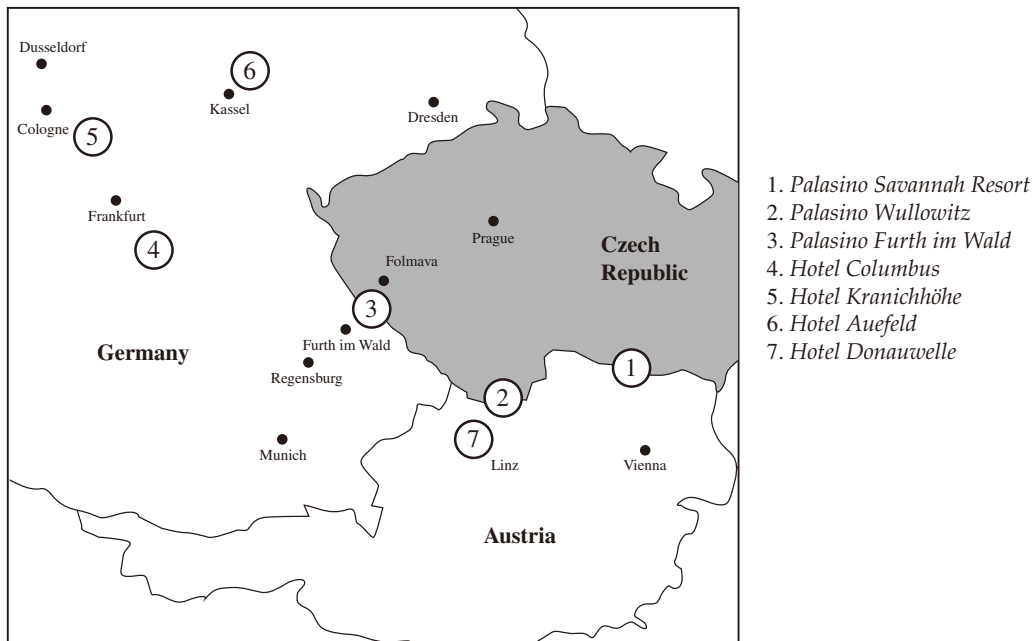
Our commitment to delivering an unique gaming experience is also reflected in our tagline, “*at the heart of the game,*” — casino games are played with heart and emotions such as adrenaline and excitement, which are experienced through the players’ journey through losing and winning.

### Trans World Hotels

In addition to *Hotel Savannah* in *Palasino Savannah Resort* under the “Palasino” brand, we own and operate four other hotels in Germany and Austria, under the “*Trans World Hotels*” brand with the logo “”. The brand comes from the parent company name of Trans World Hotels & Entertainment, which in turn was derived from the previous owner, Trans World Corporation.

### OUR LOCATIONS

The following diagram illustrates the location of our casinos and hotels in central Europe.



**BUSINESS**

**OUR GAMING OPERATIONS**

**Our Casinos**

The following table sets forth an overview of our land-based casino portfolio as at 31 March 2023:

	<i>Palasino Excalibur</i> <i>City, which forms part of</i> <i>Palasino Savannah Resort</i> <i>(formerly named as</i> <i>American Chance Casino</i> <i>Route 59)</i>	<i>Palasino Wulowitz</i> <i>(formerly named as</i> <i>American Chance Casinos</i> <i>Route 55)</i>	<i>Palasino Furth im Wald</i> <i>(formerly named as</i> <i>American Chance Casinos</i> <i>Ceska Kubice)</i>
Location	Chvalovice-Hatě, the Czech Republic	Dolní Dvořiště, the Czech Republic	Česká Kubice, the Czech Republic
Year of commencement of operations	1999	2004	1995
Gaming area (sq.m.)	1,913	1,650	1,450
Opening hours	24/7	24/7	Seven days a week 2 p.m. to 4 a.m. (Sunday to Thursday) 2 p.m. to 6 a.m. (Friday and Saturday)
Slot machines	281	169	110
Gaming tables (including poker tables)	29	19	11
Food and beverage facilities	2 bars	1 restaurant and 3 bars	1 restaurant and 2 bars
Major amenities	260 parking spaces 2 open-space terraces	142 parking spaces 1 outdoor balcony	119 parking spaces 1 outdoor terrace
Guest rooms	–	3	5

## BUSINESS

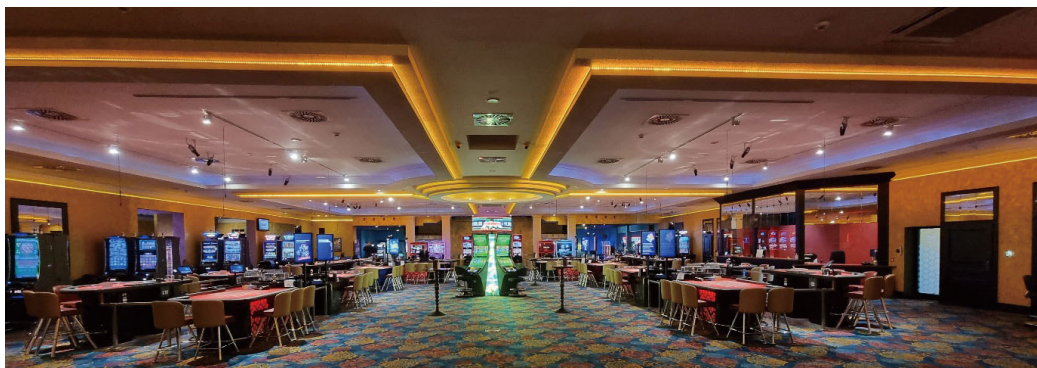
### (1) *Palasino Savannah Resort*



*Palasino Savannah Resort* is our landmark integrated land-based casino and resort complex comprising *Palasino Excalibur City* and *Hotel Savannah*. The resort is located in Chvalovice-Hatě of the Znojmo District of the Czech Republic, which is close to the border of the Czech Republic and Austria. The distance between the resort and the city center of the capital of Austria, Vienna, is about a one-hour drive. *Palasino Savannah Resort* is accessible to customers from Vienna as it is connected by an international highway, as well as a shopping outlet mall and entertainment complex nearby.

#### (i) *Palasino Excalibur City*

Main gaming floor



## BUSINESS

*Palasino Excalibur City* offers 24-hour gaming and a range of gaming options including slot machines, table games and poker. Our slot machines comprise high-top and slant-top machines together with comfortable slot chairs to enhance the playing experiences of our customers and they accept cash payment as well as cashless payment of credits stored on the PAC.

Our gaming tables offer Roulette, Blackjack, Palasino Texas Poker and other card games and they are arranged to offer a variety of gaming options, allowing us to efficiently manage available staff during busy and slow periods.

Our poker tables, offering poker games featuring Texas Hold'em and Omaha Poker, and a broad selection of poker tournaments such as Texas Hold'em No Limit and Pot Limit Omaha, are located in the two poker areas situated at the rear part of the gaming floor.

### Bars

*Palasino Excalibur City* has two bars that offer a wide range of drinks including cocktails, spirits and a selection of local Czech wines and international wines. There are also two automated drinks machines and a coffee machine available 24/7 for our players.

### Amenities

In addition to the gaming and hospitality offerings, we also have two open-space terraces accessible from the main casino area. The upper floor terrace provides views over the neighbouring areas. The ground floor terrace is conveniently located next to the gaming floor and casino cash desk, allowing guests to quickly return to the table games.

We offer a total of 260 parking spaces.

### Accommodation

Interconnecting with *Hotel Savannah*, *Palasino Excalibur City* utilises the facilities of the sister hotel to offer discounted rooms for valued guests.



**BUSINESS**

(ii) *Hotel Savannah*

Hotel rooms

Being part of our *Palasino Savannah Resort*, *Hotel Savannah* is certified as a four-star hotel by Hotelstars Union, an internationally recognised organisation dedicated to hotel classification with a total of 79 rooms (including seven suites) in a range of sizes and configurations. Each hotel room is furnished with modernised amenities including air conditioning, bathrooms with bath and overhead shower or stand-alone showers and separate bath, television and complimentary WiFi internet connection.

The following table sets forth details of different types of hotel room:

Type of hotel room	Brief description of each type of room	Size (sq.m.)	Number of hotel rooms
<b>Rooms</b>			
– Comfort room	Standard room features a bathroom with a bathtub, overhead shower, toilet, and hairdryer.  Amenities include air conditioning, minibar, Smart TV, Wi-Fi connection, and a safe.	23.5	39
– Comfort room with a terrace	Standard room has a spacious shared terrace with a view of the vineyard, features a bathroom with a bathtub, overhead shower, toilet and hairdryer.  Amenities include air conditioning, minibar, Smart TV, Wi-Fi connection, and a safe.	23.5	6

**BUSINESS**

Type of hotel room	Brief description of each type of room	Size (sq.m.)	Number of hotel rooms
– Executive room	Executive room features modern interiors and amenities, including twin beds or a double bed, air conditioning, a minibar, a bathtub and separate shower, Wi-Fi, a Smart TV and a safe.	26.5	26
– Apartment	Apartment room is well-equipped with modern amenities, including air conditioning, a minibar, a living room with a second Smart TV, a bathroom with a bathtub and separate shower, Wi-Fi and a second toilet.	41	6

In addition to the above room types, we also offer an easy access room, designed specifically for guests with restricted mobility and a Savannah Suite, which features a king-size bed and a Jacuzzi-style bathtub.

**Restaurants and bar**

*Hotel Savannah* has (i) two restaurants, an *a la carte* restaurant and a buffet restaurant and (ii) a lobby bar. Our *a la carte* restaurant seeks to provide a pleasant atmosphere with delicious seasonal Czech and international cuisine and can accommodate 30 guests. Our buffet restaurant serves international breakfast, buffet lunches and buffet dinners for hotel guests, casino customers as well as visitors and can accommodate 120 guests. Our lobby bar offers a wide range of drinks including cocktails, spirits and a selection of local Czech wines.

**Meeting, incentives, conferences & exhibitions**

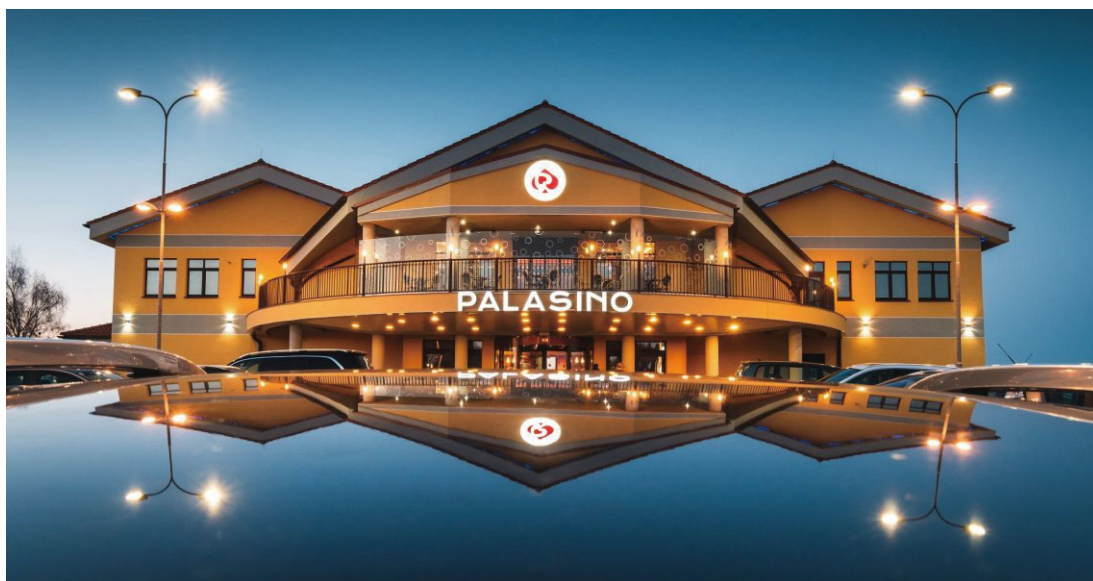
*Hotel Savannah* provides six meeting rooms with modern equipment for seminars and conferences. Each meeting room is equipped with WiFi internet connection, flipcharts, projection screens, projector and sound equipment. Our meeting rooms can be combined, for instance, combining two or three of the meeting rooms into one venue, to hold groups ranging from 18 to 70 people. Our meeting rooms are multifunctional and can be used to hold meetings as well as for celebrations, banquets and other festivities.

## BUSINESS

### Amenities

*Hotel Savannah* has a separate wellness and spa center, which offers a diverse selection of wellness amenities for guests to relax and re-energise. Our center includes a 22-meter swimming pool, a paddling pool for children, classic Finnish sauna, and steam room. In addition, guests can enjoy massage treatments at our center. Our available therapies include full body massage, hot stone massage, leg massage and sea salt bath. These amenities are open to hotel guests, casino guests and visitors. Our guests can also experience wine tasting in our wine cellar, which is expected to be opened by the end of 2023.

### (2) *Palasino Wulowitz*



*Palasino Wulowitz* is located in Dolní Dvořiště, the Czech Republic, which is close to the border of the Czech Republic and Austria. The casino is close to the border crossing at Dolní Dvořiště (in the Czech Republic)/Wulowitz (in Austria). The distance between the casino and city center of Linz, the third-largest city in Austria, is about a 45 minutes' drive. *Palasino Wulowitz* is accessible by customers from Linz as it is connected by an international highway.

The casino comprises (i) main gaming floor; (ii) restaurant and bars; and (iii) guest accommodations.

## BUSINESS

### *Main gaming floor*



The casino features a contemporary and modern style and is housed in a two-storey building purpose-built casino. It is generally divided into three gaming zones, namely the table game area, which is located at the center of the ground floor, the poker lounge, which is located on ground floor at the right side of the entrance, and the slot machine area, which is located on the ground floor at the left side of the entrance and the mezzanine floor.

