

*The Stock Exchange of Hong Kong Limited and the Securities and Futures Commission take no responsibility for the contents of this Application Proof, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this Application Proof.*

## Application Proof of

# Palasino Holdings Limited

百樂皇宮控股有限公司

(the “Company”)

*(Incorporated in the Cayman Islands with limited liability)*

## WARNING

The publication of this Application Proof is required by The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) and the Securities and Futures Commission (the “**Commission**”) solely for the purpose of providing information to the public in Hong Kong.

This Application Proof is in draft form. The information contained in it is incomplete and is subject to change which can be material. By viewing this document, you acknowledge, accept and agree with the Company, its sponsors, advisors or members of the underwriting syndicate that:

- (a) this document is only for the purpose of providing information about the Company to the public in Hong Kong and not for any other purposes. No investment decision should be based on the information contained in this document;
- (b) the publication of this document or supplemental, revised or replacement pages on the Stock Exchange’s website does not give rise to any obligation of the Company, its sponsors, advisors or members of the underwriting syndicate to proceed with an offering in Hong Kong or any other jurisdiction. There is no assurance that the Company will proceed with the offering;
- (c) the contents of this document or supplemental, revised or replacement pages may or may not be replicated in full or in part in the actual final listing document;
- (d) the Application Proof is not the final listing document and may be updated or revised by the Company from time to time in accordance with the Rules Governing the Listing of the Securities on The Stock Exchange of Hong Kong Limited;
- (e) the Application Proof does not constitute a prospectus, offering circular, notice, circular, brochure or advertisement offering to sell any securities to the public in any jurisdiction, nor is it an invitation to the public to make offers to subscribe for or purchase any securities, nor is it calculated to invite offers by the public to subscribe for or purchase any securities;
- (f) this document must not be regarded as an inducement to subscribe for or purchase any securities, and no such inducement is intended;
- (g) neither the Company nor any of its affiliates, sponsors, advisors or members of the underwriting syndicate is offering, or is soliciting offers to buy, any securities in any jurisdiction through the publication of this document;
- (h) no application for the securities mentioned in this document should be made by any person nor would such application be accepted;
- (i) the Company has not and will not register the securities referred to in this document under the United States Securities Act of 1933, as amended, or any state securities laws of the United States;
- (j) as there may be legal restrictions on the distribution of this document or dissemination of any information contained in this document, you agree to inform yourself about and observe any such restrictions applicable to you; and
- (k) the application to which this document relates has not been approved for listing and the Stock Exchange and the Commission may accept, return or reject the application for the subject public offering and/ or listing.

If an offer or an invitation is made to the public in Hong Kong in due course, prospective investors are reminded to make their investment decisions solely based on the Company’s prospectus registered with the Registrar of Companies in Hong Kong, copies of which will be distributed to the public during the offer period.

## IMPORTANT

*IMPORTANT: If you are in any doubt about any of the contents of this document, you should obtain independent professional advice.*

# Palasino Holdings Limited 百樂皇宮控股有限公司

*(Incorporated in the Cayman Islands with limited liability)*

[REDACTED]

Number of [REDACTED] under the [REDACTED] : [REDACTED] Shares comprising [REDACTED] and [REDACTED] (subject to the [REDACTED])  
Number of [REDACTED] : [REDACTED] (subject to reallocation)  
Number of [REDACTED] : [REDACTED] comprising [REDACTED] and [REDACTED] (including [REDACTED] under the [REDACTED]) (subject to reallocation and [REDACTED])  
[REDACTED] : Not more than HK\$[REDACTED] per [REDACTED] and expect to be not less than HK\$[REDACTED] per [REDACTED], plus brokerage of 1.0%, SFC transaction levy of 0.0027%, Stock Exchange trading fee of 0.00565% and Accounting and Financial Reporting Council transaction levy of 0.00015% (payable in full on application in Hong Kong dollars and subject to refund)  
Nominal value : HK\$0.01 per Share  
[REDACTED] : [REDACTED]

Sole Sponsor



Guotai Junan Capital Limited

[REDACTED], [REDACTED],  
[REDACTED] and [REDACTED]  
[REDACTED]

Hong Kong Exchanges and Clearing Limited, The Stock Exchange of Hong Kong Limited and Hong Kong Securities Clearing Company Limited take no responsibility for the contents of this document, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this document.

A copy of this document, having attached thereto the documents specified in "Appendix VII — Documents Delivered to the Registrar of Companies and Available on Display" to this document, has been registered with the Registrar of Companies in Hong Kong as required by Section 342C of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong). The Securities and Futures Commission of Hong Kong and the Registrar of Companies in Hong Kong take no responsibility for the contents of this document or any of the other documents referred to above.

The [REDACTED] is expected to be fixed by agreement between the [REDACTED] and the [REDACTED] (for themselves and on behalf of the [REDACTED]) and our Company (for ourselves and on behalf of the [REDACTED]), on the [REDACTED], which is expected to be on or around [REDACTED] and, in any event, not later than [REDACTED]. The [REDACTED] will be not more than HK\$[REDACTED] per [REDACTED] and is currently expected to be not less than HK\$[REDACTED] per [REDACTED] unless otherwise announced. If, for any reason, the [REDACTED] is not agreed by [REDACTED] between the [REDACTED] and the [REDACTED] (for themselves and on behalf of the [REDACTED]) and our Company (for ourselves and on behalf of the [REDACTED]), the [REDACTED] will not proceed and will lapse.

The [REDACTED] and the [REDACTED] (for themselves and on behalf of the [REDACTED]) may, with our Company's consent, reduce the indicative [REDACTED] range stated in this document and/or the number of [REDACTED] under the [REDACTED] at any time prior to the morning of the last day for lodging applications under the [REDACTED]. In such a case, a notice of reduction in the indicative [REDACTED] range and/or the number of [REDACTED] will be published at the website of the Stock Exchange at [www.hkexnews.hk](http://www.hkexnews.hk) and website of our Company at [www.palasinoholdings.com](http://www.palasinoholdings.com) not later than the morning of the last day for lodging applications under the [REDACTED]. Details of the arrangement will then be announced by our Company as soon as practicable. Further details are set out in "Structure of the [REDACTED]" in this document.

Prior to making an [REDACTED] decision, prospective [REDACTED] should consider carefully all the information set out in this document, including the risk factors set out in "Risk Factors" in this document.

The [REDACTED] have not been and will not be registered under the U.S. Securities Act or any state securities law in the United States and may not be offered, sold, pledged or transferred within the United States, except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the U.S. Securities Act and in accordance with any applicable state securities laws in the United States. The [REDACTED] are being [REDACTED] and [REDACTED] only outside the United States in offshore transactions in reliance on Regulation S under the U.S. Securities Act.

The obligations of the [REDACTED] under the [REDACTED] are subject to termination by the [REDACTED] and the [REDACTED] (for themselves and on behalf of the [REDACTED]) if certain grounds for termination arise prior to 8:00 a.m. on the [REDACTED]. Such grounds are set out in "[REDACTED]" in this document.

[REDACTED]

[REDACTED]

**IMPORTANT**

[REDACTED]

**IMPORTANT**

[REDACTED]

**EXPECTED TIMETABLE<sup>(1)</sup>**

[REDACTED]

**EXPECTED TIMETABLE<sup>(1)</sup>**

[REDACTED]

**EXPECTED TIMETABLE<sup>(1)</sup>**

[REDACTED]

**EXPECTED TIMETABLE<sup>(1)</sup>**

[REDACTED]



## CONTENTS

*This document is issued by Palasino Holdings Limited solely in connection with the [REDACTED] and the [REDACTED] and does not constitute an [REDACTED] to sell or a solicitation of an [REDACTED] to buy any security other than the [REDACTED] and the [REDACTED] by this document. This document may not be used for the purpose of, and does not constitute, an [REDACTED] or invitation in any other jurisdiction or in any other circumstances. No action has been taken to permit a [REDACTED] of the [REDACTED] or the distribution of this document in any jurisdiction other than Hong Kong. The distribution of this document and the [REDACTED] of the [REDACTED] in other jurisdictions are subject to restrictions and may not be made except as permitted under the applicable securities laws of such jurisdictions pursuant to registration with or authorisation by the relevant securities regulatory authorities or an exemption therefrom.*

*You should rely only on the information contained in this document to make your [REDACTED] decision. We have not authorised anyone to provide you with information that is different from what is contained in this document. Any information or representation not made in this document must not be relied on by you as having been authorised by us, (for ourselves and on behalf of the [REDACTED]) the Sole Sponsor, the [REDACTED], the [REDACTED], the [REDACTED], the [REDACTED], the [REDACTED] and the [REDACTED], any of our or their respective directors, officers, representatives, employees, agents or professional advisers or any other person or party involved in the [REDACTED].*

	<i>Page</i>
<b>EXPECTED TIMETABLE</b> .....	i
<b>CONTENTS</b> .....	v
<b>SUMMARY</b> .....	1
<b>DEFINITIONS</b> .....	18
<b>GLOSSARY</b> .....	34
<b>FORWARD-LOOKING STATEMENTS</b> .....	38
<b>RISK FACTORS</b> .....	41
<b>WAIVERS FROM STRICT COMPLIANCE WITH THE LISTING RULES</b> .....	66
<b>INFORMATION ABOUT THIS DOCUMENT AND THE [REDACTED]</b> .....	73
<b>DIRECTORS AND PARTIES INVOLVED IN THE [REDACTED]</b> .....	78
<b>CORPORATE INFORMATION</b> .....	82
<b>INDUSTRY OVERVIEW</b> .....	85
<b>REGULATORY OVERVIEW</b> .....	102

## CONTENTS

	<i>Page</i>
HISTORY, REORGANISATION AND CORPORATE STRUCTURE .....	127
BUSINESS .....	139
RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS .....	213
CONNECTED TRANSACTIONS .....	221
DIRECTORS AND SENIOR MANAGEMENT .....	223
SHARE CAPITAL .....	240
SUBSTANTIAL SHAREHOLDERS .....	243
INTERNAL CONTROLS AND ANTI-MONEY LAUNDERING .....	246
FINANCIAL INFORMATION .....	256
FUTURE PLANS AND USE OF [REDACTED] .....	308
[REDACTED] .....	312
STRUCTURE OF THE [REDACTED] .....	324
HOW TO APPLY FOR [REDACTED] AND [REDACTED] .....	341
APPENDIX I — ACCOUNTANTS' REPORT .....	I-1
APPENDIX II — [REDACTED] FINANCIAL INFORMATION .....	II-1
APPENDIX III — PROPERTY VALUATION REPORT .....	III-1
APPENDIX IV — SUMMARY OF THE CONSTITUTION OF THE COMPANY AND CAYMAN ISLANDS COMPANY LAW .....	IV-1
APPENDIX V — SUMMARY OF REVIEW OF ANTI-MONEY LAUNDERING PROCEDURES, SYSTEMS AND CONTROLS .....	V-1
APPENDIX VI — STATUTORY AND GENERAL INFORMATION .....	VI-1
APPENDIX VII — DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES AND AVAILABLE ON DISPLAY .....	VII-1

## SUMMARY

*This summary aims to give potential [REDACTED] an overview of the information contained in this Document. As this is a summary, it does not contain all the information that may be important to potential [REDACTED] and is qualified in its entirety by, and should be read in conjunction with, the full text of this Document. Potential [REDACTED] should read the whole document including the appendices hereto, which constitute an integral part of this Document, before making a decision to [REDACTED] in the [REDACTED]. There are risks associated with any [REDACTED]. Some of the particular risks in [REDACTED] in the [REDACTED] are set out in "Risk Factors". Potential [REDACTED] should read that section carefully before making a decision to [REDACTED] in the [REDACTED].*

## 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 Land Based Gaming Business and German and Austrian Hotel Business were acquired by the FEC Group through the Merger in 2018, and since then we have expanded our gaming offerings with the addition of new slot machines and the launch of poker game, and rebranded our casinos to "*Palasino*".

Our long operating history in central Europe could be traced back to the establishment of *Palasino Furth im Wald* in 1995. Since then, we actively expanded our casino portfolio with the establishment of *Palasino Excalibur City* in 1999 and *Palasino Wullowitz* in 2004. 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*. 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. We began preparing for the launch of our Online Gaming Business with the establishment of *Palasino Malta* in July 2021.

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.

## OUR GAMING OPERATIONS

### Our Casinos

Our casino operations mainly consist of one integrated land-based casino and resort complex and two full-service land-based casinos, namely (i) *Palasino Excalibur City* which forms part of *Palasino Savannah Resort*, (ii) *Palasino Wullowitz*, and (iii) *Palasino Furth im Wald*. Our brand with the word "*Palasino*" is a combination of the words "*Palace*" and "*Casino*", which not only evokes a sense of grandeur associated with palaces but also highlights our core business as a casino operator.

## SUMMARY

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

	<i>Palasino Excalibur City, which forms part of Palasino Savannah Resort (formerly named as American Chance Casino Route 59)</i>	<i>Palasino Wullowitz (formerly named as American Chance Casinos Route 55)</i>	<i>Palasino Furth im Wald (formerly named as American Chance Casinos 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

For further details of our casinos, please refer to the sub-paragraph headed "Our Casinos" under the paragraph headed "Business — Our Gaming Operations" in this document.

### 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. Our Group currently sources slot machines from four different suppliers. 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.

## SUMMARY

As at 31 March 2023, our Group owned 19.3% of the total number of machines while the remainder are leased. 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.

### (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. The major table games we offer at our casinos include Roulette, Blackjack, Double Up Blackjack, and Palasino Texas Hold'em.

We also offer poker, including poker games and poker tournaments, where players play against each other. Poker games are played at a standard poker table and can have different variations of the games, such as Texas Hold'em Poker and Omaha Poker.

For further details of our gaming options, please refer to the sub-paragraph headed "Our Casinos" under the paragraph headed "Business — Our Gaming Operations" in this document.

### 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:

	<b>Year ended 31 March</b>		
	<b>2021</b> <i>(HK\$'000)</i>	<b>2022</b> <i>(HK\$'000)</i>	<b>2023</b> <i>(HK\$'000)</i>
Slot machine drop	1,557,535	4,581,853	6,271,933
Table games drop	133,846	330,277	448,503
<b>Total</b>	<b>1,691,381</b>	<b>4,912,130</b>	<b>6,720,436</b>
<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>	<b>109,338</b>	<b>286,184</b>	<b>399,668</b>
	<i>(HK\$)</i>	<i>(HK\$)</i>	<i>(HK\$)</i>
Average slot win per machine per day <i>(Note)</i>	1,152	1,596	1,657
Average daily gross win per table <i>(Note)</i>	2,890	3,515	4,220
Slot machine hold percentage	5.3%	4.7%	4.8%
Table hold percentage	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.

## SUMMARY

As a result of the impact of the 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 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.

### *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>
	(%)	(%)	(%)	(%)
<b>Occupancy rate</b> <sup>(Note 1)</sup>	20.6	21.8	22.5	75.4

#### *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.

For further details of our selected operating statistics of the casinos, please refer to the paragraph headed "Business — Selected Operating Statistics of Our Casinos" in this document.

### **Casino Operation Flow**

For every player visiting our casinos for the first time, they must produce a valid identification document and complete a registration form with their personal information. After completing the registration process, the first-time players will receive a PAC, which allows them to register at reception and participate in gaming activities during future visits. 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 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. 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 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.

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. 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.

## SUMMARY

### Responsible Gaming Program

It is 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.

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. 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. In addition, players can request a full 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.

### OUR HOTEL AND CATERING OPERATIONS

#### Our Hotels

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

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

	<i>Hotel Savannah</i>	<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)</sup>	6,845	11,379	12,009	10,782

## SUMMARY

	<i>Hotel Savannah</i>	<i>Hotel Columbus</i>	<i>Hotel Auefeld</i>	<i>Hotel Kranichhöhe</i>	<i>Hotel Donauwelle</i>
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

*Note:* The gross floor area of *Palasino Savannah Resort* comprising *Hotel Savannah* and *Palasino Excalibur City*.

For further details of our hotels, please refer to “Business — Our Hotel and Catering Operations” in this document.

### **Selected Operating Statistics of Our Hotels**

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 HK\$593, HK\$621 and HK\$659, respectively. 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 was in line with the industry average. Our RevPAR across our hotels was HK\$183, HK\$218 and HK\$324, respectively, during the same periods, demonstrated an overall growth trend, showcasing our positive and growing operational performance.

For further details of our selected operating statistics of the hotels, please refer to “Business — Selected Operating Statistics of the Hotels” in this document.

### **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.



## SUMMARY

### OUR 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.

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 periods. 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.

### INDUSTRY

#### Gaming Industry

The land-based casino industry is relatively fragmented in the Czech Republic with the top three casino operators having a market share of 35.4%, in terms of total number of slot machines in the casino, and the remaining casino operators each accounted for less than 5% of the market share. The market size of the Czech Republic's gaming market, 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. The GGR of the land-based gaming industry in the Czech Republic reached HK\$9.3 billion in 2022 with a CAGR of 5.2% between 2018 and 2022. At the end of 2022, there are 472 casinos and 362 gaming halls in the Czech Republic, according to CIC.

#### Hotel Industry

The market size of the hotel industry in Central Europe, in terms of revenue, increased from HK\$9.3 billion in 2018 to HK\$9.7 billion in 2019 and decreased to HK\$6.4 billion and HK\$6.6 billion in 2020 and 2021, respectively. Starting in 2022, the hotel industry in Central Europe started to recover and is expected to rebound in 2023, reaching a market size of HK\$12.2 billion. Net occupancy rate in Germany, Austria, and the Czech Republic, in terms of bed-places and bedrooms, increased from 39%, 32%, and 28%, respectively, in 2021 to 55%, 50%, and 38%, respectively, in 2022. As the global hotel industry gradually returns to normal, the hotel industry in Central Europe, in terms of revenue, is expected to increase to HK\$13.1 billion in 2027, representing a CAGR of 6.0% between 2022 and 2027. As of the end of 2022, there are more than 130,000 accommodation establishments in Central Europe. In terms of revenue, our Group earned a market share of 1.2% in Central Europe's hotel industry in 2022, according to CIC.

Strict regulatory requirements and licence obtainment and high capital requirements are the key entry barriers to the casino industry and hotel industry in Central Europe. For details, please refer to the section headed "Industry Overview" in this document.

### REGULATORY FRAMEWORK OF GAMING OPERATIONS IN THE CZECH REPUBLIC

Our gaming operations are regulated under the laws and regulations of the Czech Republic with respect to various matters, including the requirements for obtaining basic licences for technical games and live games, and premises licences for casinos premises location, gaming taxation, gambling games advertisement, requirements for provision of information to authorities and AML requirements. For further details, please refer to "Regulatory Overview — Overview of Regulatory Framework of Gaming Operations in the Czech Republic" in this document.

## SUMMARY

### OUR INTERNAL CONTROL AND ANTI-MONEY LAUNDERING PROCEDURES, SYSTEMS AND CONTROLS

We have implemented internal controls and procedures to: (1) ensure that our gaming operations are in full compliance with applicable laws and regulations; and (2) detect and remediate irregularities and unusual activities or trends in our casinos. We believe that money laundering risks associated with our gaming operations are inherently low due to stringent laws and regulations. We have also established anti-money laundering policies and procedures. For details, please refer to the section headed "Internal Controls and Anti-Money Laundering" and "Appendix V — Summary of the Review of Anti-Money Laundering Procedures, Systems and Controls" in this document.

### 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
- Strategic locations of our casinos and hotels
- Diversified portfolio of gaming products and hospitality services
- High degree of flexibility and control through a self-operated and managed operating model
- Operations on self-owned lands, which provides stability and control without being subject to rental reviews

For further details of our strengths, please refer to "Business — Strengths" in this document.

### STRATEGIES

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

- (i) Maintain and further consolidate our market presence in the gaming industry in the Czech Republic and central Europe through asset rejuvenation

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 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.

- (ii) 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

For further details of our strategies, please refer to "Business — Strategies" in this document.

## SUMMARY

### OUR CONTROLLING SHAREHOLDERS

As at the Latest Practicable Date, FEC, through its wholly-owned subsidiary, Ample Bonus, held an indirect interest of 90% in our Company.

As at the Latest Practicable Date, FEC was directly held as to 0.94% by Tan Sri Dato' David CHIU, as to 50.19% by Sumptuous Assets Limited (a direct wholly-owned subsidiary of Far East Organization (International) Limited, which in turn was directly wholly-owned by Tan Sri Dato' David CHIU), as to 0.001% by Modest Secretarial Services Limited (which was directly wholly-owned by Tan Sri Dato' David CHIU) and as to 0.77% by Mrs. Nancy CHIU NG (the spouse of Tan Sri Dato' David CHIU). As a result, Ample Bonus, FEC, Tan Sri Dato' David CHIU, Sumptuous Assets Limited, Far East Organization (International) Limited and Mrs. Nancy CHIU NG constitute a group of our Controlling Shareholders. FEC is an exempted company with limited liability incorporated in the Cayman Islands and its shares are listed on the Main Board of the Stock Exchange (stock code: 35).

After the [REDACTED], gaming and related operations will cease to be classified as a core business segment of the Remaining FEC Group, as the Remaining FEC Group will no longer have any interest in gaming operations other than its shareholding in Palasino Group and its minority interest (less than 5%) and joint venture interest in certain gaming business in Australia. Although the Remaining FEC Group has hotel operations and management business, the hotel businesses of the Remaining FEC Group and our Group are entirely geographically distinct, operated under different brands, managed and operated by separate operating teams, and target different markets. Therefore, we consider that apart from their interest in our Company, our Controlling Shareholders do not currently control a business similar to the principal business of our Group that competes or is likely to compete, either directly or indirectly, with our Group's business, and our business is clearly delineated from that of the Remaining FEC Group. FEC Group will continue to consolidate the financial results of our Group based on the accounting standard in place.

For further details of our Controlling Shareholders, please refer to the section headed "Relationship with Our Controlling Shareholders" in this document.

### [REDACTED] INVESTOR

As [REDACTED] Investment, on 10 February 2023, Dateplum subscribed for 10% of the equity interest of Turbo Century at a consideration of US\$20,000,000 (equivalent to HK\$156,000,000). Upon [REDACTED], Dateplum will hold [REDACTED] of shareholding in our Company. The lock-up period for the [REDACTED] investor is twelve months after the completion of the share subscription or six months after the [REDACTED], whichever is later. Dateplum is a company incorporated in the BVI and a special purpose vehicle established for the purpose of the [REDACTED] Investment. The ultimate beneficial owner of Dateplum is Ms. Yang Fang. To the best of our Directors' knowledge and belief after making due and careful enquiries, Dateplum and its ultimate beneficial owner are Independent Third Parties who do not have any relationship with our Group or any connected persons of the Company save for the [REDACTED] Investment.

For further details of our [REDACTED] investor, please refer to the paragraph headed "History, Reorganisation and Corporate Structure — The [REDACTED] Investment" in this document.

### KEY FINANCIAL DATA

The following summary of our financial condition and results of operations (including the selected combined financial data set out below) during the Track Record Period is based upon and should be read in conjunction with our audited combined financial statements contained in the Accountants' Report in Appendix I to this document. Our combined financial statements have been prepared in accordance with HKFRSs.

## SUMMARY

### Summary of combined statements of comprehensive income

The following table sets out the summary of our combined statements of comprehensive income for the Track Record Period:

	For the year ended 31 March		
	2021 HK\$'000	2022 HK\$'000	2023 HK\$'000
Gaming revenue	107,914	278,458	390,403
Hotel, catering and related services revenues	37,857	72,738	138,618
Gaming, hotel, catering and related services revenues	145,771	351,196	529,021
Gaming tax	(36,946)	(94,965)	(133,097)
Inventories consumed	(4,919)	(13,090)	(25,076)
Other income	76,413	42,235	5,172
Other gains and losses	4,048	(6,605)	(12,192)
Depreciation	(24,974)	(24,493)	(23,180)
Employee benefits expenses	(109,322)	(126,951)	(170,182)
Other operating expenses	(42,883)	(74,788)	(105,274)
Finance costs	(3,651)	(3,489)	(3,576)
<b>PROFIT BEFORE TAXATION</b>	<b>3,519</b>	<b>49,050</b>	<b>61,616</b>
Income tax expense	(962)	(8,967)	(17,462)
<b>PROFIT FOR THE YEAR</b>	<b>2,557</b>	<b>40,083</b>	<b>44,154</b>

### Gaming revenue

We generated revenue from our gaming operation, which includes three casinos, namely *Palasino Excalibur City*, *Palasino Wulowitz* and *Palasino Furth im Wald* in the Czech Republic.

Our gaming revenue increased significantly by HK\$170.6 million or 158.1% from HK\$107.9 million for the year ended 31 March 2021 to HK\$278.5 million for the year ended 31 March 2022 and further increased by HK\$111.9 million or 40.2% to HK\$390.4 million for the year ended 31 March 2023, mainly due to an increase of slot machine drop as a result of the increase of patrons brought by the relaxation of mandatory closure restrictions which were previously imposed due to the COVID-19 pandemic for the year ended 31 March 2022 and the complete lifting of such restrictions for the year ended 31 March 2023, in response to which we have increased the number of slot machines in our casinos to meet the pent-up demand. For the three years ended 31 March 2023, our gaming revenue represented 74.0%, 79.3% and 73.8% of our total revenue, respectively.

The following table sets out information about our gaming revenue by type of games during the Track Record Period:

	For the year ended 31 March					
	2021		2022		2023	
	HK\$'000	%	HK\$'000	%	HK\$'000	%
Slot machines	81,611	75.6	212,943	76.5	300,124	76.9
Table games	26,303	24.4	65,515	23.5	90,279	23.1
<b>Total</b>	<b>107,914</b>	<b>100.0</b>	<b>278,458</b>	<b>100.0</b>	<b>390,403</b>	<b>100.0</b>

## SUMMARY

### *Hotel, catering and related services revenues*

Our hotel, catering and related services revenue was primarily generated from our hotel and catering operation, comprising (i) *Hotel Savannah* in the Czech Republic, (ii) *Hotel Columbus*, *Hotel Afield*, *Hotel Kranichhöhe* in Germany, and (iii) *Hotel Donauwelle* in Austria.