Our slot machines comprise high-top and slant-top machines together with slot chairs to enhance the playing experiences of our gaming patrons and they accept cash payment as well as cashless payment of credits stored on the PAC.

*Palasino Wulowitz* offers a range of gaming options, including gaming tables featuring Roulette, Blackjack and Palasino Texas Poker, poker tables offering Texas Hold'em and Omaha Poker, as well as poker tournaments for players of all levels and occasional poker games.

## BUSINESS

### *Restaurant and bars*

*Palasino Wullowitz* has (i) one restaurant and (ii) three bars. Our restaurant offers *a la carte* service as well as buffet and can accommodate around 90 guests. Our three bars, offer both alcohol and non-alcohol drinks, a wide range of cocktails as well as tea and coffee for our guests at a fixed fee. There are also an automated soft drinks machine and coffee machine for players to use at any time for refreshment.

### *Accommodation*

There are three guest rooms in *Palasino Wullowitz*. These rooms are also available for booking for our players, with the room price in the range of €49 to €79 per night.

### *Amenities*

*Palasino Wullowitz* offers a total of 142 parking spaces as well as a large outdoor balcony.

### (3) *Palasino Furth im Wald*



*Palasino Furth im Wald* is located in Česká Kubice, the Czech Republic, which is close to the border of the Czech Republic and Germany. The casino is close to the border crossing at Folmava (in the Czech Republic)/Furth im Wald (in German). The distance between the casino and city center of Regensburg in southern Bavaria, Germany, is slightly more than one hour's drive. *Palasino Furth im Wald* is accessible by customers from Regensburg and the neighbouring regions including Cham, Straubing and Deggendorf, and connected by an international highway.

## BUSINESS

The casino comprises (i) the main gaming floor, where the majority of gaming facilities are located and (ii) the annex, where additional gaming facilities, the restaurant and guest rooms are located.

### *Main gaming floor*



The main gaming floor features a contemporary and modern style and can be accessed via a two-flight staircase or by lift after guests register at the casino reception located on the ground floor from street access. This area consists of gaming tables and a majority of slot machines. The secondary gaming floor, which offers additional slot machines, can be accessed through the main restaurant.

Our slot machines comprises high-top and slant-top machines together with slot chairs to enhance the playing experiences of our gaming patrons and they accept cash payment as well as cashless payment of credits stored on the PAC.

## BUSINESS

*Palasino Furth im Wald* offers a variety of gaming options including Roulette, Blackjack and Palasino Texas poker.

### *Restaurant and bars*

*Palasino Furth im Wald* has (i) one restaurant and (ii) two bars. Our restaurant offers a limited *a la carte* service as well as buffet and can accommodate 84 guests. Our two bars offer a wide range of alcohol and non-alcohol drinks, including cocktails, tea and coffee for our guests.

### *Accommodation*

There are five guest rooms in *Palasino Furth im Wald*. These rooms are also available for booking for our gaming patrons, with the room price of €59 per night.

### *Amenities*

*Palasino Furth im Wald* offers a total of 119 parking spaces as well as an outdoor terrace with views of the forest at the rear of the casino building.

## **Our Gaming Options**

We offer a variety of gaming options across our three casinos. The gaming options are generally divided into two main categories: slot machines and table games.

### **(1) Slot Machines**

Slot machines are electronic games that feature screens displaying various symbols that rotate when a game is started. Each machine specifies its rules and betting options, and players win when specific combinations result. Players may deposit cash directly into the slot machine or use credits logged onto their PACs.

After a spin, players can choose to continue to play on or cash out. If they cash out, the machine will pay out their winnings to their PACs; no cash is paid from the machine. To play a slot machine, players must log into their account by inserting their PACs into the card reader and remove their cards when logging off. Players must take a full 15-minute break after playing for a maximum of 120 minutes as required by the relevant laws and regulations in the Czech Republic. Our CMS will monitor each players' time of play and the session will be forced to end when the 120-minute time period is reached. During the enforced break time, players may not log onto any other machines. Upon the expiration of 15-minute time, players can then continue to play.

## BUSINESS

The jackpot is divided into three levels: Gold, Silver and Mystery. For every bet made by a player, a percentage is collected and deposited in the accumulated jackpot "pool". The system is able to set certain parameters to define the maximum and minimum payout amount for each jackpot level, as well as a reset value.

As advised by our Czech Legal Advisers, every slot machine stationed in the casinos in the Czech Republic is required to be certified and licenced by authorised bodies nominated by the Ministry of Finance in the Czech Republic, as required under the relevant Czech laws and regulations. During the Track Record Period and up to the Latest Practicable Date, all of our slot machines were certified and licenced. Our Group currently sources slot machines from four different suppliers in its casinos. All of these suppliers offer machines with multi-game themes, offering up to over 50 games per machine, allowing players to switch between games without having to switch machines.

In addition, machine variety is very important to our business as having an optimal mix of machines with different volatility, jackpots, and playing modes is critical for maintaining and increasing customer traffic at our casinos. This variety of offerings not only increases our competitiveness in the market but also enhances customer loyalty by providing an engaging and exciting gaming experience that encourages them to return to our casinos for different games.

We do not manufacture any of our slot machines. Instead, we regularly purchase or lease slot machines. As at 31 March 2023, our Group owned 19.3% of the total number of machines while the remainder are leased. For details of our machine suppliers, please refer to the subsection headed "Our Suppliers — Gaming and hotel suppliers" in this section. For our owned slot machines, in general, we have a warranty period of three months to one year, starting from the date of delivery of the machines or first used in operation and it typically covers free-of-charge replacement or repair of defects of the following components of the slot machines, including monitor, hardware and software. For our leased slot machines, our suppliers shall carry out the replacement and modification of defective software free of charge during the lease period.

In line with our Group's strategy of enhancing customer experience, we regularly review our machine composition and make appropriate adjustments by replacing less popular and/or older machines and/or games with popular and/or latest machines and/or games.

### (2) *Table Games*

We offer classic casino table games operated by a dealer which are played against the house. Some tables are equipped with modern gaming equipment such as roulette wheels and automatic shuffle machines.



## BUSINESS

Set out below are examples of the major table games at our casinos:

- *Roulette*

Roulette is a game where players bet on where a ball will land on a wheel with 37 or 38 numbers. They can bet on single numbers, groups of numbers, odd/even, low/high, or red/black numbers. The dealer spins the ball, and the player wins if the ball lands on a number they bet on.
  
- *Blackjack*

In Blackjack, players aim to get a hand of cards closer to 21 than the dealer without going over. Each player plays against the dealer, who deals two cards to each player and one to themselves. Players can choose to “stay” or ask for more cards to get closer to 21. After all players finish their hands, the dealer completes their hand and pays out any winning players.
  
- *Double Up  
Blackjack<sup>TM</sup>*

Double Up Blackjack is a variant of Blackjack where players have an additional option to “Double Up” on any two-card hand (except for a natural Blackjack). To do this, the player places an additional wager equal to their original bet and stands on the two-card hand. The Double Up wager pays even money if the player beats the dealer’s hand and loses if the dealer wins or ties.
  
- *Palasino Texas  
Hold'em*

It is the simplified Texas Hold'em Poker, where players play against the casino instead of each other. Players place an initial wager and an additional bonus game called “Trips”. The dealer deals two cards, and players can make a first bet or call “Check”. Then, the dealer deals three community cards, and players can make a bet depending on the “flop”. The dealer deals two more cards, and a final round of betting is made. The dealer declares their highest-ranking hand, and players receive a payout or lose their bets based on the dealer’s card combination.

## BUSINESS

In addition to the table games mentioned above, where players play against the house, we also offer poker, including poker games and poker tournaments, where players play against each other.

(i) *Poker games*

Poker games are played at a standard poker table and can have different variations of the games. We mainly offer Texas Hold'em Poker and Omaha Poker.

(ii) *Poker Tournaments*



Since 2022, we have been regularly hosting poker tournaments with cash prize pools, which we believe are a popular attraction for our poker players. *Palasino Excalibur City* and *Palasino Wulowitz* host regular poker tournaments every week, mainly on Fridays and Saturdays, with an additional tournament on Thursdays at *Palasino Excalibur City*.

## BUSINESS

### SELECTED OPERATING STATISTICS OF OUR CASINOS

#### Gaming revenue

The following table sets forth the breakdown of some of the selected operating statistics of our casinos for the Track Record Period:

	Year ended 31 March		
	2021 (HK\$'000)	2022 (HK\$'000)	2023 (HK\$'000)
<b>Slot machine drop</b>	1,557,535	4,581,853	6,271,933
<b>Table games drop</b>	133,846	330,277	448,503
<b>Total</b>	1,691,381	4,912,130	6,720,436
<b>Gross gaming revenue</b>			
Slot machine gross win	82,434	216,424	304,160
Table games gross win	26,904	69,760	95,508
<b>Total</b>	109,338	286,184	399,668
	(HK\$)	(HK\$)	(HK\$)
<b>Average slot win per machine per day (Note)</b>	1,152	1,596	1,657
<b>Average daily gross win per table (Note)</b>	2,890	3,515	4,220
<b>Slot machine hold percentage</b>	5.3%	4.7%	4.8%
<b>Table hold percentage</b>	21.0%	20.9%	21.6%

*Note:* Average slot win per machine per day = Slot machine gross win / ((opening number of machine + closing number of machines)/2) / number of open days

Average daily gross win per table = Table games gross win / ((opening number of tables + closing number of tables)/2) / number of open days

Due to COVID-19 pandemic, our casinos in the Czech Republic experienced periods of closure during the years ended 31 March 2021 and 2022. Accordingly, we have adjusted our calculations for average slot win per machine per day and average daily gross win per table to take into account the open days of our casinos for the years ended 31 March 2021 and 2022.

As a result of the impact of COVID-19 pandemic, our casinos in the Czech Republic were ordered by the government to close for intermittent periods of seven months during the year ended 31 March 2021 and two months during the year ended 31 March 2022.

Although the COVID-19 pandemic has presented challenging circumstances to the gaming industry since early 2020, our Group has been able to achieve a stable recovery resulting from the easing of lockdown protocols and the relaxation of the closure restrictions. Our gross gaming revenue increased significantly by HK\$176.9 million or

**BUSINESS**

161.8% from HK\$109.3 million for the year ended 31 March 2021 to HK\$286.2 million for the year ended 31 March 2022. Our gross gaming revenue from gaming operations continued to recover during the year ended 31 March 2023, increasing by HK\$113.5 million or 39.7% from HK\$286.2 million for the year ended 31 March 2022 to HK\$399.7 million for the year ended 31 March 2023.

**(1) Slot machine operations**

Our slot machine gross win increased significantly by HK\$134.0 million or 162.6% from HK\$82.4 million for the year ended 31 March 2021 to HK\$216.4 million for the year ended 31 March 2022. Such increase was mainly due to the relaxation of closure restrictions during the year ended 31 March 2022 (i.e. our months of operations increased from five months for the year ended 31 March 2021 to ten months for the year ended 31 March 2022), which brought our gaming patrons back to our Group's casinos. Our monthly average player visit increased from 18,000 for the year ended 31 March 2021 to 21,000 for the year ended 31 March 2022. In the same periods, our total number of slot machines increased from 442 to 446. Similarly, our slot machine drop increased significantly by HK\$3,024.4 million or 194.2% from HK\$1,557.5 million for the year ended 31 March 2021 to HK\$4,581.9 million for the year ended 31 March 2022.

Our slot machine gross win continued to increase by HK\$87.8 million or 40.6% from HK\$216.4 million for the year ended 31 March 2022 to HK\$304.2 million for the year ended 31 March 2023. Such increase was mainly due to the complete lifting of closure restrictions and gradual recovery of customer traffic during the year ended 31 March 2023. Our monthly average player visit increased from 21,000 for the year ended 31 March 2022 to 24,000 for the year ended 31 March 2023. In the same periods, our total number of slot machines increased from 446 to 560. Similarly, our slots machine drop increased by HK\$1,690 million or 36.9% from HK\$4,581.9 million for the year ended 31 March 2022 to HK\$6,271.9 million for the year ended 31 March 2023.

Slot machine hold percentage remained stable at 5.3%, 4.7% and 4.8% for the three years ended 31 March 2023, respectively.

*Occupancy rate*

The following table sets forth the occupancy rate of our slot machines in our three casinos during the Track Record Period:

	<b>For the year ended 31 March</b>			<b>For the year ended 31 March 2023</b>
	<b>2021</b>	<b>2022</b>	<b>2023</b>	<b>Peak hours<sup>(Note 2)</sup></b>
	(%)	(%)	(%)	(%)
Occupancy rate <sup>(Note 1)</sup>	20.6	21.8	22.5	75.4

## BUSINESS

*Notes:*

1. Occupancy rate = (number of slot machines that are actively being used by players/total number of slot machines available) x 100%
2. Peak hours refer to 8 p.m. to 12 a.m. every Friday and Saturday.

According to CIC, the overall occupancy rate for the three financial years ended 31 March 2023 are within the industry norm and our occupancy rate during the peak hours for the year ended 31 March 2023 is considered as high.

### (2) *Table game operations*

Our table games gross win increased significantly by HK\$42.9 million or 159.5% from HK\$26.9 million for the year ended 31 March 2021 to HK\$69.8 million for the year ended 31 March 2022. Such an increase was due to the same reason as explained in slot machine operations. The number of gaming tables (including poker tables) remained the same (i.e. 65) for the two years ended 31 March 2021 and 2022. Similarly, our table games drop increased significantly by HK\$196.5 million or 146.9% from HK\$133.8 million for the year ended 31 March 2021 to HK\$330.3 million for the year ended 31 March 2022.