Our hotel, catering and related services revenue significantly increased by HK\$34.8 million or 91.8% from HK\$37.9 million for the year ended 31 March 2021 to HK\$72.7 million for the year ended 31 March 2022, and further increased significantly by HK\$65.9 million or 90.6% to HK\$138.6 million for the year ended 31 March 2023, mainly due to (i) the improvement in our average occupancy rate with the decrease in the number of closing days, (ii) the increase in average room rate; and (iii) the increased number of diners as a result of recovery from the COVID-19 pandemic. For the three years ended 31 March 2023, our hotel, catering and related services revenue represented 26.0%, 20.7% and 26.2%, respectively, of our total revenue.

For further details, please refer to "Financial Information — Description of Selected Items of Combined Statements of Comprehensive Income" in this document.

### **Gaming tax**

During the Track Record Period and up to the Latest Practicable Date, the tax rate for gambling in the Czech Republic has been set at 35% of GGR of slot machines and at 23% of GGR of live games. Our gaming tax for the three years ended 31 March 2023 amounted to HK\$37.0 million, HK\$95.0 million and HK\$133.1 million, representing 34.3%, 34.1% and 34.1% of our gaming revenue, respectively.

### **Other income — government grants**

During the Track Record Period, our Group received government grants from the government of the Czech Republic, Germany and Austria in order to subsidise the business operations of our respective entities incorporated in these countries as a result of the COVID-19 impact. For the three years ended 31 March 2023, the government grants received by our Group was HK\$76.4 million, HK\$42.2 million and HK\$2.2 million, respectively. All government grants recognised in our combined statements of profit or loss and other comprehensive income by our Group are unconditional.

### **Summary of combined statements of financial position**

	<b>As at 31 March</b>		
	<b>2021</b>	<b>2022</b>	<b>2023</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Non-current assets	435,038	417,510	452,119
Current assets	86,397	159,647	164,696
Current liabilities	57,314	84,711	116,787
<b>Net current assets</b>	<u>29,083</u>	<u>74,936</u>	<u>47,909</u>
Non-current liabilities	156,922	144,201	112,266
<b>Total equity</b>	<u>307,199</u>	<u>348,245</u>	<u>387,762</u>

Our Group recorded an increase in our net current assets from HK\$29.1 million as at 31 March 2021 to HK\$75.0 million as at 31 March 2022, which was primarily attributable to (i) the increase in cash and cash equivalents mainly generated from our gaming operations due to the recovery from the COVID-19 pandemic and (ii) the receipt of government grant in the amount of HK\$42.2 million to subsidise our business which was affected by the COVID-19 pandemic.

## SUMMARY

Our Group recorded a decrease in our net current assets from HK\$75.0 million as at 31 March 2022 to HK\$47.9 million as at 31 March 2023, which was primarily attributable to (i) the loan to BC Mortgage, being a joint venture of our Controlling Shareholder and our related party, which was accounted for non-current assets; and (ii) the reclassification of Trans World Austria's bank borrowing from non-current liabilities to current liabilities. After the Track Record Period, the bank has subsequently waived its rights to demand immediate payment as a result of Trans World Austria's breach of the term of a bank borrowing, which primarily related to debt service cover ratio.

Our net current assets amounted to HK\$75.4 million as at 31 July 2023, primarily attributable to the decrease in bank and other borrowings from HK\$31.2 million as at 31 March 2023 to HK\$8.6 million as at 31 July 2023, due to the reclassification of Trans World Austria's bank borrowing from current liabilities to non-current liabilities after obtaining waiver from the bank of its rights to demand immediate payment. On 8 September 2023, the novation and declaration of dividend decreased our net current asset position. For details of the novation and declaration of dividend, please refer to the section headed "History, Reorganisation and Corporation Structure — Reorganisation" and note 38 to the Accountants' Report.

### Summary of combined statements of cash flows

The following table sets out the summary of our combined statements of cash flows for the Track Record Period:

	For the year ended 31 March		
	2021 HK\$'000	2022 HK\$'000	2023 HK\$'000
Cash and cash equivalents at beginning of the year	37,189	31,349	94,537
Net cash from operating activities	19,827	101,264	91,468
Net cash used in investing activities	(11,840)	(17,211)	(81,470)
Net cash used in financing activities	(18,697)	(21,772)	(18,076)
Net (decrease) increase in cash and cash equivalents	(10,710)	62,281	(8,078)
Effect of foreign exchange rate change	4,870	907	(375)
Cash and cash equivalents at end of the year	<u>31,349</u>	<u>94,537</u>	<u>86,084</u>

For the year ended 31 March 2021, we recorded net cash from operating activities of HK\$19.8 million. The aforesaid net cash generated was principally derived from profit before tax of HK\$3.5 million which was affected by the mandatory closure restrictions that were imposed due to the COVID-19 pandemic during the year ended 31 March 2021.

Our net cash generated from operating activities increased significantly by HK\$81.5 million from HK\$19.8 million for the year ended 31 March 2021 to HK\$101.3 million for the year ended 31 March 2022. The net cash generated from operating activities for the year ended 31 March 2022 was principally derived from profit before tax of HK\$49.1 million, which is primarily driven by the increase in segment results of our gaming operations from HK\$17.1 million for the year ended 31 March 2021 to HK\$73.1 million for the year ended 31 March 2022 as a result of the recovery from the COVID-19 pandemic.

Our net cash generated from operating activities decreased slightly by HK\$9.8 million from HK\$101.3 million for the year ended 31 March 2022 to HK\$91.5 million for the year ended 31 March 2023. The net cash generated from operating activities for the year ended 31 March 2023 was principally derived from profit before tax of HK\$61.6 million, primarily driven by the further increase in our segment results of our gaming operations from HK\$73.1 million for the year ended 31 March 2022 to HK\$102.7 million for the year ended 31 March 2023, partially offset by the decrease in government grants receivables for the year ended 31 March 2023 due to the ease of seriousness of the impact of the COVID-19 pandemic.

## SUMMARY

### Key financial ratios

	For the financial year ended/as at 31 March		
	2021	2022	2023
<b>Liquidity ratios</b>			
Current ratio	1.5	1.9	1.4
Quick ratio	1.5	1.9	1.4
<b>Capital adequacy ratios</b>			
Gearing ratio (%)	30.5	23.4	18.1
Debt to equity ratio (%)	20.2	N/A	N/A
Interest coverage	2.0	15.1	18.2
<b>Profitability ratios</b>			
Return on total assets (%)	0.5	7.3	7.4
Return on equity (%)	0.8	12.2	12.0
Net profit margin (%)	1.8	11.4	8.4

For further details, please refer to the paragraph headed "Financial Information — Key Financial Ratios" in this document.

### RISK FACTORS HIGHLIGHTS

A number of risks and uncertainties are inherent in our operations. We have categorised these risks and uncertainties into those relating to our business and operations, the gaming and hotel industries in Europe, and the [REDACTED] and [REDACTED], many of which are beyond our control. The risks relating to our business include, among others, (i) our business is affected by economic and market conditions, and laws and regulations in the locations in which our customers reside and restrictions on their ability to travel to the Czech Republic; (ii) our business and financial performance may be adversely affected by competition from other forms of entertainment; (iii) we face intense competition in the gaming industry in the Czech Republic; (iv) we may not be able to procure and/or identify slot machines/games in line with customer preferences and market trends at desirable costs; and (v) we rely on suppliers for the supply of slot machines and any interruption in supply may significantly impact our business and results of operations.

The above is not a complete list of risks that we are subject to. Potential [REDACTED] should carefully read the entire "Risk Factors" section before making a decision to [REDACTED] in the [REDACTED].

### 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.

### PROPERTY VALUATION

Roma Appraisals Limited, our independent Property Valuer, has valued the property held and occupied by our Group in the Czech Republic, Germany and Austria. The market value of our valued property interests as of 31 July 2023 was EUR55.5 million (equivalent to HK\$475.2 million) in aggregate, with net valuation surplus in the amount of HK\$200.8 million. The texts of our Property Valuer's letter, summary of values and valuation certificates are set out in "Appendix III — Property Valuation Report" in this document.

### FUTURE PLAN AND USE OF [REDACTED]

We estimate that we will receive [REDACTED] of approximately HK\$[REDACTED] from the [REDACTED], after deduction of [REDACTED] fees and commissions and estimated expenses payable by us in connection with the [REDACTED], assuming that (i) the [REDACTED] is not exercised and (ii) assuming an [REDACTED] of HK\$[REDACTED] per Share (being the mid-point of the [REDACTED]).

## SUMMARY

The following table sets out approximate amount, sources of funding, key milestones and timeframe for each strategic plan.

Major Categories	% of [REDACTED]	Approximate Amount (HK\$ in millions)	Specific Plans	% of [REDACTED]
Maintain and further consolidate our market presence in the gaming industry in the Czech Republic through asset rejuvenation	[REDACTED]	[REDACTED]	<i>Palasino Savannah Resort</i>	
			(i) Overhaul the gaming area facilities, back-of-house areas and other hospitality offering	[REDACTED]
			(ii) Procure slot machines	[REDACTED]
			<i>Palasino Wullowitz</i>	
			(i) Overhaul the gaming area facilities, back-of-house areas, guest rooms and other hospitality offering	[REDACTED]
			(ii) Procure slot machines	[REDACTED]
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	[REDACTED]	[REDACTED]	-	[REDACTED]
Additional working capital and other general corporate purposes	[REDACTED]	[REDACTED]	-	[REDACTED]
	<u>[REDACTED]</u>	<u>[REDACTED]</u>		<u>[REDACTED]</u>

For detailed description of our future plans, please refer to "Business — Strategies" in this document. For the details of implementation plan and the expected timing of the use of [REDACTED], please refer to the paragraph headed "Future Plans and Use of [REDACTED] — Implementation Plan" in this document.

### [REDACTED] STATISTICS

	Based on minimum indicative [REDACTED] of HK\$[REDACTED] per Share	Based on maximum indicative [REDACTED] of HK\$[REDACTED] per Share
Market capitalisation of our Shares <sup>(1)</sup>	HK\$[REDACTED]	HK\$[REDACTED]
Unaudited [REDACTED] adjusted net tangible asset per Share <sup>(2)</sup>	HK\$[REDACTED]	HK\$[REDACTED]

Notes:

- (1) The calculation of market capitalisation is based on the [REDACTED] Shares expected to be in issue immediately upon completion of the [REDACTED] and the [REDACTED] (assuming the [REDACTED] is not exercised).
- (2) The unaudited [REDACTED] adjusted net tangible asset per Share has been arrived at after adjustments referred to in "Appendix II — Unaudited [REDACTED] Financial Information — A. Unaudited [REDACTED] Statement of Adjusted Combined Net Tangible Assets of the Group Attributable to Owners of the Company". It does not take into account any Shares which may be allotted and issued upon the exercise of the [REDACTED] or any options which may be granted



## SUMMARY

under share option scheme or any Shares which may be issued or repurchased by our Company referred to the section headed "Share Capital — General mandate to issue Shares" or section headed "Share Capital — General mandate to repurchase Shares".

The amount will be adjusted after the Reorganisation step, when the remaining non-controlling interests will become owners of our Group. For details, please refer to note 4 under "Appendix II — Unaudited [REDACTED] Financial Information — A. Unaudited [REDACTED] Statement of Adjusted Combined Net Tangible Assets of the Group Attributable to Owners of the Company". Based on a minimum indicative [REDACTED] of HK\$[REDACTED] per Share and a maximum indicative [REDACTED] of HK\$[REDACTED] per Share, the unaudited [REDACTED] adjusted net tangible asset per Share are HK\$[REDACTED] and HK\$[REDACTED], respectively.

### [REDACTED] EXPENSES

The total amount of [REDACTED] expenses in connection with the [REDACTED], including [REDACTED] commissions, is estimated to be HK\$[REDACTED] (based on the midpoint of the indicative [REDACTED] range and assuming the [REDACTED] is not exercised) of which, HK\$[REDACTED] will be borne by our Group and HK\$[REDACTED] will be borne by the FEC Group. Among the HK\$[REDACTED] to be borne by us, (i) HK\$[REDACTED] will be charged to our combined statement of profit or loss for the year ending 31 March 2024; and (ii) HK\$[REDACTED] is expected to be accounted for as a deduction from equity upon the [REDACTED]. The amount of the [REDACTED] expenses is expected to account for [REDACTED] of the gross [REDACTED] from the [REDACTED].

### DIVIDENDS

Our Company had not declared any dividends during the Track Record Period. On 8 September 2023, our Company declared dividend in the sum of CZK227.2 million (equivalent to HK\$79.0 million), net of withholding tax of CZK40.1 million (equivalent to HK\$13.9 million), to FEC UK, our Company's immediate holding company as at the Latest Practicable Date, the amount of which was offset by the amount due from FEC UK amounting to HK\$79.0 million. After completion of the [REDACTED], our Directors, may at its discretion, declare dividends to our Shareholders in the future after taking into account our results of operations, earnings, financial condition, cash requirements and availability, contractual arrangements and other factors as it may deem relevant at such time. We currently do not have any specific dividend policy nor any pre-determined dividend payout ratio. Any final dividend for a financial year will be subject to Shareholders' approval. The past dividend distribution record may not be used as a reference or basis to determine the level of dividends that may be declared or paid by our Company in the future.

### [REDACTED] AND [REDACTED]

The [REDACTED] will constitute a [REDACTED] of our Group from FEC Group. FEC has concluded that our Group's business is of a size which merits a separate [REDACTED] and such [REDACTED] will be beneficial to our Group for the following reasons, among others: (a) it provides flexibility and a separate fund-raising platform for our Group in raising future funds from the capital markets to support its growth; (b) it would better reflect the value of our Group on its own merits and increase its operational and financial transparency through which [REDACTED] would assess the performance and potential of our Group separately and independently from the FEC Group; and (c) it would enable the management teams of the FEC Group and our Group to focus on the respective core businesses of the two groups, thereby enhancing efficiency in their respective decision-making processes and responsiveness to market changes.

The [REDACTED] is not subject to FEC Shareholders' approval. In order to enable FEC Shareholders to participate in the [REDACTED] on a preferential basis as to allocation only, subject to the Stock Exchange granting approval for the [REDACTED] of, and permission to [REDACTED], the Shares on the Main Board and such approval not having been withdrawn and the [REDACTED] becoming unconditional, [REDACTED] are being invited to apply for an aggregate of [REDACTED] in the [REDACTED], representing approximately [REDACTED] and approximately [REDACTED] of the

## SUMMARY

[REDACTED] initially available under the [REDACTED] and the [REDACTED] (assuming that the [REDACTED] is not exercised), respectively, as an [REDACTED]. The [REDACTED] are being [REDACTED] out of the [REDACTED] under the [REDACTED] and are not subject to reallocation as described in "Structure of the [REDACTED] — The [REDACTED] — Reallocation" in this document. In the event the [REDACTED] is exercised, the number of [REDACTED] will not change. For further details, please refer to the paragraph headed "Structure of the [REDACTED] — The [REDACTED]" in this document.

### APPLICATION FOR [REDACTED] ON THE STOCK EXCHANGE

We are applying for [REDACTED] under Rule 8.05(2) of the Listing Rules and satisfy the market capitalisation/revenue/cash flow test, among other things, with reference to (i) our revenue for the year ended 31 March 2023, being HK\$529.0 million, which is over HK\$500.0 million; (ii) our aggregate cash flow from operating activities for the three preceding financial years, being HK\$212.6 million, which is over HK\$100.0 million; and (iii) our expected market capitalisation at the time of the [REDACTED], based on the low end of the indicative [REDACTED] range, being HK\$[REDACTED], which is over HK\$2.0 billion as required by Rule 8.05(2) of the Listing Rules.

### RECENT DEVELOPMENTS

#### The New Czech Gambling Act

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 new Czech Gambling Act, please refer to the section headed "Business — The New Czech Gambling Act" in this document.

#### Increase in Relevant Tax in the Czech Republic

There have been discussions within the parliament of the Czech Republic about (i) the increase in corporate income tax rate from 19% to 21%, (ii) the increase in live games tax rate from 23% to 30%, and (iii) the increase in value-added tax on hotel accommodation from 10% to 12%, which are proposed to take effect on 1 January 2024. Such proposed increments are subject to further discussion within the parliament of the Czech Republic and remain subject to change. For further details, please refer to the section headed "Risk Factors — We may be exposed to various types of taxes in the jurisdictions in which we operate or have a presence" in this document.

#### 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 to 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 for re-activating 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. For further details, please refer to the section headed "Business — Online Gaming Business" in this document.

## SUMMARY

### Reorganisation and dividend

In addition to the dividend described in "Dividends" in this section, the Reorganisation [was] effected after the Track Record Period and prior to the [REDACTED]. For details of the Reorganisation, please refer to "History, Reorganisation and Corporate Structure — Reorganisation" in this document. In connection with the Reorganisation, we estimate that the amount of tax payable is expected to be not more than EUR2.0 million (approximately HK\$17.1 million). The actual tax expenses will be charged to the combined statements of profit or loss and other comprehensive income for the year ending 31 March 2024. Pursuant to the Deed of Indemnity, FEC and Ample Bonus have agreed to indemnify us for taxation arising from the Reorganisation. Amounts paid on our behalf pursuant to the Deed of Indemnity will be credited to our capital reserves. Given the Deed of Indemnity, the relevant parties will take further professional advice as to relevant laws and regulations in relation to the payment of tax and, if desirable after taking into account the interests of all shareholders, may undertake changes to the Reorganisation prior to the [REDACTED]. However, such changes (if any) will not affect the ultimate beneficial ownership of each of our operating subsidiaries. For further details of the Deed of Indemnity, please refer to "Statutory and General Information — E. Other Information — 1. Indemnities" in this document.

### NO MATERIAL ADVERSE CHANGE

Save as disclosed in (i) Note 38 "Subsequent Events" in the Accountants' Report, and (ii) "Recent Developments" of this section, to the best knowledge, information and belief of our Directors, having made all reasonable enquiries, our Directors confirm that there has been no material adverse change in our financial, operational or trading position or prospects since 31 March 2023, being the date of our combined financial statements as set out in the Accountants' Report contained in Appendix I to this document.

## DEFINITIONS

*In this document, unless the context otherwise requires, the following terms shall have the meanings set out below. Certain technical terms are explained in "Glossary" in this document.*

"Accounting and Financial Reporting Council"	the Accounting and Financial Reporting Council of Hong Kong
"Act on Gambling Tax"	Czech Act No. 187/2016 Sb. on gambling tax
"affiliate(s)"	any other person(s), directly or indirectly, controlling or controlled by or under direct or indirect common control with such specified person(s)
"AML"	anti-money laundering
"AML Consultant"	Deloitte Touche Tohmatsu, our consultant regarding anti-money laundering and an Independent Third Party
"Ample Bonus"	Ample Bonus Limited, a company incorporated in the BVI with limited liability on 3 May 2006 which is 100% directly owned by FEC
"APEX Gaming"	APEX Gaming EUROPE a.s. is a joint stock company incorporated in the Czech Republic and is principally engaged in the development, manufacturing, and provision of rental services of slot machines, one of our five largest suppliers during the Track Record Period
"Articles" or "Articles of Association"	the amended and restated articles of association of our Company, conditionally adopted on [●] to take effect on the [REDACTED] Date, and as amended from time to time a summary of which is set out in "Appendix IV — Summary of the Constitution of the Company and Cayman Islands Company Law" to this document

[REDACTED]

"Audit Committee"	the audit committee of the Board
-------------------	----------------------------------

## DEFINITIONS

"Austrian Legal Advisers"	Kraft Rechtsanwalts GmbH, legal advisers to our Company on Austrian laws in connection with the [REDACTED]
"Available [REDACTED]"	has the meaning ascribed to it in "Structure of the [REDACTED] — The [REDACTED] — Basis of Allocation for Applications for [REDACTED]"
"BC Agreement"	an agreement dated 13 May 2022 (as varied by the BC Deed of Novation) entered into between FECL and BC Mortgage, pursuant to which FECL agreed to provide financial accommodation to BC Mortgage in the sum of up to GBP4,000,000
"BC Deed of Novation"	a deed of novation dated 16 August 2022 entered into between FECL, Palasino Group and BC Mortgage, pursuant to which FECL transferred all its rights, benefits and obligations in respect of the BC Agreement to Palasino Group
"BC Invest"	BC Investment Group Holdings Limited, a company incorporated in the Cayman Islands with limited liability on 24 January 2019 (which FEC indirectly holds over 50% interest in but is not consolidated to FEC)
"BC Mortgage"	BC Mortgage Services Asia Limited, a company incorporated in Hong Kong with limited liability on 1 December 2020 and an indirect wholly-owned subsidiary of BC Invest
"Beneficial FEC Shareholder(s)"	any beneficial owner(s) of FEC Shares whose FEC Shares are registered, as shown in the register of members of FEC, in the name of a registered FEC Shareholder at 4:30 p.m. on the [REDACTED]
"Board" or "Board of Directors"	the board of directors of our Company
"business day"	any day (other than a Saturday, Sunday or public holiday) on which banks in Hong Kong are generally open for business
"BVI"	the British Virgin Islands
"BVI Holdco"	Palasino (BVI) Limited, a company incorporated in the BVI with limited liability on 25 July 2023

## DEFINITIONS

[REDACTED]

"Cayman Companies Act" or "Companies Act"	the Companies Act (As Revised) of the Cayman Islands as amended or supplemented or otherwise modified from time to time
"Cayman Islands Legal Advisers"	Conyers Dill & Pearman, legal advisers to our Company on Cayman Islands law in connection with the [REDACTED]
"CCASS"	the Central Clearing and Settlement System established and operated by HKSCC
"CCASS Clearing Participant"	a person admitted to participate in CCASS as a direct clearing participant or general clearing participant
"CCASS Custodian Participant"	a person admitted to participate in CCASS as a custodian participant
"CCASS [REDACTED]"	the application for the [REDACTED] to be issued in the name of HKSCC Nominees and deposited directly into CCASS to be credited to your or a designated CCASS Participant's stock account through causing HKSCC Nominees to apply on your behalf, including by (i) instructing your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give <b>electronic application instructions</b> via CCASS terminals to apply for the [REDACTED] on your behalf, or (ii) if you are an existing CCASS Investor Participant, giving <b>electronic application instructions</b> through the CCASS Internet System ( <a href="https://ip.ccass.com">https://ip.ccass.com</a> ) or through the CCASS Phone System (using the procedures in HKSCC's "An Operating Guide for Investor Participants" in effect from time to time). HKSCC can also input <b>electronic application instructions</b> for CCASS Investor Participants through HKSCC's Customer Service Centre by completing an input request

## DEFINITIONS

"CCASS Investor Participant"	a person admitted to participate in CCASS as an investor participant who may be an individual or joint individuals or a corporation
"CCASS Operational Procedures"	the operational procedures of HKSCC in relation to CCASS, containing the practices, procedures and administrative requirements relating to the operation and functions of CCASS as from time to time in force
"CCASS Participant"	a CCASS Clearing Participant, a CCASS Custodian Participant or a CCASS Investor Participant
"CIC"	China Insights Industry Consultancy Limited, our industry consultant and an Independent Third Party
"CIC Report"	an independent market research report prepared by CIC, which was commissioned by our Company for the purpose of this document
"Companies Ordinance"	the Companies Ordinance (Chapter 622 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
"Companies (WUMP) Ordinance"	the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
"Company" or "our Company"	Palasino Holdings Limited 百樂皇宮控股有限公司, an exempted company incorporated in the Cayman Islands with limited liability on 6 July 2023
"Controlling Shareholder(s)"	has the meaning ascribed to it under the Listing Rules and, with respect to our Company, refers to any or all of Ample Bonus, FEC, Tan Sri Dato' David CHIU, Sumptuous Assets Limited, Far East Organization (International) Limited and Mrs. Nancy CHIU NG
"core connected person(s)"	has the meaning ascribed to it under the Listing Rules
"COVID-19"	a viral respiratory disease caused by the severe acute respiratory syndrome coronavirus 2
"Czech AML Act"	Czech Act No. 253/2008 Coll. on Selected Measures against Legitimation of Proceeds of Crime and Financing of Terrorism

## DEFINITIONS

"Czech Gambling Act"	Czech Act No. 186/2016 Coll. on gambling
"Czech Legal Advisers"	Becker a Poliakoff, s.r.o., advokátní kancelář, legal advisers to our Company on Czech laws in connection with the [REDACTED]
"CZK"	Czech koruna, the lawful currency of the Czech Republic
"Dateplum"	Dateplum Harvest Limited, a company incorporated in the BVI with limited liability on 21 December 2022
"Deed of Indemnity"	a deed of indemnity dated [●] entered into between FEC and Ample Bonus in favour of our Company, details of which are set out in "Statutory and General Information — E. Other Information — 1. Indemnities" in this document
"Director(s)"	director(s) of our Company
	[REDACTED]
"ESG"	environmental, social and governance
"Euro", "EUR" or "€"	the lawful currency of the European Union
"European Data"	European Data Project s.r.o. is a limited liability company incorporated in the Czech Republic and is principally engaged in the production, processing and pre-assembly of metal parts, slot machines and the production and provision of rental services of slot machines, one of our five largest suppliers during the Track Record Period
"Extreme Conditions"	extreme conditions caused by a super typhoon as announced by the government of Hong Kong
"FEC"	Far East Consortium International Limited (stock code: 35), an exempted company incorporated in the Cayman Islands with limited liability on 3 April 1990, the shares of which are listed on the Main Board of the Stock Exchange
"FEC Group"	FEC and its subsidiaries
"FEC Shareholder(s)"	holders of FEC Shares