Our table games gross win continued to increase by HK\$25.7 million or 36.8% from HK\$69.8 million for the year ended 31 March 2022 to HK\$95.5 million for the year ended 31 March 2023. Such an increase was due to the same reason as explained in slot machine operations despite a decrease in the number of gaming tables (including poker tables) from 65 for the year ended 31 March 2022 to 59 for the year ended 31 March 2023. Similarly, our table games drop increased by HK\$118.2 million or 35.8% from HK\$330.3 million for the year ended 31 March 2022 to HK\$448.5 million for the year ended 31 March 2023.

Our table hold percentage remained stable at 21.0%, 20.9% and 21.6% for the three years ended 31 March 2023, respectively.

### **Slot machines and gaming tables**

The following table sets forth the number of slot machines and gaming tables as at the end of each financial year.

	As at 31 March		
	2021	2022	2023
Slot machines	442	446	560
Gaming tables (including poker tables)	65	65	59

## BUSINESS

### OUR HOTEL AND CATERING OPERATIONS

The following table sets forth an overview of our hotel portfolio as at 31 March 2023:

	<i>Hotel Savannah</i> <sup>(Note 1)</sup>	<i>Hotel Columbus</i>	<i>Hotel Auefeld</i>	<i>Hotel Kranichhöhe</i>	<i>Hotel Donauwelle</i>
Location	Chvalovice-Hatě the Czech Republic	Seligenstadt, Germany	Hann. Münden, Germany	Much, Germany	Linz, Austria
Rating	Four-stars certified by Hotelstars Union, an internationally recognised organisation dedicated to hotel classification				
Target customer type	Leisure travellers and group	Business and corporate clients	Business and corporate clients  Leisure travellers and group	Business and corporate clients  Leisure travellers and group	Business and corporate clients  Leisure travellers and group
Gross floor area (sq.m.)	11,775 <sup>(Note 2)</sup>	6,845	11,379	12,009	10,782
Number of rooms	79	117	93	107	176
Food and beverage facilities	2 restaurants 1 bar	1 restaurant 1 bar	1 restaurant 1 bar	1 restaurant 1 brasserie	1 restaurant 1 bar
Meeting and conference rooms	6 meeting and conference rooms	7 meeting and conference rooms	11 meeting and conference rooms and 1 multifunctional hall	18 meeting and conference rooms	6 meeting and conference rooms
Major amenities	1 wellness and spa center 1 wine cellar	1 fitness center 1 sauna room	1 fitness studio 4 tennis courts 1 table for table tennis 2 squash courts	1 indoor pool 3 tennis courts 1 fitness center 2 sauna rooms 1 steam bath room	1 fitness area 1 sauna room 1 outdoor terrace

*Notes:*

- (1) For the detailed discussion of *Hotel Savannah*, please refer to the sub-paragraph headed "Our Casinos" under the paragraph headed "Our Gaming Operations" in this section.
- (2) The gross floor area of *Palasino Savannah Resort* comprising *Hotel Savannah* and *Palasino Excalibur City*.

## BUSINESS

### Operating model

The following is a summary of the operating model in respect of our hotel operations:

- *Model summary:* We self-operate and manage our hotels
- *Revenue/profit model:* There is no revenue or profit sharing component. We collect revenue from accommodation and other self-operated services and facilities in our hotels such as restaurants, bars and other amenities
- *Costs:* We bear the entire operating costs associated with our hotels
- *Property capital expenditure:* All capital expenditure, including repair and maintenance, on our hotels are borne by us
- *Centralised procurement:* As we have three hotels located in Germany, our Group has implemented a centralised procurement system in Germany to cope with our large procurement needs

### Pricing strategy

Our overall pricing strategy is to offer competitive prices against our market peers, taking into consideration, among others, the location and quality of hotel, room type, peak season, day of week, guest segment and local or regional events.

### Hotel customers

Our hotel customers primarily include (i) hotel guests who reserve our accommodation through, among others, OTAs or our own websites; (ii) companies which organise business and corporate events; (iii) tour operators; and (iv) other retail customers who consume our food and beverage, use our conference and banquet facilities and/or enjoy other hospitality services at our hotels and/or resort.

**BUSINESS**

**Hotel Columbus**



*Hotel Columbus*, located in Seligenstadt, Germany, is conveniently located about 20 minutes' drive from the Frankfurt International Airport and the main train station in Frankfurt am Main. *Hotel Columbus* mainly attracts business and corporate clients.

**Hotel rooms**

The following table sets forth details of different types of hotel room:

Type of hotel room	Brief description of each type of room	Size (sq.m.)	Number of hotel rooms
<ul style="list-style-type: none"> <li>- Comfort rooms                             <ul style="list-style-type: none"> <li>• Single</li> <li>• Double</li> </ul> </li> </ul>	The room is equipped with contemporary amenities, such as flatscreen television, air conditioning, radio, furniture including desk, chair and cosmetic mirror and communication facilities including WiFi internet connection.	<ul style="list-style-type: none"> <li>19</li> <li>26</li> </ul>	<ul style="list-style-type: none"> <li>66</li> <li>13</li> </ul>
<ul style="list-style-type: none"> <li>- Superior rooms</li> </ul>	The "superior" room is furnished with additional features such as box spring beds, capsule coffee machine and care products etc.	26	38



## BUSINESS

### *Restaurant*

*Hotel Columbus* is featured with (i) a restaurant, the Columbus restaurant and (ii) a bar. The restaurant aims to offer a cosy and fresh environment for its customers through serving cuisine prepared by ingredients sourced primarily within the regional and offering seasonal menu that refreshes regularly. The restaurant can accommodate 120 guests. The bar provides a wide selection of beverages and spirits including cocktails as well as snacks.

### *Meeting, incentives, conferences & exhibitions*

*Hotel Columbus* has seven meeting and conference rooms. The seating capacities of our meeting and conference rooms are in a range of five to 120 guests. All meeting rooms offer comfortable seating and conference tables. The hotel offers conference packages that customers could also enjoy the catering service, free WiFi internet access, access to sauna and gym at the same time of the booking of the meeting rooms.

### *Amenities*

*Hotel Columbus* offers wellness amenities including fitness centre and sauna room.

### **Hotel Auefeld**



*Hotel Auefeld*, located on the outskirts of Hann. Münden, Germany, is situated near the city of Kassel, a city in central Germany, and is easily accessible by car or train. It attracts both business and corporate clients as well as leisure travellers and groups.

## BUSINESS

### *Hotel rooms*

The following table sets forth details of different types of hotel room:

Type of hotel room	Brief description of each type of room	Size (sq.m.)	Number of hotel rooms
<ul style="list-style-type: none"> <li>- Comfort rooms                             <ul style="list-style-type: none"> <li>• Single</li> <li>• Double</li> </ul> </li> </ul>	The room is equipped with contemporary amenities, such as flatscreen television, air conditioning, radio, furniture including desk, chair and communication facilities including WiFi internet connection.	<ul style="list-style-type: none"> <li>15</li> <li>22</li> </ul>	<ul style="list-style-type: none"> <li>13</li> <li>70</li> </ul>
<ul style="list-style-type: none"> <li>- Superior rooms</li> <li>- Suites</li> </ul>	The "superior" room and "suites" are furnished with additional features such as balcony, box spring beds, capsule coffee machine and care products etc.	<ul style="list-style-type: none"> <li>25</li> <li>45</li> </ul>	<ul style="list-style-type: none"> <li>8</li> <li>2</li> </ul>

### *Restaurant*

*Hotel Auefeld* consists of (i) a restaurant, the Restaurant Hex and (ii) a bar. The restaurant serves international dishes as well as regional and seasonal dishes through a *la carte* menu and buffet. The restaurant welcomes family celebrations or business events and can accommodate a maximum of 250 guests. The bar provides a wide selection of beverages and spirits including cocktails as well as snacks.

### *Meeting, incentives, conferences & exhibitions*

*Hotel Auefeld* has 11 meeting and conference rooms. Our largest meeting and conference room can accommodate up to 100 people. Our hotel also offers a multifunctional hall that can host a maximum of 800 people. Our rooms are equipped with projector and screen, pin board, flip chart, television, wireless microphone and headset etc. We also offer consulting and planning services for customers who organise events and activities at the hotel as well as conference packages that customers could also enjoy catering services, free WiFi internet access, access to sauna and fitness studio at the same time of the booking of the meeting rooms.

### *Amenities*

*Hotel Auefeld* offers a range of sports activities including gym, billiards, tennis, table tennis and squash through its amenities.

**BUSINESS**

**Hotel Kranichhöhe**



*Hotel Kranichhöhe*, located in Much, Germany, is in close proximity to both Cologne and Dusseldorf. It attracts both business and corporate clients as well as leisure travellers and groups.

**Hotel rooms**

The following table sets forth details of different types of hotel room:

Type of hotel room	Brief description of each type of room	Size (sq.m.)	Number of hotel rooms
- Comfort rooms	The room is equipped with double beds or two twin beds, contemporary amenities, such as flatscreen television, radio, furniture including desk, chair and communication facilities including WiFi internet connection.	18	81
- Superior rooms	The "superior" room is furnished with additional features such as welcome glass of sparkling wine, capsule coffee machine and care products etc.	18	26

## BUSINESS

### *Restaurant/brasserie*

*Hotel Kranichhöhe* is featured with (i) a restaurant, namely, restaurant Verde and (ii) a brasserie. Restaurant Verde serves regional, international and seasonal cuisines offered through its *a la carte* menu and buffet. The restaurant can accommodate a maximum of 200 guests with 130 indoor seats and 70 outdoor seats. The brasserie is a cosy meeting place that serves cocktails, aperitifs, beverage and snacks with seatings that can accommodate 30 to 80 guests.

### *Meeting, incentives, conferences & exhibitions*

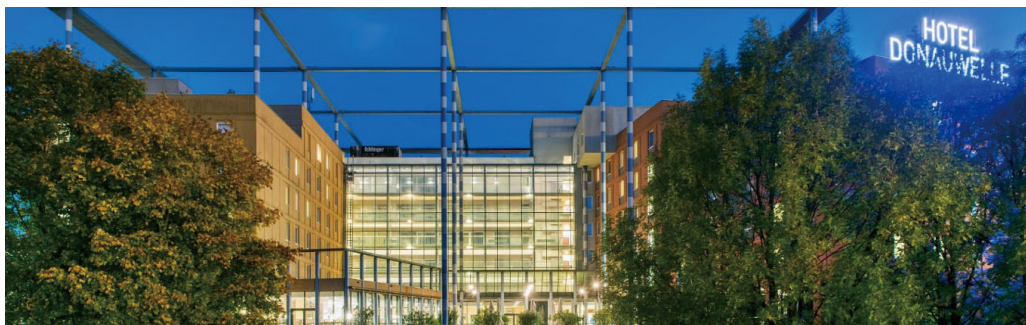
*Hotel Kranichhöhe* has 18 meeting and conference rooms. Our meeting and conference rooms can accommodate up to an aggregate of 240 people. Our rooms are equipped with WiFi internet access, beamer, moderation cases, pin boards and flip charts as well as conference packages that customers could also enjoy catering services.

### *Amenities*

*Hotel Kranichhöhe* includes amenities such as indoor pool, tennis courts, fitness centre, sauna rooms and steam bath room. We also offer a diverse option of massage services for the hotel guests to relax during their stay at the hotel.

**BUSINESS**

**Hotel Donauwelle**



*Hotel Donauwelle*, located on the banks of the Danube in Linz, Austria, provides guests with a view of the river and the hills of the Mühlviertels in Upper Austria. It is only a 25-minute walk from the centre of Linz. *Hotel Donauwelle* mainly attracts both business and corporate clients as well as leisure travellers and groups.

**Hotel rooms**

The following table sets forth details of different types of hotel room:

Type of hotel room	Brief description of each type of room	Size (sq.m.)	Number of hotel rooms
- Comfort rooms	The room is equipped with two twin beds, contemporary amenities, such as flatscreen television, air conditioning, furniture including desk, chair and communication facilities including WiFi internet connection.	22	99
- Superior rooms	The "superior" room is furnished with additional features such as bathrobe, slippers, a second pillow and capsule coffee machine etc.	22	75

**BUSINESS**

Type of hotel room	Brief description of each type of room	Size (sq.m.)	Number of hotel rooms
– Suites	The suite includes a private bathroom with one large double bed and is furnished with additional features such as dining table and a minibar etc.	44	2

***Restaurant and bar***

*Hotel Donauwelle* has (i) a restaurant, namely restaurant Donauwelle and (ii) a bar. The restaurant serves international dishes, Austrian cuisine and seasonal food and is featured with a sun terrace where guests can enjoy a panorama view of Danube, the second-longest river in Europe. The restaurant can accommodate a maximum of 135 guests. The bar provides a wide selection of beverages and spirits including cocktails as well as snacks.

***Meeting, incentives, conferences & exhibitions***

*Hotel Donauwelle* has six meeting and conference rooms. Our meeting and conference rooms can accommodate up to 160 people and are equipped with projectors and standard meeting equipments. We also offer conference packages that customers could also enjoy catering services and free WiFi internet access.

***Amenities***

*Hotel Donauwelle* offers a range of wellness activities including fitness area, sauna and outdoor terrace. Our fitness area allows guests to use various fitness training equipment, including treadmills and ergometers.