## DEFINITIONS

"FEC Shares"	ordinary shares of par value HK\$0.10 each in the share capital of FEC
"FEC UK"	FEC Overseas Investment (UK) Limited, a company incorporated in the United Kingdom with limited liability on 25 January 2018
"FECL"	Far East Consortium Limited, a company incorporated in Hong Kong with limited liability on 18 August 1972 and a wholly-owned subsidiary of FEC
"FINI"	"Fast Interface for New Issuance", an online platform operated by HKSCC that is mandatory for admission to trading and, where applicable, the collection and processing of specified information on subscription in and settlement for all new listings on the Stock Exchange
"First Singford Loan"	a loan in the principal amount of USD4,488,150.31 provided by Palasino Group to Singford
"GBP"	Great British Pound, the lawful currency of the United Kingdom
"GDPR"	the General Data Protection Regulation 2016/679 promulgated by the European Union
"German and Austrian Hotel Business"	our three hotels in Germany and one hotel in Austria
"German Legal Advisers"	avocado rechtsanwälte, legal advisers to our Company on German laws in connection with the [REDACTED]  [REDACTED]
"Group", "our Group", "we", "our" or "us"	our Company and our subsidiaries or, where the context so requires, in respect of the period before our Company became the holding company of our present subsidiaries, such subsidiaries as if they were subsidiaries of our Company at that time

## DEFINITIONS

[REDACTED]

"HKFRSs"	Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants
"HKSCC"	Hong Kong Securities Clearing Company Limited, a wholly-owned subsidiary of Hong Kong Exchanges and Clearing Limited
"HKSCC [REDACTED]"	the application for the [REDACTED] to be issued in the name of HKSCC Nominees and deposited directly into CCASS to be credited to your or a designated HKSCC Participant's stock account through causing HKSCC Nominees to apply on your behalf, instructing your broker or custodian who is a HKSCC Participant to submit an [REDACTED] application on your behalf through FINI in accordance with your instruction
"HKSCC Nominees"	HKSCC Nominees Limited, a wholly-owned subsidiary of HKSCC
"HKSCC Operational Procedures"	the operational procedures of the HKSCC, containing the practises, procedures and administrative or other requirements relating to HKSCC's services and the operations and functions of the systems established, operated and/or otherwise provided by or through HKSCC (including FINI and CCASS) as from time to time in force

## DEFINITIONS

"HKSCC Participant"	a person or company admitted for the time being by HKSCC as a participant
"Hong Kong" or "HK"	the Hong Kong Special Administrative Region of the PRC
"Hong Kong dollars", "HK dollars" or "HK\$"	Hong Kong dollars, the lawful currency of Hong Kong

[REDACTED]

## DEFINITIONS

"Independent Third Party(ies)" person(s) or company(ies) and their respective ultimate beneficial owner(s), who/which, to the best of our Directors' knowledge, information and belief, having made all reasonable enquiries, is/are not connected with our Company or our connected persons as defined under the Listing Rules

[REDACTED]

## DEFINITIONS

[REDACTED]

"Land Based Gaming Business"	our one integrated casino and resort and two full-service casinos operating in the Czech Republic
"Latest Practicable Date"	[18 September 2023], being the latest practicable date for the purpose of ascertaining certain information in this document prior to its publication
"[REDACTED]"	the [REDACTED] of the Shares on the Main Board
"[REDACTED] Committee"	the [REDACTED] Committee of the Stock Exchange

[REDACTED]

"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange, as amended, supplemented or otherwise modified from time to time
"Main Board"	the stock market (excluding the option market) operated by the Stock Exchange which is independent from and operated in parallel with GEM of the Stock Exchange
"Maltese Legal Advisers"	WH Partners, legal advisers to our Company on Maltese laws in connection with the [REDACTED]

## DEFINITIONS

"Memorandum" or "Memorandum of Association"	the amended and restated memorandum of association of our Company, a summary of which is set out in "Appendix IV — Summary of the Constitution of the Company and Cayman Islands Company Law" to this document, as amended from time to time
"Merger"	the merger of FEC Investment (US) Limited with and into TWC pursuant to an agreement and plan of merger dated 2 March 2018 and entered into between FEC, FEC UK, FEC Investment (US) Limited and TWC
"MGA"	Malta Gaming Authority
"[REDACTED]"	the [REDACTED] Shares to be [REDACTED] by our Company for subscription at the [REDACTED] pursuant to the [REDACTED]
"Nomination Committee"	the nomination committee of the Board

[REDACTED]

"Online Gaming Business"	our online gaming business to be conducted through Palasino Malta
--------------------------	---

## DEFINITIONS

[REDACTED]

"Palasino Group"	Trans World Hotels & Entertainment, a.s., a company incorporated in the Czech Republic with limited liability on 6 September 1995 (to be renamed Palasino Group a.s.)
"Palasino Malta"	Palasino Malta Limited, a private limited liability company incorporated in Malta on 8 July 2021
"Palasino Poland"	2CONNECTU Sp.z.o.o, a company incorporated in Poland with limited liability on 11 May 2021 (to be renamed Palasino Poland Sp.z.o.o)
"PLN"	Polish Zloty, the lawful currency of Poland
"Possible European Acquisition"	has the meaning ascribed to it in "Waivers from Strict Compliance with the Listing Rules" in this document

[REDACTED]

## DEFINITIONS

"[REDACTED] Investment" the [REDACTED] investment made by Dateplum, details of which are set out in the section headed "History, Reorganisation and Corporate Structure" in this document

"Pre-subdivision Share(s)" ordinary share(s) with a nominal value of HK\$1.00 each in the share capital of our Company before the Share Subdivision

[REDACTED]

"Property Valuer" Roma Appraisals Limited, our property valuer and an Independent Third Party

[REDACTED]

"Regulation S" Regulation S under the U.S. Securities Act

[REDACTED]

"Remaining FEC Group" FEC and its subsidiaries, excluding our Group



## DEFINITIONS

"Remuneration Committee"	the remuneration committee of the Board
"Reorganisation"	the reorganisation of our Group as described in "History, Reorganisation and Corporate Structure — Reorganisation" in this document

[REDACTED]

"Restriction on Cash Payments Act"	Czech Act No. 254/2004 Coll. on restriction on cash payments
------------------------------------	--

[REDACTED]

"Second Singford Loan"	a loan in the principal amount of EUR2,000,000 provided by Palasino Group to Singford
------------------------	---

"Securities and Futures Commission" or "SFC"	the Securities and Futures Commission of Hong Kong
--	--

[REDACTED]

"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
-------	---

"Share(s)"	ordinary share(s) with nominal value of HK\$0.01 each in the share capital of our Company immediately after the Share Subdivision, which are to be traded in Hong Kong dollars and [REDACTED] on the Main Board
------------	---

"Share Option Scheme"	the share option scheme adopted by our Company on [●], the principal terms of which are set out in "Appendix VI — Statutory and General Information" to this document
-----------------------	---

## DEFINITIONS

"Share Subdivision"	the subdivision of every issued and unissued share of HK\$1.00 par value into 100 shares of HK\$0.01 par value each, which was approved by our Shareholders by ordinary resolution passed on [●]
"Shareholder(s)"	holder(s) of the Share(s)
"Singford"	Singford Holdings Limited, a company incorporated in the BVI with limited liability and a wholly-owned subsidiary of FEC
"Singford Loans"	the First Singford Loan and the Second Singford Loan
"Sole Sponsor"	Guotai Junan Capital Limited, a licenced corporation under the SFO to carry out type 6 (advising on corporate finance) regulated activity, being the sole sponsor to the [REDACTED]
"Specified Territories"	jurisdiction(s) outside Hong Kong where, taking into account the legal restrictions under the applicable laws or requirements of the relevant regulatory body or stock exchange of such jurisdiction(s), FEC and our Company consider the exclusion of the FEC Shareholders with registered addresses in or who are otherwise known by FEC to be residents of, such jurisdiction(s) from the [REDACTED] to be necessary or expedient
	[REDACTED]
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Takeovers Code"	the Codes on Takeovers and Mergers and Share Buy-backs issued by the SFC as amended, supplemented or otherwise modified from time to time
"Track Record Period"	the three years ended 31 March 2023

## DEFINITIONS

"Trans World Austria"	Trans World Hotels Austria GmbH, a company incorporated in Austria with limited liability on 15 January 1992
"Trans World Germany"	Trans World Hotels Germany GmbH, a company incorporated in Germany with limited liability on 3 December 2003
"Turbo Century"	Turbo Century Limited, a company incorporated in Hong Kong with limited liability on 9 September 2016
"TWC"	Trans World Corporation, a company organised under the laws of the States of Nevada, the United States in October 1993, which was previously listed on the OTC Markets Group OTCQB

[REDACTED]

"United States", "USA" or "U.S."	the United States of America, its territories, its possessions and all areas subject to its jurisdiction
"US\$" or "USD"	U.S. dollars, the lawful currency of the United States
"U.S. Securities Act"	the United States Securities Act of 1933, as amended, and the rules and regulations promulgated thereunder
"%"	per cent

*The terms "associate(s)", "close associate(s)", "connected person(s)", "core connected person(s)", "connected transaction(s)", "subsidiary(ies)" and "substantial shareholder(s)" shall have the meanings ascribed to such terms in the Listing Rules.*

*Certain amounts and percentage figures included in this document were subjected to rounding adjustments. Accordingly, figures shown as totals in certain tables may not be an arithmetic aggregation of the figures preceding them.*

## GLOSSARY

*This glossary contains terms used in this document in connection with us and our business. Some of these terms and their meanings may not correspond to standard industry meanings or usage of such terms.*

"24/7"	24 hours a day and seven days a week
"average daily room rate"	room revenue divided by the number of rooms in use
"cage"	a secured area within a casino where records of transactions are kept, money is counted and chips can be exchanged for cash
"CAGR"	compound annual growth rate
"casino"	a facility or building offering games of chance including table games such as Roulette, Blackjack and technical games such as slot machines. In some casinos, peer-to-peer games such as poker are also available
"CCTV"	closed-circuit television surveillance
"chip"	token that is used on casino gaming tables in lieu of cash
"CMS" or "casino management system"	a software platform which provides a wide range of casino management functionality including customer management, accounting and gaming floor management as well as enforcing regulatory requirement as described in more detail in the sections headed "Business — Information Technology" of this document
"dealer"	a casino employee who is responsible for providing the services at a gaming table including spinning the ball on roulette and placing the customer bets and calculating the wins, as well as shuffling and dealing the cards on card tables such as blackjack and staffs other games offered
"drop"	the amount of cash deposited in a gaming table's drop box

## GLOSSARY

"drop box"	a box or container securely fixed under the gaming table that serves as a repository for cash exchanged at the gaming tables for chips
"EBITDA"	earnings before interest income, finance costs, income tax and depreciation and amortisation
"gaming"	in the context of an industry sector, as defined by CIC, the industry sector consisting of slot machines, live games, sports betting, poker, raffles, lottery, etc.
"gaming area" or "gaming floor"	a particular part of a facility that provides casino games consisting of slot machines, table games, poker and other casino games
"gaming revenue"	revenue of casino gaming activities after deferring the liabilities arising from customer loyalty programs based on the relevant accounting policy before deduction of gaming tax
"gaming tax"	the % level of tax levied on GGR: (i) in the Czech Republic, 35% on slot machine and 23% on live games; (ii) in Malta, 5% on all GGR plus a compliance contribution on global GGR on all slots games and live games, calculated on a sliding scale, with the annual compliance contribution becoming due ranging between EUR15,000 (equivalent to HK\$128,250) and EUR375,000 (equivalent to HK\$3,206,250)
"GDP"	gross domestic product
"GFA"	gross floor area
"GGR" or "gross gaming revenue"	gross revenue from casino gaming activities (i.e. slot machine gross win and table game gross win), calculated before deduction of gaming tax
"live game"	live games are played by players against dealer, or against each other at land-based gaming tables or online websites

## GLOSSARY

"occupancy rate"	(i) for hotel and catering operations, the number of rooms in use divided by the number of available rooms for a given period  (ii) for gaming operations, number of slot machines that are actively being used by players divided by total number of slot machines available for a given period
"PAC" or "Player Account Card"	a card contains an RFID chip with the customer unique system ID. This unique ID is linked to the player profile in the CMS
"RevPAR"	revenue per available room, calculated by room revenue during a period divided by the number of available rooms of such hotel during the same period
"slot machine drop"	the total amount of slot machine bets made (coin in) in the slot machines
"slot machine gross win"	the total amount of slot machine bets made (coin in) minus slot machine bets paid out (coin out) that is retained as winnings
"slot machine hold percentage"	slot machine gross win divided by slot machine drop
"slot machines"	electromechanical game machines including mainly traditional slot machines, electromechanical roulettes and electromechanical dices
"sq.m."	square metre
"suspicious transaction"	a transaction carried out in circumstances giving rise to a suspicion of an attempt to launder the proceeds of crime or a suspicion that the funds used in the transaction is intended to finance terrorism, or that the transaction is otherwise related to or connected with the financing of terrorism, or any other fact that might indicate such a suspicion
"table games drop"	the total amount of drop collected in the table games drop boxes plus any cash exchanged for chips at the cage
"table game gross win"	the amount of drop that is retained as winnings
"table game hold percentage"	table game gross win divided by table games drop

## GLOSSARY

"table games"

typical casino games played by players against dealer, including roulette and card games such as blackjack, or against each other in poker cash games or tournament

"tip box"

a container or receptacle where casino or casino employees, such as dealers, pit bosses, or other staff, can receive tips or gratuities from players in the form of cash and/or chips

## FORWARD-LOOKING STATEMENTS

This document contains certain forward-looking statements and information relating to our Company and our subsidiaries that are based on the beliefs of our management as well as assumptions made by and information currently available to our management. When used in this document, the words "aim", "anticipate", "believe", "can", "consider", "continue", "could", "estimate", "expect", "forecast", "going forward", "intend", "may", "might", "ought to", "plan", "potential", "predict", "project", "seek", "should", "will", "would" and the negative of these words and other similar expressions, as they relate to our Group or our management, are intended to identify forward-looking statements. Such statements reflect the current views of our management with respect to future events, operations, financial performance, liquidity and capital resources, some of which may not materialise or may change. These statements are subject to certain risks, uncertainties and assumptions, including the other risk factors as described in this document. You are strongly cautioned that reliance on any forward-looking statements involves known and unknown risks and uncertainties. The risks and uncertainties facing our Company which could affect the accuracy of forward-looking statements include, but are not limited to, the following:

- our operations, business prospects and financial position;
- future developments, trends and conditions in the industry and markets in which we operate;
- our business objectives and strategies and plans and our ability to implement such strategies;
- our ability to identify and integrate suitable acquisition targets;
- general economic, political and business conditions in the markets in which we operate;
- changes to the regulatory environment and general outlook in the industry and markets in which we operate;
- the effects of the global financial markets and economic crisis;
- our ability to reduce costs;
- our dividend policy;
- the amount and nature of, and potential for, future development of our business;
- capital market developments and performance;
- the actions and developments of our competitors;
- changes or volatility in interest rates, foreign exchange rates, tax rates, equity prices or other rates or prices in the industry and markets in which we operate;



## FORWARD-LOOKING STATEMENTS

- development and effect of the COVID-19 pandemic;
- the operating and competitive environment, expected growth of, and changes in the industry in which we operate;
- our ability to maintain the stable relationship with suppliers;
- changes in the laws, rules, regulations and government policies in the jurisdictions relating to any aspect of our business or operations or our business plans;
- our ability to identify and successfully take advantage of new business development opportunities;
- our capital expenditure plans;
- our future plans;
- the determination of the fair value of our Shares;
- risks identified under "Risk Factors" in this document;
- certain statements in "Business" and "Financial Information" in this document with respect to trends in prices, volumes, operations, margins, overall market trends, risk management and exchange rates; and
- other statements in this document that are not historical facts.

This document also contains market data and projects that are based on a number of assumptions. The markets may not grow at the rates projected by the market data, or at all. The failure of the markets to grow at the projected rates may materially and adversely affect our business and the market price of our Shares. In addition, due to the rapidly changing nature of the central Europe economy and the casino and hotel industry, projections or estimates relating to the growth prospect or future conditions of the markets are subject to significant uncertainties. If any of the assumptions underlying the market data prove to be incorrect, actual results may differ from the projections based on these assumptions. You should not place undue reliance on these forward-looking statements.

## FORWARD-LOOKING STATEMENTS

We do not guarantee that the transactions and events described in the forward-looking statements in this document will happen as described, or at all. Actual outcomes may differ materially from the information contained in the forward-looking statements as a result of a number of factors, including, without limitation, the risks and uncertainties set forth in "Risk Factors" in this document. You should read this document in its entirety and with the understanding that actual future results may be materially different from what we expect. The forward-looking statements made in this document relate only to events as of the date on which the statements are made or, if obtained from third-party studies or reports, the dates of the respective studies or reports. Since we operate in an evolving environment where new risks or uncertainties may emerge from time to time, you should not rely upon forward-looking statements as predictions of future events. We undertake no obligation, beyond what is required by law, to update any forward-looking statement to reflect events or circumstances after the date on which the statement is made, even when our situation may have changed.

## RISK FACTORS

*You should carefully consider all of the information set out in the document, including the risks and uncertainties described below before making an [REDACTED] in the [REDACTED]. You should pay particular attention to the fact that we are incorporated in the Cayman Islands and that a substantial part of our Group's operations are conducted in the Central Europe and are governed by a legal and regulatory environment that differs from that prevailing in other countries. Our business, financial condition and results of operations could be materially and adversely affected by any of these risks. The [REDACTED] of the Shares could decline due to any of these risks, and you may lose all or part of your [REDACTED].*

A number of risks and uncertainties are inherent in our operations. We have categorised these risks and uncertainties into those relating to our business and operations and the [REDACTED] and [REDACTED].

### RISKS RELATING TO OUR BUSINESS AND OPERATIONS

#### Risks Relating to Our Gaming Business

*Our business is affected by economic and market conditions, and laws and regulations in the locations in which our customers reside and restrictions on their ability to travel to the Czech Republic*

During the Track Record Period, over 95% of our players from neighbouring countries of the Czech Republic such as Austria and Germany, came to our casinos in the Czech Republic, therefore the strength and profitability of our business depend on the ability and willingness of our players to travel. Only a small percentage (i.e. around 4% during the Track Record Period) of our business is generated by local Czech residents. Our players typically reside in Austria and Germany. The general economic, social and market conditions in Europe, in particular, Austria and Germany could impact our financial prospects.

Any slowdown in economic growth or changes to current restrictions on travel of the neighbouring countries could disrupt the number of our visitors and/or the amounts they are willing to spend at our properties. In addition, any relaxation of the gaming laws and regulations in the neighbouring countries, in particular, Austria and Germany could reduce their willingness to come to our casinos.

Other events which could have a negative impact on international travel and leisure expenditure may include natural disasters, inclement weather, acts of terrorism or regional political events. We cannot predict the extent to which travel disruptions as a result of any such events would adversely affect our business, financial condition, results of operations and cash flows.

## RISK FACTORS

### *Our business and financial performance may be adversely affected by competition from other forms of entertainment*

The gaming industry faces competition from other forms of entertainment and gaming activities such as video lottery terminals, internet gaming, sports betting, state-sponsored lotteries and other forms of legalised gaming in the Czech Republic, Austria, Germany and in other jurisdictions. If our current or potential players choose to participate in these activities rather than visiting our casinos, our operations and revenue would be negatively impacted.

There is no assurance that our Group will be able to uphold our competitive strengths. If we cannot effectively compete with our current and potential competitors from other forms of entertainment, our business, results of operations, financial conditions and prospects may be materially and adversely affected.

### *We face intense competition in the gaming industry in the Czech Republic*

According to CIC, there were (i) 37 companies licenced to operate land-based slot machines and 33 companies licenced to operate land-based live games with 472 casinos in operation in the Czech Republic as at 31 December 2022; and (ii) 15, 10 and 15 casinos within one-hour driving distance from *Palasino Excalibur City*, *Palasino Wullowitz*, and *Palasino Furth im Wald*, respectively, in 2022. According to CIC, the land-based casino industry is relatively fragmented in the Czech Republic with the top three casino operators having a market share of 35.4%, in terms of total number of slot machines in casinos, and the remaining casino operators each accounted for less than 5% of the market share. Accordingly, the competition is intense among those remaining casino operators. There are already established players in the industry with resources and/or strong brand recognition. It is also possible that there will be consolidation in the gaming industry amongst our competitors who may rapidly acquire significant market share.

Further, if additional casinos are opened in the vicinity of our casinos, we could face additional competition from new market entrants as well.

There is no assurance that our Group will be able to uphold our competitive strengths. If we cannot effectively compete with our current or potential competitors, our business, results of operations, financial conditions and prospects may be materially and adversely affected.

### *We may not be able to procure and/or identify slot machines/games in line with customer preferences and market trends at desirable costs*

Our gaming revenue is primarily dependent on customers' spending on our slot machines. During the Track Record Period, our slot machine gross win amounted to HK\$82.4 million, HK\$216.4 million and HK\$304.2 million, respectively, representing 75.4%, 75.6% and 76.1%, respectively, of our GGR during the same periods. Their spending on our slot machines is highly sensitive to rapidly changing public tastes, which may vary among people of different generations and backgrounds, and the continued success of our gaming business mainly depends on our ability to procure and/or identify popular slot machines/games.

## RISK FACTORS

Our gaming business depends in part on our ability to anticipate the tastes of existing and potential players. The slot machines/games we identified may not be able to gain popularity and players' attention as anticipated due to changing tastes, market trends, general economic conditions or otherwise, which could adversely affect our business. Although we are now providing slot machines with different volatility, jackpots, and playing modes, we cannot assure you that such success will continue. If we fail to effectively satisfy the evolving needs and preferences of the public, we may be required to incur additional costs to identify and/or procure slot machines which are able to meet the changing public tastes, which would have a material adverse effect on our business and results of operations. Moreover, we are subject to the risks that we may not be able to update our game themes of the slot machines in a timely manner, which could adversely affect our business.

*We rely on suppliers for the supply of slot machines and any interruption in supply may significantly impact our business and results of operations*

We sourced our slot machines for our customers from four suppliers during the Track Record Period. As at 31 March 2023, we owned 19.3% of the total number of our slot machines while the remaining of them were leased, in which over 70% of the total number of our slot machines were leased to us by two of our slot machine suppliers. One of our slot machines suppliers has advised us that it opts to exclusively lease its slot machines to its customers rather than sell them in order to avoid its customers from engaging in unauthorised resale to unlicensed casino operators. As such, we rely on the ability, authorisation and efficiency of our slot machines suppliers to supply slot machines for our casinos. During the Track Record Period, we did not experience any incidents of interruption or delay in our supply chain or failure to secure sufficient quantities of slot machines from our suppliers.

We cannot assure you that our suppliers will not breach their contractual obligations to us, or that our agreements will not be suspended, terminated or otherwise expired without renewal. In that case, we may not be able to find alternative suppliers if it is no longer able to meet our needs at acceptable cost and/or in a timely manner. Failure to source suitable slot machines from other suppliers at acceptable cost and/or in a timely manner, or otherwise to effectively manage such events if they occur, could materially and adversely affect our business, financial condition and results of operations.

*We have limited control over the standard of CMS and slot machines*

For our gaming operations, CMS and slot machines are 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 and we procure the same from our suppliers. If the CMS and slot machines currently in use fail to meet the standards or the relevant rules and regulations amended from time to time, and if we are unable to find alternative suppliers of the CMS and slot machines in a timely manner or on favourable terms, or at all, our operations may be adversely affected, which could harm our reputation and adversely affect our business, financial condition and results of operations. We may be subject to additional costs if we are required to purchase alternative CMS and slot machines, which would lower the efficiency and profitability of our operations.

## RISK FACTORS

### *We may have difficulty in managing our future growth and implementing on expansion plan successfully*

The success and continuation of our business operations and growth depend on our effective risk management including, among others: (i) our operational, financial and management systems; (ii) skills of our management team; (iii) measures to train, motivate, manage and retain our employees; (iv) risk monitoring system to assess the financial condition and business operation; (v) retention of existing customers and identifying new customers; (vi) our liquidity position while committing resources to our business operation; (vii) expansion and business development; (viii) the complexity and costs associated with expanded operations, which may divert our resources and require substantial capital commitment and (ix) diversification of our customer base to improve our working capital management. We cannot assure you that our systems, procedures, controls, personnel and expertise will be adequate to support our future growth. Failure to achieve any of the foregoing, or manage the risks and uncertainties created by measures to achieve the foregoing, could materially and adversely affect our business, financial condition, results of operations and growth prospects.

### *Acquisition of business/asset involves significant risks and uncertainties and we may not be able to identify suitable targets or successfully integrate acquired business into our existing operation*

We may acquire business or asset in line with our business strategy. Acquisition of business or asset, however, involves significant risks and uncertainties, including (i) lack of suitable business or asset targets; (ii) intense competition from other potential buyers or bidders of the bidding for the targets; (iii) limited prior experience when expanding into new region; and (iv) our ability to secure funding, being equity and/or debt financing for the acquisition.

Further, integration of newly acquired business may be costly and time-consuming and could present us with significant risks and difficulties, including (i) integrating the operations and personnel of the acquired business and implementing uniform information technology systems, controls, procedures and policies; (ii) retaining relationships with key employees, customers, business partners and suppliers of the acquired casinos; and (iii) achieving the anticipated synergies and strategic or financial benefits from the acquisitions.

Given the above uncertainties, acquisition of business or asset in the future may not proceed as expected, and failure in executing our acquisition could have a material adverse impact on our business, financial conditions and results of operations.