**BUSINESS**

**SELECTED OPERATING STATISTICS OF THE HOTELS**

The table below shows the occupancy rate and average daily room rate of our hotels during the Track Record Period:

	<b>For the year ended 31 March</b>		
	<b>2021</b>	<b>2022</b>	<b>2023</b>
<b>Average Daily Room Rate (HK\$)</b>			
<i>Hotel Columbus</i>	611	611	680
<i>Hotel Auefeld</i>	615	666	693
<i>Hotel Kranichhöhe</i>	661	676	685
<i>Hotel Donauwelle</i>	582	628	668
<i>Hotel Savannah</i>	496	525	568
<b>Average of all hotels</b>	<b>593</b>	<b>621</b>	<b>659</b>
<b>Average Occupancy Rate (%)</b>			
<i>Hotel Columbus</i>	17.3	25.8	35.1
<i>Hotel Auefeld</i>	36.9	34.3	46.7
<i>Hotel Kranichhöhe</i>	44.2	36.3	61.9
<i>Hotel Donauwelle</i>	17.0	23.4	43.3
<i>Hotel Savannah</i>	58.6	53.6	57.9
<b>Average of all hotels</b>	<b>34.8</b>	<b>34.7</b>	<b>49.0</b>

As a result of the impact of COVID-19 pandemic, our hotels in Germany and Austria were ordered by the government to close for intermittent periods of five months during the year ended 31 March 2021 and two months during the year ended 31 March 2022 and our hotel in the Czech Republic was ordered by the government to close for intermittent periods of seven months during the year ended 31 March 2021 and two months during the year ended 31 March 2022. Accordingly, we have adjusted our calculations for average occupancy rate and RevPAR (as shown below) to take into account the open days in each of our hotels for the two years ended 31 March 2021 and 2022.

Although the COVID-19 pandemic has presented challenging circumstances to the hotel and catering industry since early 2020, we have been able to achieve a stable recovery resulting from the easing of lockdown protocols and the relaxation of closure restrictions. The average daily room rate of our hotels showed an overall growth trend throughout the Track Record Period, which was in line with the development of the hotel industry development in Central Europe. Our average daily room rate indicates that our hotels focuses on the mid-market.

Our average occupancy rate was 34.8%, 34.7% and 49.0% for the three years ended 31 March 2023, respectively, which is in line with the industry average.

**BUSINESS**

The table below shows the room revenue against RevPAR of our hotels during the Track Record Period:

	For the year ended 31 March		
	2021	2022	2023
<b>Room revenue (HK\$'000)</b>			
<i>Hotel Columbus</i>	2,850	5,418	10,211
<i>Hotel Auefeld</i>	5,099	6,617	11,467
<i>Hotel Kranichhöhe</i>	4,688	9,035	16,560
<i>Hotel Donauwelle</i>	3,772	8,651	18,589
<i>Hotel Savannah</i>	3,304	6,945	9,487
<b>Average of all hotels</b>	<b>3,942</b>	<b>7,333</b>	<b>13,263</b>
<b>RevPAR (HK\$)</b>			
<i>Hotel Columbus</i>	106	158	239
<i>Hotel Auefeld</i>	227	229	338
<i>Hotel Kranichhöhe</i>	192	273	424
<i>Hotel Donauwelle</i>	99	147	289
<i>Hotel Savannah</i>	290	282	329
<b>Average of all hotels</b>	<b>183</b>	<b>218</b>	<b>324</b>

As (i) our average occupancy rate increased gradually, and (ii) our average daily room rates had been on an upward trend, our RevPAR across our hotels demonstrated an overall growth trend, showcasing our positive and growing operational performance.

For our Group taken as a whole, we recorded an overall increase in average daily room rate, occupancy rate and RevPAR for the year ended 31 March 2023 as compared to the year ended 31 March 2022.

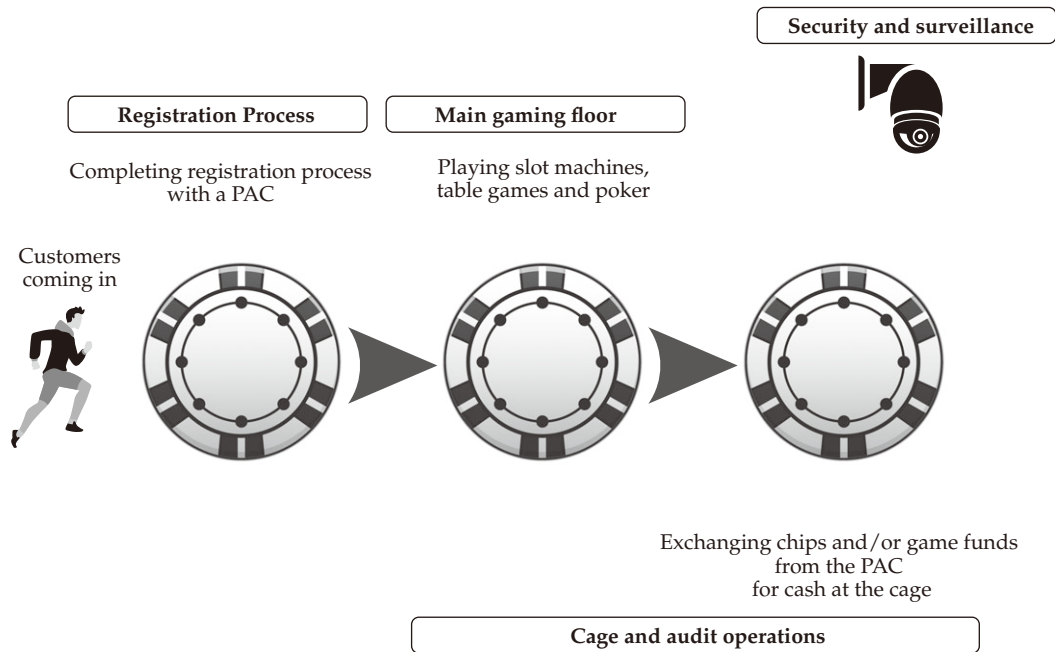


## BUSINESS

### OUR OPERATION FLOW

#### Casino operations

The flowchart below sets out our casino business operations:



#### (a) *Registration process*

For every player visiting our casinos for the first time, they must produce a valid identification document such as passport or government issued ID card. All first-time players to the casino are also required to complete a registration form with their personal information in accordance with the relevant Czech laws and regulations. After completing the registration, our reception personnel will record their personal information in the CMS, an in-house system which mainly records information of our players and their gaming activities, as well as check against the database maintained by the Ministry of Finance in order to ensure they are not an excluded person (i.e. persons prohibited to gain access to gaming premises under the Czech Gambling Act). We will then issue a PAC to the first-time players with a unique individual casino account number and login password, which allows them to register at reception and participate in gaming activities during future visits. The PAC is non-transferrable and each player may only have one PAC. The PAC is used to track all customer transactions within our casinos and must be inserted into the card reader for playing on our slot machines, purchasing chips on gaming tables and any exchange transaction at our cage.

Players who have already been given PACs are required to present their PACs to the reception desk in order to have them recorded on the CMS. Our reception team is responsible for ensuring that the entry of each player into the casino are properly recorded on the CMS.

## BUSINESS

Should a non-player, such as a supplier or guest of management, visit the casino, they must sign the visitor's book and provide valid identification. They will be issued a pass card that identifies them as a visitor and not a player. These individuals are not allowed to participate in any of the games inside the casinos. Our employees are prohibited to participate in any of the games inside our casinos under the relevant Czech laws and regulations.

We adopt a responsible gaming program in our casinos to promote safe and/or responsible gaming behaviour among our patrons. For details of our responsible gaming program, please refer to the subsection headed "Environmental, Social and Governance — Responsible Gaming Program" in this section.

### *(b) Main gaming floor*

After entering our casinos, players can play on slot machines, gaming tables, and participate in poker games or poker tournaments if available.

#### *(i) Slot Machines*

Our Group offers a variety of slot machines with multi-game themes in our casinos. Players must insert their PACs into the slot machine of choice and enter their personal password to commence the game, and the PAC must remain in the machine card-reader throughout the course of playing.

After inserting cash in EUR or the PAC into the machine, players will select the game from the multi-game theme and once selected, select the bet amounts and combinations they wish to place their stake on. Once they have selected these combinations, the player presses the start button which causes the reels to begin to spin. The reels must spin for a minimum of two seconds according to the Czech Gambling Act and during this time the game must not stop. At the end of each spin if the winning combinations are present on the reels, the PAC will be credited. After each spin, the player can choose to play on or cash out.

The slot machine game ends when the players exhaust their credits on the machine or credits in the PAC, or simply stops playing. When the player finishes playing on the slot machine, any remaining credits will be returned to the PAC which was inserted at the beginning of play. The player can use their remaining credits to play on another slot machine, cash them out at the cage, or keep the credits on the PAC for their next visit.

#### *(ii) Table Games and Poker*

Our dealers are responsible for conducting and facilitating table games on the gaming floor. They handle cash and chip exchanges occurring at their tables and assist in chip float counts by using the tablet linked to the CMS.

"Pit Boss" is responsible for overseeing the overall gaming tables operation and table inspectors are responsible for supervising dealers in order to ensure the

## BUSINESS

accurate exchange and recording of chip and cash transactions at the table, handling cards, dice, chips, money and other gaming equipment.

During the participation in table games and poker

To participate in table games and poker, players are required to present their PACs to the dealers for identification and before exchanging their cash for chips at the gaming table. Our games are all conducted in EUR so should a player not have Euros, they must first proceed to the cage to exchange their currency. If they wish to use some of their funds on their PACs, they must go to the cage and exchange these funds for chips. After finishing playing the table games and poker, players can exchange their chips for cash at the cage or add the credits to their PACs for future visits.

To ensure the highest integrity of our games, each of our dealers and table inspectors is trained to identify suspicious transactions, and potential cheating occurring at their gaming table, with the assistance of the CMS and surveillance system. They are required to report any such suspicions to their supervisors for immediate and appropriate action.

During table closing

Upon the closing of a gaming table, the dealer is responsible for counting the amount and value of all chips in that gaming table's chip tray. The chips contained in a gaming table's chip tray represent the initial daily capital for each gaming table. The amount and value of the chips are checked against the amounts recorded on the gaming tablet by the pit boss or positions above pit boss (the "**Manager**"). The chips will then be collected by the Manager and taken to the cashier at the cage, where they are further checked and verified by the cashier based on the closing recorded amount in the tablet. The drop boxes are collected by a table inspector, observed by the Manager, and taken to the cage for centralised handling under the supervision of surveillance system.

### *(c) Cage and audit operations*

Our casino employees assigned to cage and audit operations have key responsibilities that are critical to the smooth functioning of our casinos. These responsibilities include maintaining the cash balance in the casino, handling cash exchange, carrying out daily reporting and creating accounting monthly closing.

Our players usually exchange cash for chips to be used in table games or cash out credits stored in their PACs at the cage, or vice versa. In compliance with the relevant laws and regulations, the maximum daily cash-out amount of each player shall not exceed €10,000. Alternatively, players can request a bank transfer for their credits to their personal account, which is carried out during the next business day. We will cross check the names of the bank accounts of the players against the name of PACs of the players before executing such transfers to ensure we are transferring the amount to the same player only.

## BUSINESS

Each cage in our casino holds a balance of cash to make sure we have the liquidity of making payments to players, and we deposit surplus cash into the bank once a week.

*(d) Security and surveillance*

Casino employees responsible for security are positioned in key areas of the casino, such as at the public entrances and exits, gaming areas, and cages of the casinos.

Casino employees work closely with the surveillance department to monitor and review suspicious gaming activities on table games. They also make reference to the gaming histories of the players through our CMS to determine if any suspicious cheating or illegal activity has occurred. The casinos are equipped with surveillance systems consisting of fixed and rotating cameras that enable the surveillance department to monitor and record all activities within the casinos, including each gaming table as well as other areas on our properties. This system is designed to assist surveillance officers in maintaining the highest levels of security in the casinos. We monitor large betting activities, significant losses, and other suspicious activities reported by casino employees and security staff.

Only authorised personnel are allowed to access the surveillance room. Person(s) other than the authorised personnel has to sign the surveillance secure area book before entering the surveillance room.

We are obliged to ensure that images from the surveillance system remain confidential and do not leak out to the public. All the gaming area cameras are relayed to the monitoring room on a 24-hour basis. Video footage shall be in two identical copies and stored for two years in accordance with the Czech Gambling Act. In the event that our casino employees need to review any recorded video footage for any betting dispute, they will make a request to the surveillance department for such a video footage, and the surveillance team will then replay the requested video footage to the employees in the surveillance room.

For further details of our internal control procedures, please refer to the section headed "Internal Controls and Anti-Money Laundering" in this document.

## BUSINESS

### Hotel operations

#### *Booking channels*

We sell and market accommodation mainly through (i) individual reservations; and (ii) bulk reservations.

- *Individual reservations:* Our guests generally reserve their accommodation through online travel agencies ("OTAs") or our own websites or by emails. Pricing through these booking channels is generally dynamic and adjusted based on supply and demand over time for yield optimisation.
- *Bulk reservations:* We generally collaborate with (i) companies who hold corporate events from time to time and (ii) tour operators, which bundle our accommodation into holiday packages and on-sell them to end-guests. We usually offer them static pricing based on seasons to generate stable volume for our hotels.

#### *Online travel agents*

OTAs mainly deliver individual bookings from international markets. Bookings through OTAs are growing and is an important channel, particularly in (i) international markets that are more difficult to reach, (ii) clientele which do not reserve their holiday components through tour operators, for example, the younger generation, and (iii) markets where we do not rely on active marketing efforts.

OTAs typically charge us a booking commission ranging from 13% to 18% during the Track Record Period. When a booking is made through OTAs, payment is either (i) held on escrow by OTAs, which would then retain their commission and transfer the net amount to us usually at a monthly interval, or (ii) made directly by the end-guest before or upon check-out or at the time of booking, which would then require us to pay an aggregate commission to the OTAs also generally on a monthly basis. In either case the end-guests are accounted for in our financial statements. On this basis, we have a principal/agent relationship with OTAs and their end-guests are accounted for as our customers in our financial statements.

Each booking through OTAs is backed by a back-to-back order from the end-guests.

## BUSINESS

### *Corporate customers*

We generally enter into sales agreements with our corporate customers, pursuant to which we agree to provide a certain number of rooms and/or conference and meeting rooms to our corporate customers during some chosen days at a committed price. We offer a corporate rate to our corporate customers, which varies depending on each of our hotels and the particular customer.