### *There is no assurance that the Possible European Acquisition and the implementation of our future plan will be successful*

As mentioned in the paragraph headed "The Post-Track Record Period Acquisitions" under the section headed "Waiver from Strict Compliance with the Listing Rules" of this document, we expressed our intention to negotiate towards an agreement to purchase 100% of the shareholding interest in a licenced online and mobile poker and

## RISK FACTORS

gaming operator in Europe. As mentioned in the paragraph headed "Strategies" under the section headed "Business" of this document, our growth strategy includes the expansion and upgrade of our facilities in casinos, acquisition of business or asset and/or bidding for new gaming licence when opportunities arise. In pursuing the Possible European Acquisition and strategies, we will incur significant capital expenditures associated with (i) the expansion and upgrade; (ii) the acquisitions and/or the bid. There is no assurance that the Possible European Acquisition and our Group's future business plan will materialise and generate revenue as planned. The increase in costs as a result of the expansion, acquisitions and/or the bid as contemplated under the Possible European Acquisition and the future plan of our Group may outweigh the increase in revenue in the short run, which in turn, will have an adverse impact on our financial performance.

Whether the Possible European Acquisition and our future plan can be implemented successfully may be beyond our control and some future events may affect our plan. There is no assurance that we will be successful in materialising the Possible European Acquisition and our future plan successfully. If we fail to implement the Possible European Acquisition and our future plan based on our schedule or at all, our business and results of operation may be adversely affected.

*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*

To (i) impose new licensing and deposit requirement; (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 further amendments (if any) and approval and it is expected that the new Czech Gambling Act will come into effect on 1 January 2024. The major proposed amendments include (i) a change of licensing scheme from two-levels licence to three-levels licence; (ii) an increment in security deposit; (iii) an introduction of a "panic button" feature (i.e. gaming operators shall make available a means for the player to opt for his/her self-exclusion from participating in gambling activities for 48 hours); and (iv) the prohibition of "risk bonuses". For details of the major changes, please refer to the paragraph headed "The New Czech Gambling Act" under the section headed "Business" in this document.

If we have not adopted adequate actions or measures to comply with the proposed amendments timely when the new Czech Gambling Act is implemented, we may be subject to penalties or revocation of our gaming licence in extreme cases and our Group's business operation and financial performance may be adversely affected. During the Track Record Period, our revenue from gaming operations were HK\$107.9 million, HK\$278.5 million and HK\$390.4 million, respectively, representing 74.0%, 79.3% and 73.8%, respectively, of our total revenue for the same periods. Please refer to the paragraph headed "The New Czech Gambling Act" under the section headed "Business" in this document for a detailed analysis on the potential impacts of the new Czech Gambling Act on our current business operation.

## RISK FACTORS

*Our Group is subject to anti-money laundering laws or regulations, violations of which could adversely affect its business*

Our Group is subject to various reporting and anti-money laundering laws and regulations. For details of our internal control measures and anti-money laundering policies, please refer to the section headed "Internal Controls and Anti-Money Laundering" in this document.

Internal controls and procedures and employee training and compliance programs that our Group has implemented to prevent prohibited practices may not be effective in deterring our Directors, employees, contractors or agents from violating or circumventing its policies and the law. If our Group or its directors, employees or agents fail to comply with applicable laws or company policies governing its operations, our Group may face investigations, prosecutions and other legal proceedings and actions which could result in civil penalties, administrative remedies and criminal sanctions. Any such government investigations, prosecutions or other legal proceedings or actions could adversely affect our Group's business, performance, prospects, value, financial condition, and results of operations.

*Theoretical win rates of table games for our Group's casino operations depend on a variety of factors, some of which are beyond its control*

The gaming industry is characterised by an element of chance. In addition to the element of chance, theoretical win rates of table games are also affected by other factors, including players' skill and experience, the financial resources of players, the volume of bets placed by players and the amount of time players spend on gambling. Our Group's actual win rates may therefore differ greatly over short time periods and could cause volatility in our Group's results. These factors, alone or in combination, have the potential to negatively impact our Group's win rates, and its business, financial condition and results of operations could be materially and adversely affected.

*Our gaming business can be subject to instances of cheating and counterfeiting*

Players in our casinos or gaming areas may attempt to commit fraud or cheat in order to increase winnings. Acts of fraud or cheating could involve the use of counterfeit currency, chips or other tactics, possibly in collusion with casino employees. Internal acts of cheating could also be conducted by employees through collusion with gaming employees such as dealers, table inspectors, pit bosses and surveillance staff, or other casino employees.

At our casinos, in order to prevent and detect potential fraud, cheating and counterfeiting activities, we employ advanced technology and techniques in our gaming facilities, such as the use of money note scanners and a 24-hour surveillance system, however, failure to discover such activities in a timely manner could result in losses in our gaming operations. In addition, negative publicity related to such activities could have an adverse effect on our reputation, thereby materially and adversely affecting our business, financial condition, results of operations and cash flows. During the Track Record Period, there were no material instances of fraud, cheating and counterfeiting activities found within our casinos.



## RISK FACTORS

We conduct regular reviews of our operations to prevent cheating. Our employees are also highly trained to spot the signs of potential cheating on the table games. However, there can be no assurance that our efforts to prevent cheating will be effective. Any failure to prevent cheating may adversely affect our business, financial condition, results of operations and cash flows.

*The online gaming industry is a rapidly evolving industry, which makes it difficult to evaluate our business and financial prospects*

In order to expand our business into online gambling, we obtained the online gaming licence in Malta 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 licence until December 2023.

The online gaming industry is rapidly evolving. Our future results of operations will depend on a number of factors affecting the online gaming industry, many of which are beyond our control, including:

- changes in user demographics and user tastes and preferences;
- the number of new players entering the online gaming industry;
- changes in regulatory environment; and
- general economic conditions, particularly as they affect discretionary user spending.

New laws and regulations governing online gaming industry might be introduced to regulate the operation of our games. Regulatory authorities may take more stringent measures to monitor our operations and order us to take rectification actions. These regulatory changes could subject us to significant additional costs to comply with the evolving laws and regulations, which could have an adverse and material impact on our results of operations. If we are unable to adapt to the rapidly evolving industry or if we have to incur significant expenses in complying with newly enacted laws and regulations, our results of operations and future performance will be adversely and materially affected.

Our ability to plan for game development, distribution and promotional activities will be significantly affected by our ability to anticipate and adapt to relatively rapid changes in the tastes and preferences of our existing and prospective users. A decline in the popularity of online games in general, or our games in particular, would harm our business and prospects.

There have been an increasing number of new competitors entering into the online gaming industry and we expect the trend to continue in the foreseeable future. Numerous new games, updates and other new concepts/types of games will emerge and compete with our games and products. If we are unable to successfully and efficiently develop new games or expand our game portfolio which meet market requirements and achieve market

## RISK FACTORS

acceptance, we may not be able to retain or attract customers or generate revenue, and our business and financial condition may be materially and adversely affected.

### **Risks Relating to Our Hotel Business**

*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*

The hotel industry in Central Europe is highly fragmented. We believe that we compete primarily based on location, room rates, brand recognition, quality of accommodations, geographic coverage, service quality, range of services, guest amenities and convenience of the central reservation system. We primarily compete with other hotels in each of the markets in which we operate. According to CIC, in 2022, there were more than 130,000 accommodation establishments in Central Europe. In terms of revenue, our Group earned a market share of 1.2% in the hotel industry of Central Europe in 2022. We also face competitions offered on platforms such as short-term accommodation rental and serviced apartments. New and existing competitors may offer more competitive rates, greater convenience, services or amenities or superior facilities, which could attract customers away from our hotels and result in a decrease in occupancy rates and average daily room rates of our hotels. Furthermore, our typical guests may change their travel, spending and consumption patterns and choose to stay in other kinds of hotels, especially given the increase in our hotel room rates to keep pace with inflation. Even if our peers cannot outcompete us, any increasing supply of hospitality assets in the areas we operate could negatively affect our operational and financial results. Any of these factors may have an adverse effect on our competitive position, results of operations and financial condition.

*A significant portion of our costs and expenses may remain at the same level or increase even if our revenues decline, which would adversely affect our net margins and results of operations*

A significant portion of our operating costs, including depreciation and amortisation, is fixed. Accordingly, a decrease in revenues could result in a disproportionately higher decrease in our earnings because our operating costs and expenses are unlikely to decrease proportionately. However, our fixed expenses do not vary significantly with changes in occupancy and revenues, as we need to continue to pay salary and to make regular repairs, maintenance and renovations and invest in other capital improvements throughout the year to maintain the attractiveness of our hotels. Our property development and renovation costs may increase as a result of increasing costs of materials. However, we have a limited ability to pass increased costs to customers through room rate increases. Therefore, our costs and expenses may increase even if our revenues decline, which would adversely affect our net margins and results of operations.

## RISK FACTORS

### Risks Relating to Our Overall Business

#### *The global COVID-19 pandemic has materially impacted our business, financial results and liquidity*

The COVID-19 pandemic had significant impacts on our business, results of operations and financial condition during the Track Record Period. Our casinos and hotel 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. 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. Since then, with the pandemic easing and the return of customers, our revenue has grown steadily during the Track Record Period. Our revenue generated from our gaming business and hotel business increased significantly by HK\$205.4 million or 140.9% from HK\$145.8 million for the year ended 31 March 2021 to HK\$351.2 million for the year ended 31 March 2022. Our revenue from gaming business and hotel business continued to recover during the year ended 31 March 2023, increasing by HK\$177.8 million or 50.6% from HK\$351.2 million for the year ended 31 March 2022 to HK\$529.0 million for the year ended 31 March 2023.

To the extent that the resurgence of COVID-19 or other similar outbreak of disease disrupts our normal business operations, we may face disrupted market demand and operational challenges. We are closely monitoring the development of the pandemic and continuously evaluating any potential impact on our business, results of operations and financial condition. However, we cannot estimate with any degree of certainty the full impact of the COVID-19 pandemic on our financial condition and future results of operations. The ultimate impact of the COVID-19 pandemic will depend upon future developments, including the duration and severity of the COVID-19 pandemic; the negative impact it has on global and regional economies and economic activity, its short and longer-term impact on the demand for travel, transient and group business, and levels of consumer confidence; actions of governments, businesses and individuals take in response to the resurgence of variants of COVID-19 or any other infectious diseases, including limiting or banning travel and/or limiting or banning leisure, casino and entertainment activities.

#### *Our operating results are subject to conditions affecting the gaming and hotel industries in general*

Our operating results are subject to conditions typically affecting the gaming and hotel industries include, among others:

- changes and volatility in national, regional and local economic and competitive conditions in Europe and globally;

## RISK FACTORS

- changes in governmental laws and regulations relating to the gaming and hotel industries, including gaming laws and regulations, employment, preparation and sale of food and beverages, environmental concerns, and travel and visa policies, in response to outbreaks of contagious diseases and the related cost of compliance;
- greater impact of any failure to get regulatory approvals for any future developments;
- relaxation in gaming laws and regulations in other regions that would compete with the Czech market;
- competition from other hotels, the attractiveness of our hotels to customers, and our ability to maintain and increase sales to existing customers and attract new customers;
- local market conditions such as an oversupply of, or a reduction in demand for, hotel rooms;
- the quality and performance of managers and other employees;
- willingness of our customers to travel to the Czech Republic (in respect of our gaming business) and Austria and Germany (in respect of our hotel business);
- increases in operating costs and expenses due to inflation and other factors;
- the availability and cost of capital to fund construction and renovation of, and make other investments in, our properties; and
- adverse weather conditions, natural disasters or travelers' fears of exposure to contagious diseases and social unrest.

If we are unable to take appropriate actions to rectify the adverse impact brought by any of the above events in an adequate and timely manner, it may have a material adverse effect on our business, financial condition, results of operations and cash flows.

*Our business maybe sensitive to reductions in discretionary consumer and corporate spending as a result of downturns in the economy in Central Europe*

Our business and operations are primarily based in Central Europe. Accordingly, our financial results have been, and we expect will continue to be, affected by developments in the economies and gaming and hotel industries primarily of Central Europe.

## RISK FACTORS

Consumer demand for casinos and hotels is particularly sensitive to downturns in the economy and the corresponding impact on discretionary spending. Changes in discretionary consumer spending or corporate spending on conventions and business travel could be driven by many factors, such as: perceived or actual general economic conditions; fear of exposure to a widespread health epidemic, such as the COVID-19 pandemic; any weaknesses in the job or housing market; credit market disruptions; high energy, fuel and food costs; the increased cost of travel; the potential for bank failures; perceived or actual disposable consumer income and wealth; fears of recession and changes in consumer confidence in the economy; or fear of war, political instability, such as the military conflict between Russia and Ukraine, civil unrest or future acts of terrorism. These factors could reduce consumer and corporate demand for the amenities and leisure and business activities we offer, thus imposing additional limits on pricing and harming our operations.

It is unclear whether the above challenges will be contained or resolved and what effects they may have. Any prolonged slowdown in the Central European economy may have a negative impact on our business, results of operations and financial condition.

*We may be exposed to various types of taxes in the jurisdictions in which we operate or have a presence*

We conduct our operations mainly in the Czech Republic, Germany and Austria, and we are exposed to various types of taxes in the above jurisdictions. The level of taxation in each of the jurisdictions where we are established is subject to changes in laws and regulations, as well as changes in the application of existing laws and regulations by tax authorities, and such changes, if any, may lead to an increase in our effective tax rates. There have been discussions within the parliament of the Czech Republic about (i) the increase in corporate income tax rate from 19% to 21%; (ii) the increase in live games tax rate from 23% to 30%; and (iii) the increase in value-added tax on hotel accommodation from 10% to 12%, which are proposed to take effect on 1 January 2024. Such proposed increments are subject to be further discussed within the parliament of the Czech Republic and remains subject to change as at the Latest Practicable Date. If such proposed increases in corporate income tax, live games tax rate and value-added tax are imposed, it may negatively impact our results of operations and financial conditions. For details of taxation in the Czech Republic, please refer to the section headed "Regulatory Overview" in this document.