### *Tour operators*

We generally enter into non-committed room rental agreements with tour operators. Non-committed room rental agreements are those under which a hotel will commit to providing the tour operator with a number of rooms at a fixed price during a certain period of time, but if the tour operator is unable to procure guests for those rooms, then it needs not pay the hotel, and the hotel is free to sell those rooms to other guests at whatever price it chooses. The general duration of our agreements with our travel operators is one year.

## OUR CUSTOMERS

Gaming revenue is the major revenue source of our Group which accounted for over 70% of our total revenue for each of the three years ended 31 March 2023. As such, players at our casinos are our main customers. Since our customers are diversified, we do not rely on any single customers.

Our revenue derived from our five largest customers accounted for less than 30% of our total revenue for each of the three years ended 31 March 2023.

To the best knowledge of our Directors, as at the Latest Practicable Date, all of our five largest customers for each of the years during the Track Record Period were Independent Third Parties and none of our Director or their close associates or our existing Shareholders who owned more than 5% of our issued share capital, had any interest in any of those five largest customers.

**BUSINESS**

**OUR SUPPLIERS**

**Gaming and hotel suppliers**

Our suppliers primarily include (i) slot machine suppliers, (ii) suppliers of food and beverage, (iii) CMS provider and (iv) suppliers of utilities and miscellaneous hotel consumables.

We select our suppliers based on a number of criteria, including their product quality, delivery terms, reliability and price. We will review and update our list of suppliers annually.

Our suppliers typically grant us a credit period of 0 to 90 days from the invoice dates, and for our top five suppliers, we are generally granted a credit term of 10 to 90 days from the invoice dates. For the three years ended 31 March 2023, purchases from our top five suppliers amounted to HK\$13.7 million, HK\$20.5 million and HK\$31.5 million, respectively, accounting for 22.9%, 20.7% and 20.1% of our total purchases for the same period. During the same periods, purchase from our largest supplier amounted to HK\$4.3 million, HK\$9.5 million and HK\$13.0 million, respectively, accounting for 7.2%, 9.6% and 8.3% of our total purchases for the same periods.

The tables below sets forth our top five suppliers during the Track Record Period and their background information:-

**For the year ended 31 March 2021**

Rank	Name of supplier	Major products or services procured	Commencement of business relationship since	Credit terms	Payment method	Purchase amount (HK\$'000)	% of total purchases
1.	European Data	Slot Machine Rental	2000	15 days	Bank Transfer	4,297	7.2
2.	Supplier A (Note 1)	Slot Machine Purchase	2020	90 days	Bank Transfer	3,553	5.9
3.	Supplier B (Note 2)	Utilities	2010	14 days	Bank Transfer	2,931	4.9
4.	Supplier C (Note 3)	Utilities	2018	14 days	Bank Transfer	1,649	2.7
5.	APEX Gaming	Slot Machine Rental	2010	15 days	Bank Transfer	1,314	2.2

**BUSINESS**

**For the year ended 31 March 2022**

Rank	Supplier	Major products or services procured	Commencement of business relationship since	Credit terms	Payment method	Purchase amount (HK\$'000)	% of total purchases
1.	European Data	Slot Machine Rental	2000	15 days	Bank Transfer	9,514	9.6
2.	Supplier B (Note 2)	Utilities	2010	14 days	Bank Transfer	4,255	4.3
3.	APEX Gaming	Slot Machine Rental	2010	15 days	Bank Transfer	2,910	2.9
4.	Supplier C (Note 3)	Utilities	2018	14 days	Bank Transfer	2,005	2.0
5.	SS Hotel- und Gebäudereinigung GbR (Note 4)	Hotel and Building Cleaning	2019	10 days	Bank Transfer	1,855	1.9

**For the year ended 31 March 2023**

Rank	Supplier	Major products or services procured	Commencement of business relationship since	Credit terms	Payment method	Purchase amount (HK\$'000)	% of total purchases
1.	European Data	Slot Machine Rental	2000	15 days	Bank Transfer	13,026	8.3
2.	Supplier B (Note 2)	Utilities	2010	14 days	Bank Transfer	6,069	3.9
3.	Supplier D (Note 5)	Food and Beverage	2009	14 days	Bank Transfer	4,676	3.0
4.	Supplier C (Note 3)	Utilities	2018	14 days	Bank Transfer	4,002	2.5
5.	Alfabiz AB (Note 6)	Development of Search Engine Optimisation Platform	2022	30 days	Bank Transfer	3,740	2.4



## BUSINESS

*Notes:*

1. Supplier A is a limited liability company incorporated in Bulgaria and is principally engaged in the development, manufacturing, and distribution of gaming machines, equipment, and software solutions.
2. Supplier B is a joint stock company incorporated in the Czech Republic and an indirect subsidiary of an investor-owned company in Germany and listed on Frankfurt Stock Exchange and is principally engaged in operating energy networks and providing energy solutions.
3. Supplier C is a limited liability company incorporated in Germany and is principally engaged in the distribution and supply of electricity and gas.
4. Ravinder Singh Chawla und Gurdeep Singh GbR with a trade name, SS Hotel- und Gebäudereinigung GbR is a partnership registered in Germany and is principally engaged in hotel and building cleaning services.
5. Supplier D is a limited liability company incorporated in the Czech Republic and is principally engaged in the wholesale, distribution and production of food products.
6. Alfabiz AB is a limited liability company incorporated in Sweden and is principally engaged in digital marketing consulting services, such as search engine optimisation, web production and graphic design services.

To the best knowledge of our Directors, as at the Latest Practicable Date, all of our five largest suppliers for each of the years during the Track Record Period were Independent Third Parties and none of our Director or their close associates or our existing Shareholders who owned more than 5% of our issued share capital, had any interest in any of those five largest suppliers.

During the Track Record Period, we did not have any material long-term strategic cooperation agreement with our suppliers.

The following sets forth a summary of the principal terms of our typical slot machine lease agreement:

- Certification : Our supplier is obliged to ensure that the slot machines let to us for use under this agreement comply with all requirements of the relevant legal regulations, in particular with the Czech Gambling Act and the implementing legal regulations to the Czech Gambling Act. The supplier has all necessary approvals and certifications in relation to the slot machines.
- Right of ownership : Our suppliers' ownership of the slot machines is non-transferable. Third-party use is not permitted, except for our gambling clients. We have the right to operate the slot machines in our own name in accordance with the Czech Gambling Act and other relevant gambling regulations.

## BUSINESS

- Rent and payment terms : We are obliged to pay monthly rent for each individual slot machine. The rent, subject to value added tax, is determined based on the type of slot machine cabinet. Monthly billing is in Euros, and our suppliers provide an invoice for our settlement. Payment should be settled within 14 or 15 days from the invoice date.
- Place of performance : The leased slot machines shall be located within the premises of the designated casino.
- Our rights and obligations : We are responsible for obtaining all necessary permits for the use of the leased slot machines at our own expense. We must comply with laws, manufacturer recommendations in slot machine operations, and promptly notify our suppliers of any issues. The leased slot machines are restricted to use within the Czech Republic. We are obliged to perform routine maintenance on the leased slot machines with the assistance of our suppliers. Assignment, subletting, or encumbrances of the leased slot machines are prohibited. Any changes to the slot machines require prior written consent from our suppliers. Unauthorised copying or use of the software is also not permitted. It is our responsibility to insure the slot machines against total damage, loss or destruction due to natural disasters.
- Suppliers' rights and obligations : Our suppliers have the right to visit our casinos where the leased slot machine is located, accompanied by an authorised representative of the lessee, during normal business hours. They can inspect the use of the equipment under the agreement. Our suppliers are responsible for replacing and modifying defective software free of charge. Our suppliers also provide free training to our technicians and conduct regular inspections.
- Termination : The agreement and lease of each slot machine can be terminated by either party with a notice period of three or four months.

## BUSINESS

### MARKETING AND PROMOTION EVENTS

We conduct a variety of marketing and promotional events to promote our gaming business in accordance with the relevant laws and regulations. Our marketing department is responsible for organising and designing our marketing and promotion events to raise the awareness of our gaming business. The marketing and promotion events primarily include (i) live entertainment activities and gaming events such as poker tournaments, Oktoberfest Party event and Halloween event, at our casinos; and (ii) loyalty program.

During the Track Record Period, we recorded HK\$700,000, HK\$2.6 million and HK\$3.6 million expenses on marketing and promotional activities, representing 1.6%, 3.5% and 3.4% of our other operating expenses, respectively.

#### Live entertainment activities and gaming events

We host live entertainment activities, such as themed light shows with music, light shows, dance, and musical and artistic performances to entertain our guests and provide them with a unique experience. During the holiday season, we may decorate our premises with festive decor, regular raffles, live music, and shows with the aim of creating a festive atmosphere for our guests.

In addition to other entertainment activities, we regularly host poker tournaments with a prize pool, which we believe are popular among our guests and can bring an influx of guests. In 2023, we held the Palasino Anniversary Tournament, with a guaranteed prize pool of €75,000. The tournament had approximately 360 entries and took place across both *Palasino Excalibur City* and *Palasino Wullowitz*.

The below table sets forth the highlights of our major live entertainment activities and gaming events.

Event	Year(s)	Description & Highlights
Oktoberfest Party	September 2022	Guests had the opportunity to taste Bavarian specialties, enjoy live music, and had the chance to win prizes up to €2,500.
Palasino Mega Tombola	September to November 2022	We regularly offered a draw ticket to our casino's guests for every second visit, with a total prize value of €6,000.
Halloween	October and November 2022	We celebrated Halloween. On that evening, guests had the opportunity to win prizes up to €4,000, indulge in a fantastic festive buffet, and enjoy the true Halloween atmosphere.

## BUSINESS

Event	Year(s)	Description & Highlights
Halbjahresrente	2022/2023	We ran raffles called Halbjahresrente, where guests can collect tickets over three months to win an annuity worth €6,000. The annuity was drawn during special occasions like New Year's Eve or the Palasino Anniversary.
Chinese New Year	January 2023	We held an annual Chinese New Year celebration, featuring an oriental buffet, Chinese entertainment such as Lion and Dragon Dance, Kung Fu show, calligraphy demonstration, and live music.
Palasino Anniversary Party	March 2023	In March 2023, we celebrated our first anniversary after rebranding with a festive evening event featuring live music, themed dance performances, a firework show, and close-up magic tricks by a magician. The event also included a festive buffet, raffles with prizes, and a lottery for guests to participate in.

### Our Casino Loyalty Program

We have implemented a loyalty program aiming at enhancing customer loyalty and attracting recurring customers by providing them with bonus loyalty points that can be exchanged for cashable game credits. All our casinos currently have implemented a loyalty program. Upon completing the compulsory registration process when entering any of our casinos, each customer will automatically become a member of our loyalty program, unless they decide to opt out. Once a player opts out, they will not be able to earn any loyalty points. Our loyalty program has six levels, namely, basic, basic plus, red, gold, platinum, and diamond. As at 31 March 2023, we had around 57,000 members in our loyalty program across our casinos.

The key features of our loyalty program include: (i) customers can earn bonus loyalty points during their gaming session and consume them directly on the slot machines and/or gaming tables or can be used to exchange for non-gaming products such as key chains and T-shirts; (ii) loyalty points can be used at all of our casinos; and (iii) loyalty points may be forfeited if the player has not visited any of our casinos within a specified period of time (normally six months) since the last game. In such cases, these loyalty points will be deemed inactive and deleted from the player's account.

## BUSINESS

Some of the features of our loyalty program may be modified upon the implementation of the new Czech Gambling Act. For details of the new Czech Gambling Act, please refer to the paragraph headed "The New Czech Gambling Act" in this section.

In July 2023, we obtained our first gambling advertising permit in Austria. To promote our casinos, we plan to commence our first advertising campaigns by using radio and billboards in Austria in the last quarter of 2023.

### **Marketing compliance matters**

To ensure compliance with applicable laws and regulations on marketing and promotional activities in the gaming segment, we strictly control the choice of words and contents allowed to be used in our marketing activities, which includes the requirement for warning statements for age restrictions on gambling and responsible gambling messages. For information on regulation of the casino and its related marketing, please refer to the sub-paragraph headed "Regulation of Advertisement" under the paragraph headed "Regulatory Overview — Overview of Regulatory Framework of Gaming Operations in the Czech Republic" of this document.

## **INTERNAL CONTROL AND ANTI-MONEY LAUNDERING**

### **Internal Control Measures**

In preparation for the [REDACTED], we engaged an Independent Third Party professional internal control consultant (the "Internal Control Consultant") to perform a review of our internal control systems and procedures on a fact-finding basis and to provide recommendations and remedial measures for addressing the findings during the review. The Internal Control Consultant provided recommendations and remedial measures in relation to strengthening our Group's internal controls. In order to continuously enhance our corporate governance and to prevent recurrence of non-compliance incidents, our Directors confirmed that the recommendations and remedial measures provided by the Internal Control Consultant have been and will be implemented before the [REDACTED].

For details in respect of our internal controls and procedures in respect of our gaming operations, please refer to the section headed "Internal Controls and Anti-Money Laundering" in this document.

### **Anti-Money Laundering Measures**

We have implemented certain procedures and control measures to fulfil the obligations against money laundering and funding of criminal acts in accordance with the relevant Czech laws and regulations. As advised by our Czech Legal Advisers, we comply with the laws and regulations in the Czech Republic regarding anti-money laundering in all material respects. For further details in respect of our anti-money laundering measures in respect of our gaming operation, please refer to the section headed "Internal Controls and Anti-Money Laundering" and "Summary of Review of Anti-Money Laundering Procedures, Systems and Controls" in Appendix V to this document.

## BUSINESS

### Anti-Corruption and Anti-Bribery Measures

We have a zero-tolerance policy against any form of fraud or bribery and are committed to the prevention, deterrence, detection, and investigation of all forms of fraud and bribery. In addition, we have imposed a whistleblowing procedure that allows employees to report actual or suspected wrongdoing. The identities of the whistleblowers are kept strictly confidential.

### PRIVACY AND DATA SECURITY

Ensuring the protection of data collected from clients and employees is our priority. By virtue of its object of business, we act as a controller of the personal data of our customers and employees as required by the GDPR.

We have implemented compliance measures in order to comply with the requirements and procedures under the GDPR, including but not limited to:

- appointing of a data protection officer to ensure our compliance with GDPR;
- preparing and updating our privacy policies for our customers and employees; and
- establishing internal procedures and standards governing GDPR, data security, password request security, granting access security, data collection, backup, disaster recovery, using of mobile devices and their security, and rules under ISO27001:2013.

We have taken, and will continue to take, all possible and effective measures to prevent possible data leakage or misuse. In 2023, we completed the certification of the security of information systems and processes within the company under ISO27001:2013. For information on regulation of data protection, please refer to the paragraph headed "Laws and Regulations in relation to Data Protection" under the section headed "Regulatory Overview" of this document.

Our Group are in compliance with the relevant laws and regulations in the Czech Republic, Austria and Germany as well as the European Union with respect to personal data privacy in all material respects.

## BUSINESS

### INTELLECTUAL PROPERTY

Our Group's brand names, particularly our "*Palasino*" brand, are valuable assets for our Company and its operations. As at the Latest Practicable Date, we had three registered trademarks, seven trademarks pending approval, and one active domain name. For details of our intellectual property rights, please refer to the paragraph headed "Statutory and General Information — 2. Intellectual Property Rights" in Appendix VI to this document.

During the Track Record Period and up to the Latest Practicable Date, no material claim or dispute was brought against us in relation to any infringement of trademarks, patents, or other intellectual properties. Our Directors are also not aware of any use by any third party of our logos or brands and believe that there has been no infringement that would result in a significant impact on our business.

### INFORMATION TECHNOLOGY

We use CMS, which is developed by a global casino technology company based in the U.K., in our casino operations.

Our CMS has two main roles:

- (i) *to comply with the Czech Gambling Act.* Our CMS was purchased to ensure the compliance with the reporting requirements and other relevant requirement under the applicable laws of the Czech Republic.
- (1) *Gambling activities:* Our casinos are required to provide (i) data on each player's activity on slot machines three times per calendar day for a period of eight hours; and (ii) data on each player's activity on table games monthly, to Ministry of Finance. In addition, as mentioned in the above sub-paragraph headed "Our Gaming Options" under the paragraph headed "Our Gaming Operations" in this section, players must take a full 15-minute break after playing a slot machine for a maximum of 120 minutes as required by the relevant laws and regulations in the Czech Republic. Our CMS will monitor and record each players' time of play on slot machines and the session will be forced to end when the 120-minute time period is reached.
- (2) *Self-limiting measures:* As mentioned in the below sub-paragraph headed "Responsible Gaming Program", as required under the Czech Gambling Act, players have the right to set their own self-limiting measures in relation to their own gaming pattern and behaviour. For example, setting a maximum bet per day or per calendar month or setting a maximum net loss per day. Players can set their self-limiting measures by filling in a registration form prepared by us and the information will then be recorded into the CMS and transferred to the database administered by the Ministry of Finance.

## BUSINESS

- (ii) *to provide a range of functions, including customer management, accounting and gaming floor management aside from compliance with legal requirements.* Through our CMS, we collect information about our gaming customers, including their demographic data, game preferences and frequency of visits. It can further analyse the collected data to provide analysis for us to better understand our customers' behaviour and preferences. It integrates all aspects of operations, including reception, cage, table operations, slots operations, accounting, player data, player profiling, marketing functions, reporting and business intelligence reporting. Our information security management system for the operation of the CMS and its related processes has been recognised in accordance with the ISO/IEC 27001:2013 by the Electrotechnical Testing Institute in the Czech Republic.

We use the property management system to manage our hotel operations from booking to check out, including additional services and reporting. We utilise a point-of-sale system to manage our food & beverage operations at our hotels, which covers ordering, billing, and inventory management.

### COMPETITIVE LANDSCAPE

The land-based casino industry in the Czech Republic is relatively fragmented with the top three casino operators, in terms of total number of slot machines in the casinos, accounting for around 35.4% of the total number of slot machines in casino and the remaining casino operators each accounted for less 5% of the market share.

As of the end of 2022, there are more than 130,000 accommodation establishments in Central Europe. Our Group's five hotels are located at Germany, Austria, and the Czech Republic. In terms of revenue, our Group earned a market share of 1.2% in Central Europe's hotel industry in 2022.

For a more detailed discussion regarding the markets in which we operate, please refer to the section headed "Industry Overview" in this document. For details of the risks relating to the competitions in the gaming and hotel industries, please refer to the paragraphs headed "We face intense competition in the gaming industry in the Czech Republic" and "The hotel industry in Central Europe is competitive, and if we are unable to compete successfully, our financial condition and results of operations may be harmed" in the section headed "Risk Factors" in this document.



## BUSINESS

### LICENCES, PERMITS AND APPROVALS

We have been advised by our Czech Legal Advisers, German Legal Advisers, Austrian Legal Advisers and Maltese Legal Advisers that, during the Track Record Period and up to the Latest Practicable Date, we had obtained all the material requisite licences, permits and approvals from the relevant regulatory authorities for our operations in the Czech Republic, Germany, Austria and Malta, and all of our material licences, permits and approvals were valid and subsisting as at the Latest Practicable Date.

The following table sets forth the key licences and permits we have obtained for our operations:

Name of holder	Jurisdiction	Name of licences or permits	Issuing authority	Effective date	Expiry date
Palasino Group	The Czech Republic	Basic licence for live games <sup>(1)(3)</sup>	Ministry of Finance in the Czech Republic	23 November 2017	1 November 2023 <sup>(1)</sup>
Palasino Group	The Czech Republic	Basic licence for technical games <sup>(1)(3)</sup>	Ministry of Finance in the Czech Republic	29 December 2017	1 November 2023 <sup>(1)</sup>
Palasino Group	The Czech Republic	Premises licence for live games and technical games for <i>Palasino Furth im Wald</i> <sup>(1)(2)(4)</sup>	Municipal Office of Česká Kubice in the Czech Republic	2 January 2021	1 November 2023 <sup>(1)</sup>
Palasino Group	The Czech Republic	Premises licence for live games and technical games for <i>Palasino Excalibur City</i> <sup>(1)(2)(4)</sup>	Municipal Office of Chvalovice in the Czech Republic	2 January 2021	1 November 2023 <sup>(1)</sup>
Palasino Group	The Czech Republic	Premises licence for live games and technical games for <i>Palasino Wulowitz</i> <sup>(1)(2)(4)</sup>	Municipal Office of Dolní Dvořiště in the Czech Republic	2 January 2021	1 November 2023 <sup>(1)</sup>
Palasino Malta	Malta	Gaming Service Licence MGA/B2C/920/2021 <sup>(5)</sup>	MGA	14 November 2022	13 November 2032
Trans World Austria	Austria	Trade Licence for hotel and restaurant business	The Magistrat der Stadt Linz	14 February 1995	No expiry date
Trans World Austria	Austria	Business facility permit for hotel and restaurant business	The Magistrat der Stadt Linz	3 March 1995	No expiry date

## BUSINESS

*Notes:*

- (1) The new basic licence for live games and the new basic licence for technical games have been obtained by us and will become effective from 1 November 2023 for a term of six years. We made the security deposit in the sum of CZK30 million (equivalent to HK\$10.5 million) for the new gaming licences on a special account of Ministry of Finance in the Czech Republic for the casino operations, as required by the Czech Gambling Act. Such security deposit is refundable upon the gaming licence is conclusively withdrawn or ceased. There have been discussions within the parliament of the Czech Republic about an increment in the amount of security deposit, which may come into effect on 1 January 2024. For details, please refer to the paragraph headed "The New Czech Gambling Act" in this section.
- (2) We have applied for the new premises licences in accordance with the applicable and administrative requirements as stipulated under the relevant laws and regulations. As advised by our Czech Legal Advisers, there is no legal impediment for the application of the new premises licences so long as we meet the applicable administrative requirements set forth in the relevant laws and regulations. Our Directors confirm that they are not aware of any material difficulties or obstacles to obtain the new premises licences.
- (3) A basic licence can be issued by the Ministry of Finance in the Czech Republic only in a case that (i) the applicant has satisfied conditions necessary for basic licence specified in the Czech Gambling Act; (ii) the applicant has provided a security deposit under conditions specified in the Czech Gambling Act; (iii) the applicant has neither entered liquidation at the time of the decision for issuance or within the last three years, nor has been found conclusively bankrupt within the last three years; (iv) the gambling operation will not disturb public order; and (v) proper operation of the gambling is guaranteed and appropriate technical equipment ensured. Such licence will remain effective for a term of six year. For details of the licensing requirement, please refer to the section headed "Regulatory Overview — Overview of Regulatory Framework of Gaming Operations in the Czech Republic" in this document.
- (4) A premises licence may be issued by the relevant municipal authority of the Czech Republic if (i) the applicant satisfies the conditions defined in the Czech Gambling Act; (ii) the applicant has provided a security deposit required in the Czech Gambling Act; and (iii) the gambling premises location does not contravene a generally applicable decree of the municipality. Such licence will remain effective for a term of three years. For details of the licensing requirement, please refer to the section headed "Regulatory Overview — Overview of Regulatory Framework of Gaming Operations in the Czech Republic" in this document.
- (5) In order to expand our business into online gaming, we obtained the Gaming Service Licence B2C Type 1 from the MGA in November 2022. We have not commenced the operation of our Online Gaming Business as at the Latest Practicable Date and we have applied for a voluntary suspension of the online gaming licence to December 2023. We have applied for an uplift of the suspension of the online gaming licence in accordance with the relevant laws and regulations. For further details, please refer to the paragraph headed "Online Gaming Business" in this section.

## BUSINESS

As advised by our Germany Legal Advisers, for our Group's operation of our hotels in Germany, namely *Hotel Columbus*, *Hotel Auefeld* and *Hotel Kranichhöhe*, save for the following approval (for *Hotel Kranichhöhe*) and notifications (for *Hotel Auefeld* and *Hotel Columbus*), no other licences, approvals, consents and certificates from authorities are required:

- (i) in relation to *Hotel Kranichhöhe*, Trans World Germany has duly obtained the approval (Erlaubnis) of the City of Much (Gemeinde Much, Der Bürgermeister) pursuant to Section 2 of the German Restaurant Act (Gaststättengesetz) for its operation of its restaurant. The approval has no expiry date.
- (ii) in relation to *Hotel Auefeld*, Trans World Germany has duly given notification to the city of Hann. Münden (Münden (Stadt Hann. Münden, Fachdienst Sicherheit und Ordnung) for its operation of its restaurant.
- (iii) in relation to *Hotel Columbus*, Trans World Germany has duly given a notification to the city of Seligenstadt, restaurant authority (Stadt Seligenstadt, Gaststättenbehörde) for its operation of its restaurant.

## LEGAL PROCEEDINGS AND COMPLIANCE

### Legal proceedings

From time to time, our business may be involved in legal proceedings or disputes that are common in the gaming and hotel business. These may include customer complaints, contract disputes with suppliers, and minor employment disputes. During the Track Record Period and up to the Latest Practicable Date, we were not engaged in any material litigation, claim or arbitration and no material litigation, claim or arbitration was known to our Directors to be pending or threatened against us.

### Legal compliance

As advised by our Czech Legal Advisers, Austrian Legal Advisers, German Legal Advisers and Malta Legal Advisers, during the Track Record Period and up to the Latest Practicable Date, our Group did not have any non-compliance incidents which resulted in material impact on our normal operation.

## BUSINESS

### ENVIRONMENTAL, SOCIAL AND GOVERNANCE

We are committed to being a responsible corporate citizen and to providing sustainable value for our stakeholders, with our significant efforts in environmental, social and governance ("ESG") matters.

#### Governance

Our Board has the collective and overall responsibility for establishing, adopting and reviewing our ESG objectives, strategies, priorities, initiatives and goals, and reviewing and approving our ESG report. Our senior management oversees all matters related to sustainability and is responsible for managing our Group's sustainability policies and strategies including setting and monitoring targets, key initiatives, sustainability reporting, associated risks and opportunities and other matters of significance.

#### Environment

We are committed to minimising any adverse impact on the environment in the regions where we operate. We believe that sound sustainability strategies can create investment value for our Group and deliver long-term returns to our shareholders, customers, and other stakeholders. We strive to improve our buildings by incorporating green design elements, such as installing solar panels to reduce carbon footprint. We also plan to replace conventional light and fluorescent tube with LED.

We track the consumption of electricity, energy and water and we are committed to reducing our environmental footprint through various energy saving initiatives. We have also implemented numerous sustainable alternatives to reduce waste. We have implemented a ban on the distribution of drinking water and other soft drinks in plastic bottles. Beverages are only distributed in returnable glass bottles, and we have put plastic recycling programs in place to help reduce our waste footprint. For our hotel operation, we also encourage the reuse of towels and bed sheets for our customers staying for more than one night. For food waste, we collected unconsumed food for ecological disposal.

We believe that our operations do not produce material industrial waste and have a relatively limited impact on the environment compared to companies that directly engage in production. Given the nature of our operations, we believe we are not subject to material risks or compliance costs in relation to environmental issues. During the Track Record Period and up to the Latest Practicable Date, we were not subject to any material fines or penalties for non-compliance of the applicable environmental laws, nor were we subject to any material administrative penalties in relation to violations of the applicable environmental laws.

## BUSINESS

### **Corporate social responsibilities**

Apart from identifying and mitigating ESG risks related to our business, we are proactive in undertaking social responsibilities mainly by promoting responsible gaming behaviour among our customers, providing equal employment opportunities and promoting diversity, implementing a stringent anti-corruption mechanism and contributing to local communities.

#### *Responsible Gaming Program*

We believe a visit to our casinos is an opportunity to relax, have fun, socialise and participate in a game of chance. Gaming is inherently associated with risk-taking and the thrill of the anticipation of winning. Most customers enjoy this kind of entertainment and experience but there may be some customers who may lose control of their behaviour and lead to various problems such as gaming problem and addiction.

It is, therefore, our responsibility to set up a responsible gaming program to promote safe and responsible gaming behaviour among our customers. Our responsible gaming program includes various measures to ensure that gaming activities in our casinos are conducted in a fair and transparent manner, and that players are provided with the necessary information and resources to make informed decisions about their gaming behaviour.

We conduct age and identity verification for every visitor to our casinos. We have a responsible gaming program leaflet at our reception with contact for those in need of help with problem gambling or related issues. We educate all our staff in all gaming operations so that they can assist in identifying players who may have a gaming problem. We also work with non-profit agencies and government bodies to deal with this issue.

Most importantly, as required under the Czech Gambling Act, the gaming operator is obliged to offer a means to the customers to set their own self-limiting measures in relation to their own gaming pattern and behaviour. For example, setting a maximum bet per day or per calendar month or setting a maximum net loss per day. Our means is to request every player to set his/her self-limiting measures by filling in a registration form. Players can choose to set self-limiting measures or reject to set in the registration form. The information in the registration form will then be recorded into our CMS and then transferred to the database administered by the Ministry of Finance in the Czech Republic. In addition, players can request a total self-exclusion from participation in gambling at any premises in the Czech Republic by completing an official application form which will be recorded in the database of the Ministry of Finance.

#### *Equal opportunities and diversity*

We foster inclusion and equality among employees from all backgrounds, regardless of gender, age, ethnicity, nationality, marital status or religion, among others. We believe that diversity, including but not limited to gender diversity, is important to us in thriving in the business environment. We employ people regardless of their attitude to life, their ethnicity or their gender.

## BUSINESS

### *Community involvement*

We strive to forge benign relationships with local communities to maintain sustainable business operations. For example, we donate to the charitable organisations and participate in community activities, such as sports events with young individuals.

### **Work safety and security**

As a gaming and hotel operator, we recognise that the safety of our customers, employees, and assets, as well as the safety within our immediate neighbourhood, is crucial to create a long-term sustainable business.

Our Group adopts a comprehensive workplace safety policy, incorporating the principles of workplace safety and ensuring that employees report all unsafe conditions in the workplace and workplace accidents. We also provide occupational health and safety training, such as fire safety training. These safety measures in place aim to oversee all aspects of our properties and maintain a safe work environment.

Our casinos and hotels use a centrally monitored 24-hour surveillance system across our premises, which is monitored 24/7 by our surveillance department to ensure the safety and security of our customers, employees and assets.

During the Track Record Period and up to the Latest Practicable Date, we did not experience any significant incident in relation to safety that resulted in actual or potential prosecution, penalty or other government action being brought against us in the Czech Republic, Germany or Austria.

Going forward, our Board will continue to monitor the ESG implications of our business and set metrics and targets for material key performance indicators (KPIs) for each financial year with reference to the disclosure requirements of Appendix 27 to the Listing Rules.

### **EMPLOYEES**

As at 31 March 2023, we had 496, 100, 41 and 12 full-time employees in the Czech Republic, Germany, Austria and Malta, respectively. The table below shows a breakdown of the number of employees by geographical locations and by functions:

	<b>Czech Republic</b>	<b>Germany</b>	<b>Austria</b>	<b>Malta</b>	<b>Sub-total</b>
Operations					
– Casino	322	–	–	9	331
– Hotel	49	85	35	–	169
General & administration	79	5	2	2	88
Sales & marketing	7	2	1	–	10
Repairs & maintenance	35	8	2	–	45
Human resources	4	–	1	1	6
	496	100	41	12	649
<b>Total</b>	<b>496</b>	<b>100</b>	<b>41</b>	<b>12</b>	<b>649</b>

## BUSINESS

We have a work council which represents the interests of our employees at *Hotel Auefeld* in Germany. During the Track Record Period and up to the Latest Practicable Date, we had not experienced any material labour-related disputes or industrial actions which had a material effect on our business, and we believe that we have maintained good working relationship with our employees.

We are a gaming and hotel group involving a vast number of manual labourers to provide quality services up to our service protocol. To attract and retain talents, we believe we offer competitive remuneration packages that include a base salary, incentive bonuses, complimentary meals in our company canteen, access to our company shuttle bus, and on-site accommodation facilities. Our employees' salaries are determined based on their individual qualifications, positions, work performance and other relevant factors. We promote equal opportunity and diversity in the workplace. We do not tolerate discrimination based on race, colour, religion, sex, marital status, age, national origin, or any other considerations deemed inappropriate by local labour laws. We regularly review the salary system, taking into account employee's responsibilities and performance, which serves as the basis for our decisions with respect to salary raises, bonuses, and promotions. To maintain consistent service quality across our Group, we provide our staff members with ongoing training and development opportunities, including programs on data privacy and security, GDPR compliance, anti-money laundering practices, and other relevant topics.

We are subject to a number of labour laws and regulations in the Czech Republic, Germany, Austria and Malta, and are required to adopt a number of employee protection measures. Our Czech Legal Advisers, German Legal Advisers, Austrian Legal Advisers and Maltese Legal Advisers have advised that there was no material non-compliance incident in respect of any labour laws and regulations in the Czech Republic, Germany, Austria, and Malta that were applicable to us during the Track Record Period and up to the Latest Practicable Date, which would have any material adverse effect to our business operation and financial condition.

## SEASONALITY

During the Track Record Period, our Group as a whole did not have significant seasonal fluctuation in our revenue.

## BUSINESS

### INSURANCE

We believe that our insurance coverage is customary for businesses of our size, scale, and in line with the industry standard, and is adequate for our business operations. We face a number of inherent risks in our ordinary course of gaming and hotel operations.

We have insurance policies under which we have insured ourselves against certain operational risks, including property damage or loss, natural disasters, vandalism, premise liability, losses due to business interruption as well as labour and health insurance for our employees.

The insurance policies generally contain certain customary exclusions. Please refer to the paragraph headed "Our insurance coverage may not be adequate to cover all potential losses that we could suffer, and our insurance costs could increase" under the section headed "Risk Factors" of this document for more information. In addition, our insurance costs may increase, and we may not be able to obtain the same level of insurance coverage in the future.

As the major aspects of our operations have been covered by insurance, we believe our Group has taken out adequate insurance in line with industry standards to cover our assets and employees. During the Track Record Period, there were no material insurance claims by our Group.



**BUSINESS**

**PROPERTIES AND FACILITIES**

We have certain property interests in the Czech Republic, Austria and Germany.

**Land Parcels**

As of the Latest Practicable Date, we self-owned eight land parcels and leased two land parcels. The table below shows a summary of our self-owned and leased land parcels:-

*Self-owned land parcels*

	<b>Location</b>	<b>Usage</b>	<b>Site Area (sq.m.)</b>
1.	Plot no. 10/29 and 10/30 of 399, Horní Folmava, Czech Republic	Casino — <i>Palasino Furth im Wald</i>	19,533
2.	Plot no. 188/3, 188/4, 419, 420, 421, 422, 423, 424, 369/6, 1464/1, 1464/2 and 1465 of No. 478, Česká Kubice, Czech Republic	Casino — <i>Palasino Furth im Wald</i>	3,741
3.	Plot no. 339/42, 339/50, 339/51, 339/73, 339/159, 339/160, 339/161, 339/162, 339/170, 339/234, 339/238, 339/273, 1271 and 333/11 of 500, Chvalovice, Czech Republic	Casino and Hotel — <i>Palasino Savannah Resort</i>	52,866
4.	Plot no. 3318, 3333 and 3353 of 310, Načeratice, Czech Republic	Casino and Hotel — <i>Palasino Savannah Resort</i>	10,095
5.	Plot no. 209 and 314 of 130, Derflice, Czech Republic	Casino and Hotel — <i>Palasino Savannah Resort</i>	11,440
6.	Plot no. st. 370, st. 373, 1806/25, 1806/27, 1806/29, 1806/30, 1806/32, 1806/33, 1806/35, 1806/47, 1806/48, 1806/49, 1806/50, 1806/51, 1806/76, 1806/77, 1806/78, 1806/79, 1806/80 and 1806/81 of 350, Dolní Dvořiště, Czech Republic	Casino — <i>Palasino Wulowitz</i>	84,839
7.	Am Reitpfad 4, 63500 Seligenstadt, land parcels 267 and 335	Hotel — <i>Hotel Columbus</i>	4,548
8.	Bövingen 129, 53804 Much, land parcels 286 and 346	Hotel — <i>Hotel Kranichhöhe</i>	24,175

**BUSINESS**

*Leased land parcels*

	Location	Usage	Site Area (sq.m.)	Rent	Terms of lease
1.	Hallenbadstraße, Hallenbadstraße 31, 31 A, 34346 Hann. Münden, land parcels 286 and 346	Hotel — <i>Hotel</i> <i>Auefeld</i>	26,554	The annual ground rent: 26,595.80 German Deutsche Mark (equivalent to approximately HK\$113,564.07)	Until 2084
2.	Am Winterhafen 13., Linz, Oberösterreich (Upper Austria), Austria	Hotel — <i>Hotel</i> <i>Donauwelle</i>	5,195	Currently approximately EUR25,041.91 (equivalent to approximately HK\$444,958.33) per month <sup>(Note 1)</sup>	Unlimited period of time <sup>(Note 2)</sup>

*Notes:*

1. As advised by our Austrian Legal Advisers, this rent is adjustable in accordance with the prevailing inflation rate.
2. The lease is for an unlimited period of time but may not be terminated by the lessor before 31 December 2061.

**BUSINESS**

**Buildings and facilities**

As at the Latest Practicable Date, we self-owned seven buildings and facilities and leased nine buildings and facilities. The table below shows a summary of our self-owned buildings and facilities:-

*Self-owned buildings and facilities*

	<b>Location</b>	<b>Usage</b>	<b>GFA (sq.m.)</b>
1.	Česká Kubice 64 & Horní Folmava, 34532 Česká Kubice, Czech Republic	Casino — <i>Palasino Furth im Wald</i>	2,747
2.	Chvalovice-Hatě 198 & 199, Znojmo 669 02 & Derflice, Načeratice, Czech Republic	Casino and Hotel — <i>Palasino Savannah Resort</i>	11,775
3.	Dolní Dvořiště 225, 38272 Dolní Dvořiště, Czech Republic	Casino — <i>Palasino Wulowitz</i>	3,288
4.	Am Reitpfad 4, 63500 Seligenstadt, Germany	Hotel — <i>Hotel Columbus</i>	6,845
5.	Hallenbadstraße 33, Hann. Münden 34346, District Göttingen in Lower Saxony, Germany	Hotel — <i>Hotel Auefeld</i>	11,379
6.	Bövingen 129, Much, District Rhein-Sieg in North Rhine-Westphalia, Germany	Hotel — <i>Hotel Kranichhöhe</i>	12,009
7.	Am Winterhafen 13., Linz, Oberösterreich (Upper Austria), Austria	Hotel — <i>Hotel Donauwelle</i>	10,782

**BUSINESS**

*Leased buildings and facilities*

	Location	Usage	GFA (sq.m.)	Rent	Terms of lease
1.	Plot no. 1057/5, 357/15, 357/11, 1055/2 and 1060/4 of 1, Česká Kubice, Czech Republic	Parking lot — <i>Palasino Furth im Wald</i>	5,774	CZK208,679.52 (equivalent to HK\$72,710.63) per year	1 October 2021 to 30 September 2031
2.	Plot no. 564 of 1, Česká Kubice, Czech Republic	Advertisement — <i>Palasino Furth im Wald</i>	174	CZK20,000 (equivalent to HK\$6,968.64) per year	Unlimited period of time from 1 November 2009
3.	Construction plot no. 160/1 of 463, Česká Kubice, Czech Republic	Accommodation for employees and storage for materials — <i>Palasino Furth im Wald</i>	1,330	CZK35,000 (equivalent to HK\$12,195.12) per month	Unlimited period of time from 1 February 2011
4.	Three apartments standing on construction plot no. 160/1 of 463, Česká Kubice, Czech Republic	Accommodation for employees and storage for materials — <i>Palasino Furth im Wald</i>	145	CZK7,000 (equivalent to HK\$2,439.02) per month	Unlimited period of time from 23 May 2020
5.	Building no. 141 standing on plot no. 353 of 10001, Dolní Dvořiště, Czech Republic	Accommodation for employees — <i>Palasino Wulowitz</i>	572	CZK25,000 (equivalent to HK\$8,710.80) per month	1 November 2021 to 31 October 2029
6.	Building no. 140 standing on plot no. st. 202 of 10001, Dolní Dvořiště, Czech Republic	Accommodation for employees — <i>Palasino Wulowitz</i>	442	CZK18,000 (equivalent to HK\$6,272) per month	9 June 2019 to July 2029
7.	Plot no. 170 and 89/1 of 10001, Chvalovice, Czech Republic	Accommodation for employees — <i>Palasino Savannah Resort</i>	1,594	CZK45,000 (equivalent to HK\$15,679.44) per month	Unlimited period of time from 1 June 2006

**BUSINESS**

Location	Usage	GFA (sq.m.)	Rent	Terms of lease
8. No. 16, Level 8, Melfar Buildings, Triq C de Brocktorff, Msida, Malta	Office	300	Year 1: EUR 51,000 (equivalent to HK\$436,050) Year 2: EUR 54,000 (equivalent to HK\$461,700) Year 3: EUR 56,160 (equivalent to HK\$480,168) Year 4: EUR 58,406 (equivalent to HK\$499,371) Year 5: EUR 60,742 (equivalent to HK\$519,344)	The first fixed term: 1 November 2021 to 31 October 2023 The second fixed term: 1 November 2023 to 31 October 2024 The third fixed term: 1 November 2024 to 31 October 2025 The fourth fixed term: 1 November 2025 to 31 October 2026
9. April Love, Garage no. 9, Triq C de Brocktorff, Msida, Malta	Car parking space and garage	19.8	EUR150 (equivalent to HK\$1,283) per month	1 November 2021 to 31 October 2023

As of the Latest Practicable Date, save as self-owned land parcel no. 7 and 8, none of our property interests: (i) was subject to any restriction on use, (ii) was subject to encumbrances, liens, pledges and mortgages, or (iii) involved in any breach of law and regulation (including environmental regulation), title defect, investigation, notice or pending litigation.

For further details of our property interests, please refer to the Property Valuation Report set out in Appendix III to this document.

**THE NEW CZECH GAMBLING ACT**

**Background**

To (i) impose new licensing and deposit requirements; (ii) better protect the players; and (iii) make administrative changes to the Czech Gambling Act, the government of the Czech Republic has submitted proposed amendments to the Czech Gambling Act to its parliament on 30 June 2023 for its further amendments (if any) and approval and it is expected the new Czech Gambling Act will come into effect on 1 January 2024. For details of the Czech Gambling Act, please refer to the section headed "Regulatory Overview — Overview of Regulatory Framework of Gaming Operations in the Czech Republic — Gambling Act" in this document.

**BUSINESS**

**Major amendments to the Czech Gambling Act**

For illustration purposes only, set out below is a summary of (i) the major amendments to the Czech Gambling Act; (ii) their relevant implications on our business operations and financial position; and (iii) the follow-up actions to be taken on the assumption that the existing proposed amendments will be implemented without any further material amendment from the parliament:

Czech Gambling Act	New Czech Gambling Act	Relevant implications on our business operations and/or financial position and the follow-up actions to be taken
<b>A. Administrative changes</b>		
<b>Licensing regime</b>		
1. Two-levels licence	Three-levels licence	Our Group is required to comply with the three-levels licence regime.
(1) Basic licence	(1) Initial licence	We will obtain the initial licence by 30 June 2024 and the new basic licence by 1 April 2025. As advised by our Czech Legal Advisers, our Group can keep the current premises licences until their expirations.
- a prerequisite to obtain the next level of licence, which is the gaming premises licence	- a prerequisite to obtain the next level of licence, which is the basic licence	As advised by our Czech Legal Advisers, there is no foreseeable difficulties in our Group's application for the initial licence and new basic licence so long as we meet the applicable requirements and conditions and adhere to the procedures set forth in the proposed amendments.
- Purpose: (i) to certify the competence of a gaming operator to operate gambling activities, including but not limited to its ownership and organisational structure, the integrity of the operator and its ultimate beneficial owners, assets of the gaming operator	- Purpose: to certify the competence of a gaming operator to operate gambling activities, including but not limited to its ownership and organisational structure, the integrity of the operator and its ultimate beneficial owners, assets of the gaming operator	
(2) Gaming premises licence	(2) Basic licence	
- a prerequisite to obtain the next level of licence, which is the gaming premises licence	- a prerequisite to obtain the next level of licence, which is the gaming premises licence	
- Purpose: to grant authorisation to operate the relevant gambling activities in a specific location	- Purpose: to grant authorisation to operate a specific type of gambling	
(3) Gaming premises licence	(3) Gaming premises licence	
- Purpose: to grant authorisation to operate the relevant gambling activities in a specific location	- Purpose: to grant authorisation to operate the relevant gambling activities in a specific location	
As advised by our Czech Legal Advisers, the purpose of such a change in licensing scheme is intended to speed up and simplify the overall process of obtaining a gambling authorisation. Since the basic licence is required to be renewed at least every six years and the initial licence will not be expired until the dissolution of an operator or termination of initial licence by an operator, an operator will no longer have to re-submit documents in relation to the competence of an operator and hence such administrative tasks and costs on the part of both operator and administrative authorities will also be eliminated.	As advised by our Czech Legal Advisers, there are no material changes to the requirements and conditions in applying for the three licences under the new Czech Gambling Act as opposed to the two licences under the Czech Gambling Act.	

**BUSINESS**

Relevant implications on our business operations and/or financial position and the follow-up actions to be taken

**Czech Gambling Act**

**New Czech Gambling Act**

**Security deposit**

2. Based on the number of casinos, our Group is required to provide a security deposit of CZK30 million in the form of cash or bank guarantee to the Ministry of Finance in the Czech Republic (the "Ministry") when applying for the basic licence.

According to the category we currently belong to and as advised by our Czech Legal Advisers, our Group is required to provide a security deposit of CZK150 million (equivalent to HK\$54 million) in the form of cash or bank guarantee to the Ministry when applying for the initial licence. The category is divided into below four levels and the classification depends on the amount of gaming tax paid by the gaming operator in the second to fifth tax period preceding effective date of the Czech Gambling Act.

It is expected that our Group is required to provide a security deposit of CZK150 million (equivalent to HK\$54 million) in the form of cash or bank guarantee when applying for the initial licence.

Based on the cash flows generated from our operating activities and the cash and cash equivalents on hand as at 31 March 2023, our Group confirms that we are in a position to meet this requirement.

Category	Amount of security deposit	Gambling tax	
		Not less than	Not more than
1	CZK 20,000,000	0	CZK 5,000,000
2	CZK 70,000,000	CZK 5,000,000	CZK 50,000,000
3	CZK 150,000,000	CZK 50,000,000	CZK 200,000,000
4	CZK 300,000,000	CZK 200,000,000	

**No temporary user account**

3. A gaming operator shall establish a temporary user account for a non-Czech Republic citizen, which may be active for a maximum period of 90 days.

Such a temporary user account provision has been deleted in the new Czech Gambling Act.

Going forward, our Group is required to set up permanent user accounts for non-Czech Republic citizens. Our CMS will be modified and the existing temporary user accounts in our CMS will be converted to permanent user accounts.

**General play space requirements**

4. No relevant provision under the Czech Gambling Act.

The operator must ensure that the gaming area is not visible to the players from the registration area.

Given the change is solely administrative in nature, our Group confirms that there will be no material impact on our business operations nor financial position.

Given that it is only a minor construction change, our Group confirms that there will be no material impact on our business operations nor financial position.

As at the Latest Practicable Date, *Palaisio Furtit in Wild* fulfilled the new general play space requirements. *Palaisio Excelsior City* and *Palaisio Willowitz* require minor modifications in order to block the view from the registration area to the gaming area.

## BUSINESS

Relevant implications on our business operations and/or financial position and the follow-up actions to be taken

As at the Latest Practicable Date, we had a diagram of the camera system, but the current diagrams may not satisfy all of the drawing requirements specified in the new Czech Gambling Act.

Our Group will hire a software services provider to update the diagram of our camera systems in each of the three casinos pursuant to the new Czech Gambling Act.

Given the change is solely administrative in nature, our Group confirms that there will be no material impact on our business operations nor financial position.

Our Group is required to provide a Panic Button Feature, which is a means for players to opt for self-exclusion for 48 hours/lifetime. In addition to a list of persons specified in the Czech Gambling Act, we are also required to check whether a player, who has opt for self-exclusion for 48 hours/lifetime, is on the Register before he/she is allowed to enter the gaming area going forward.

Our Group confirms that there will be no material impact on our business operations nor financial position.

### New Czech Gambling Act

The operator is obliged to keep a diagram of the camera system in each gambling hall and casino.

If there is a change in the facts stated in the camera system diagram, the operator is obliged to draw up a new camera system diagram without delay.

There is a list of drawing requirements which shall be included in the diagram of the CCTV system.

Under the Czech Gambling Act, the Ministry is responsible for maintaining a register (the "Register") which serves to prevent access of excluded natural persons to gambling and there is a list of persons whom the Ministry shall include in the register, including, among others, a natural person (i) who receives benefits of assistance in material distress; (ii) are bankrupt; and (iii) who has been subjected to a reasonable restriction and a reasonable obligation to abstain from gambling, gaming machines and betting or to protective treatment consisting of treatment for gambling addiction under the Criminal Code. Each of the gaming operators in the Czech Republic has access to the Register and the operators shall prohibit the persons listed in the Register to gain access to the gambling area or the online gaming websites.

Under the new Czech Gambling Act, "a person who has voluntarily opted for being excluded from participating in gambling for 48 hours" has been introduced to the list of persons who shall be included in the Register. Accordingly, each of the gaming operators in the Czech Republic and online gaming websites shall make available a means for the players to opt for such a self-exclusion (the "Panic Button Feature").

When a player opts for his/her self-exclusion from participating in gambling activities for 48 hours, the gaming operators are obliged to (i) promptly notify the Ministry of Finance that the player wishes to be included in the Register and (ii) explain to the player the consequences of being registered in the Register.

After the 48 hours has passed, such a player will be removed from the Register and is able to regain access the gambling area or online gaming websites.

The technical specifications of the Panic Button Feature are yet to be announced by the Ministry.

*Note:* under the Czech Gambling Act, players can only apply directly to the Ministry for lifetime self-exclusion.

Under the new Czech Gambling Act, players can opt for lifetime self-exclusion at the gaming operator premises by using the Panic Button Feature.

### Czech Gambling Act

#### Diagram of the camera system

5. No relevant provision under the Czech Gambling Act.

#### B. Players protection

##### Panic button

6. No such a provision in relation to the "panic button" feature.



## BUSINESS

Relevant implications on our business operations and/or financial position and the follow-up actions to be taken

### New Czech Gambling Act

An operator shall not encourage a person registered to participate in a gambling game who has previously notified the operator that he or she does not wish to be approached with incentives to participate in the gambling game. This applies equally to a person who has been registered for that gambling within the last 3 years.

Our Group is prohibited to encourage a player to participate in gambling who has previously informed us that he or she does not wish to be approached with incentives to participate in gambling.

Going forward, our marketing department will check with every record of the player before providing any incentive.

Given the change is solely administrative in nature, our Group confirms that there will be no material impact on our business operations nor financial position.

### Czech Gambling Act

#### Legal restrictions

7. No relevant provision under the Czech Gambling Act.

8. In connection with the operation of a gambling game, the operator shall be prohibited from providing any advantage in the form of food, beverages, tobacco products or stimulants to a gambling participant.

In connection with the operation of a gambling game, the operator is prohibited from providing any advantage to a gambling participant in the form of

(i) a food, drink, tobacco product or stimulant; or

(ii) the prohibited risk premium set out in the Decree.

Under the Decree, the followings may be considered as risk bonuses (risk premium):

(i) entry bonus;

(ii) bonus granted after receiving a cancellation request; and

(iii) bonus usable in a game of chance beyond the rules of the game if it can be used within 24 hours of its acceptance by the gambler. In particular, a bonus usable in a game of chance is cash or free play.

Based on the current proposed amendments to the Czech Gambling Act, we do not foresee any material difficulty in meeting the requirements of the new Czech Gambling Act. As advised by our Czech Legal Advisers, there are no foreseeable material difficulties in our Group's compliance with the current proposed amendments to the Czech Gambling Act.

Please refer to the sub-paragraph headed "Our business operation, financial results and our cashflow may be adversely affected if we have not adopted adequate actions or measures to comply with the new Czech Gambling Act when it is implemented in the Czech Republic" under the paragraph headed "Risk Factors — Risks Relating to Our Gaming Business" in this document for further details of the risks relating to the implementation of the new Czech Gambling Act.

## BUSINESS

### ONLINE GAMING BUSINESS

Palasino Malta has been granted a Gaming Service Licence B2C Type 1 by the MGA with a term of 10 years effective from 14 November 2022. We have applied for a voluntary suspension of the online gaming licence until December 2023. As at the Latest Practicable Date, the online gaming licence was still suspended. We have applied for uplift of the suspension of the online gaming licence in accordance with the relevant laws and regulations. We are also in the process of updating the corporate information of Palasino Malta with the MGA. As at the Latest Practicable Date, in order to support the platform's functionality, we have established the system infrastructure of our online gaming platform, which mainly includes the servers, databases, networking and software, information management and storage system, backup inventory system and system security. The system audit on our online gaming platform has been performed and submitted to the MGA in order to re-activate our online gaming licence. Upon the re-activation of the licence, we will conduct soft launch of our Online Gaming Business. It is our preliminary plan that the soft launch will only be opened to the players over the age of 18 located in Malta. The scale of the initial operation will be minimal with expectations of limited players during the first six months of operations.

Through our online gaming platform, we will provide various digital games and entertainment options to players over the internet. Our online gaming platform will be supported by a software development company. We will also engage various game service providers to provide the gaming contents, which will be integrated to the online gaming platform. Both the software development company and the game service providers should have the licences or approval granted by the MGA. We will also have (i) customer relationship management platform to provide the functions of communication with the players, (ii) AML monitoring platform to assess and manage AML requirements, and (iii) payment gateways through which payment service providers are integrated to provide the online payment services.

A new player is required to submit several personal details, such as name, date of birth, gender, address, email and mobile number, during the initial registration process. To create an account, the player is also requested to read and accept the terms and conditions together with the privacy policy of our online gaming platform. After going through the know-your-client and AML procedure, players will have their own accounts at our online gaming platform. Thereafter, players may access to various types of games, such as video slots, table games and poker upon login to their own accounts through internet-connected devices such as computers and smartphones. The players can make deposits to their accounts via online payment gateways integrated with our platform and start playing. The player's balance is displayed at all times and is also updated when a bet is placed and as applicable, when the player wins. Transaction history, such as deposits, bonuses, placed bets, won bets, lost bets and/or withdrawals, is made available to the player at all times. In order to enhance the player's experience, we will make available for the players a range of filters which support the player surfing through the wide range of games in a timely manner in order to select their most favourite game.