Moreover, tax laws and applicable practice have become increasingly complex and sophisticated, especially with respect to cross-border transactions. Thus, while we intend to manage our tax situation in each of these jurisdictions efficiently, there can be no assurance that the desired tax outcome will necessarily be achieved. Finally, we will also be subject to taxes in any new jurisdictions in which we launch new operations, for example, Malta, and similar risks will apply in respect of such taxes. All these factors may have a material and adverse effect on our business, financial condition and results of operations.

## RISK FACTORS

***Inflation in Europe may disrupt our business and have an adverse effect on our financial condition and results of operations***

The economy in Europe is currently experiencing rising rates of inflation and increasing salaries. Salary increases could potentially increase discretionary spending on travel, but general inflation may also erode disposable incomes, consumer spending or adversely affect the gambling appetite. Furthermore, certain components of our operating costs, including staff costs and utilities, may increase as a result of an increase in prices for goods and services resulting from general inflation. However, we cannot guarantee that we can pass increased costs to customers through increase in our room rate, food price and/or service charges. If we fail to do so and the inflation is significant, it could adversely impact our business, financial condition and results of operations.

***Our business depends on our ability to attract and retain a sufficient number of qualified employees to run our operations. A limited supply of qualified managers or labour could cause labour costs to increase***

Our ability to maintain our competitive position is dependent to a large degree on the efforts, skills and continued service of our key management and operating personnel. The loss of our key management and operating personnel would likely have a material adverse effect on our business.

Our business is also labour intensive and, therefore, our success also depends in large part on our ability to attract, train, motivate and retain a sufficient number of qualified and skilled employees to run our operations. Europe has a relatively limited labour market for the supply of qualified and skilled employees for our business.

Given the limited pool of qualified operating, marketing, financial and technical personnel and experienced gaming and hotel personnel currently available in Europe as well as the development of gaming and hotel industries in Europe, we face and will continue to face significant competition in the recruitment of appropriately qualified and skilled employees.

If we are unable to attract and retain a sufficient number of qualified and skilled employees, or if we encounter a significant increase in labour costs due to salary increases or for any other reason, our ability to compete effectively with the other casinos in the Czech Republic and hotels in Europe and our business, financial condition and results of operations could be materially and adversely affected.

In addition, we may be unable to retain the services of our key management personnel and may not easily be able to replace such personnel if they choose to leave us for any reason. In turn, this could have an adverse effect on our business, financial condition and results of operations.

## RISK FACTORS

*Our failure to maintain the integrity of our customer, personal or company data, breaches of our cybersecurity systems may result in significant data losses and the theft of our intellectual property, damage our reputation, expose us to liability to third parties, regulatory fines and penalties, and require us to incur significant costs*

We face global cybersecurity threats, which may range from uncoordinated individual attempts to sophisticated and targeted measures directed at us. Cyber-attacks and security breaches may include, but are not limited to, attempts to access information, including customer and company information, computer malware such as viruses, denial of service, ransomware attacks that encrypt, exfiltrate, or otherwise render data unusable or unavailable in an effort to extort money or other consideration as a condition to purportedly returning the data to a usable form, operator errors or misuse, or inadvertent releases of data, and other forms of electronic security breaches.

Our business requires the collection and retention of large volumes of customer and personal data, including debit card and/or credit card numbers and other personally identifiable information in various information systems we maintain and in those maintained by third parties with whom we contract to provide data services. We also maintain important internal company data such as personally identifiable information about our employees and information relating to our operations. The integrity and protection of customer and company data are important to us. Our collection of such customer and company data is subject to extensive regulation by private groups such as the payment card industry as well as domestic and foreign governmental authorities, including gaming authorities. If a sophisticated cyber event occurs, our systems may be unable to satisfy applicable regulations or employee and customer expectations.

A significant theft, loss or fraudulent use of customer or company data maintained by us could have an adverse effect on our reputation, cause a material disruption to our operations and management team and result in remediation expenses (including liability for stolen assets or information, repairing system damage and offering incentives to customers or business partners to maintain their relationships after an attack) and regulatory fines, penalties and corrective actions, or lawsuits by regulators, third-party service providers, third parties that share data with us pursuant to contractual agreement and/or consumers whose data is or may be impacted. Such theft, loss or fraudulent use could also result in litigation by shareholders alleging our protections against cyber-attacks were insufficient, our response to an attack was faulty or insufficient care was taken in ensuring we were able to comply with cybersecurity, privacy or data protection regulations, protect data, identify risks and attacks, or respond to and recover from a cyber-attack, or by customers and other parties whose information was subject to such attacks. In addition, we may incur increased cybersecurity protection costs that may include organisational changes, deploying additional personnel and protection technologies, training employees and engaging third-party experts and consultants. Any of these events could have a material adverse effect on our business, financial condition, results of operations and cash flows.

## RISK FACTORS

Further, the regulatory environment governing information, security and privacy laws is increasingly demanding and continues to evolve. As aforementioned, we could be subject to risks caused by misappropriation, misuse, leakage, falsification, system malfunction or intentional or accidental release or loss of information maintained in our information systems and networks and those of our third-party service providers.

During the Track Record Period, our Group did not experience any material breakdown in our information technology systems or loss of personal data. However, if we are unable to maintain reliable information technology systems and appropriate controls with respect to global data privacy and security requirements and prevent data breaches, we may suffer regulatory consequences in addition to business consequences. The European Union has adopted comprehensive data protection and security laws. Please refer to the paragraph headed "Laws and regulations in relation to data protection" under the section headed "Regulatory Overview" in this document for more details.

Data privacy laws in the European Union are developing rapidly. We may therefore be potentially subject in the future to additional data protection obligations to those that we are already subject to and for which we are fully compliant. This may result in additional costs.

Government enforcement actions can be costly and may interrupt the regular operation of our business, and data breaches or violations of data privacy laws can result in significant fines, reputational damage and civil lawsuits, any of which may adversely affect our business, financial condition and results of operations.

*Any failure, malfunction or significant interruption in our network infrastructure could adversely impact our land-based and online gaming and hotel operations and harm our business*

The stable operation and performance of our network infrastructure and technology system, in particular, CMS for our land-based gaming operations and property management system for our hotel operations, are essential for our land-based and online gaming and hotel operations in that it ensures our smooth operations (applicable to land-based gaming and hotel) and game functioning and uninterrupted player experience (applicable to online gaming). Our infrastructure, however, may in the future experience, website disruptions, outages and other performance problems due to a variety of factors, such as increasing pressure on our servers and networks, network disruption of our third-party partners such as telecommunications carriers. Internet viruses or hacking or other attacks on our infrastructure, and damage or interruption as a result of natural disasters.

We cannot assure you that we will be able to maintain adequate disaster recovery systems, effectively address capacity constraints, upgrade our systems as needed and continue to develop our technology and network architecture to accommodate increasing traffic. If we are unable to achieve any of these targets, our business and results of operations may suffer.



## RISK FACTORS

*If we lose the services of our third-party information technology systems contractors without a timely replacement, our operations may be seriously disrupted*

Our information technology systems were developed and are maintained by third party contractors. We use CMS, which is developed by a global casino technology company based in the U.K., in our casino operations, while we use property management system, which is provided by a third party contractor, to manage our hotel operations. We rely on our third party contractors to (i) maintain the network and infrastructure underlying our information technology systems; (ii) provide technical assistance to us on an ongoing basis; and (iii) upgrade our systems when and as necessary. Any failure by our third party contractors to maintain the satisfactory performance, reliability, security and availability of our network infrastructure may adversely affect our ability to operate our business in an efficient and effective manner. The termination of our arrangements with our third party contractors without timely replacement for any reason could cause a disruption in our business operations and thereby adversely affect our financial results.

*Our casinos and hotels may encounter temporary closures, reduced turnover or lower occupancy rates as a result of repairs, replacements or the redevelopment or renovation of our casinos and hotels*

Our casinos and hotels may require repairs and replacements from time to time, which may be time-consuming and require significant capital expenditures. Much of the infrastructure and equipment will eventually need to be replaced or significantly repaired or modernised, which could result in interruptions to our business. Our casinos and hotels may also need to undergo renovation or redevelopment works from time to time to retain their attractiveness and may also require maintenance or repairs in respect of faults or problems that may develop or because of new planning laws or regulations.

Such repairs, replacements, investments, redevelopments or renovations of our casinos and hotels may have a material and adverse impact on our ability to attract players and guests at the casinos and hotels and in some circumstances may require the partial or complete closure of a casino or hotel, or the restaurants or other facilities within a casino or hotel. During the period of any such repairs, replacements, investments, redevelopments or renovations, we may experience a reduction in the number of players visiting our casinos and/or occupancy rates and/or average room rates of the hotels and/or the number of customers using our restaurants and facilities. Moreover, the inconvenience caused by such activities may affect the satisfaction and experience of our players and guests, which may in turn affect their future spending behaviour when they choose casinos/hotels in the future.

*If the value of our brands or reputation diminishes, it could have a material and adverse effect on our business and results of operations*

Our continued success in maintaining and enhancing our brands and reputation depends, to a large extent, on our ability to satisfy customer needs by offering a diversified portfolio of gaming products and hospitality services and maintaining consistent quality of services, as well as our ability to respond to competitive pressures. If we are unable to do so, our gaming revenue and/or occupancy rates may decline, which

## RISK FACTORS

could in turn adversely affect our results of operations. Our business may also be adversely affected if our brands or reputation were to be diminished by the operations of any of our casinos or hotels, whether due to unsatisfactory services, accidents or otherwise. Further, our business faces increasing scrutiny related to environmental, social and governance activities and risk of damage to our reputation and the value of our brands if we or any of our respective subsidiaries fail to act responsibly in a number of areas, such as responsible gaming, environmental stewardship, supply chain management, climate change, diversity and inclusion, workplace conduct, human rights, philanthropy and support for local communities. Any harm to our brands or reputation could impact employee engagement and retention and the willingness of customers and our partners to do business with us, which could have a material adverse effect on our business, results of operations and cash flows.

*Our insurance coverage may not be adequate to cover all potential losses that we could suffer, and our insurance costs could increase*

Although we have insurance for our property covering damage caused by a casualty loss (such as fire or natural disasters), the policy has certain exclusions. In addition, our property insurance coverage is in an amount that may be less than the expected full replacement cost of rebuilding our property if there was a total loss. Our level of insurance coverage may be inadequate to cover all possible losses in the event of a major casualty. In addition, certain casualty events, such as labour strikes, terrorist attacks, loss of income due to cancellation of room reservations or conventions due to fear of pandemics or terrorism, or damage resulting from deterioration or corrosion, insects or animals and pollution, might not be covered under our insurance policies. Therefore, certain acts and events could expose us to substantial uninsured losses. In addition to the damage caused to our property by a casualty loss, we may suffer business disruption as a result of these events or be subject to claims by third parties who were injured or harmed. While we carry general liability insurance and limited business interruption insurance, this insurance may not continue to be available on commercially reasonable terms and, in any event, may not be adequate to cover all losses.

There is no assurance that we will be able to renew our insurance policies on equivalent premium costs, terms, conditions and limits upon their expiration and certain events, such as flooding and fires, may increase our premium costs. The cost of coverage may become so high that we may need to further reduce our policy limits or increase deductibles to the minimum levels permitted under any agreements to which we are a party or agree to additional exclusions from our coverage.

*We are subject to extensive regulations that govern our operations and regulatory risk in the effect of change in laws and regulations, which may potentially cause losses or additional expenses*

The gaming operations of our Group are subject to regulation by the governments in the Czech Republic and Malta in which our Group operates. Furthermore, the operations of our casinos are contingent upon maintaining all necessary regulatory licences, permits, approvals, registrations, findings of suitability, orders and authorisations. The laws, regulations and ordinances requiring these licences, permits and other approvals

## RISK FACTORS

generally relate to the operations of the casinos, the payment of taxes, the responsibility, financial stability and character of the owners and managers of gambling operations, as well as persons financially interested or involved in gaming operations. All of the casinos are duly licenced by the Ministry of Finance in the Czech Republic and the relevant municipal authorities of the Czech Republic and our online gaming business is duly licenced by the MGA, and our Group is subject to ongoing regulation to maintain these operations. Czech and Maltese regulatory authorities have broad powers to limit the scope of, impose condition on, suspend or revoke a registration, gaming licence or related approval and to approve changes in operations of our Group.

In November 2022, we obtained the online gaming licence in Malta in order to expand our online gaming business. However, 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 licence till December 2023. As at the Latest Practicable Date, we applied to MGA for an uplift of the suspension in accordance with the Maltese relevant laws and regulations. However, the final approval is subject to the discretion of the relevant authority (namely MGA). Our Group may be subject to the risk of failure to reactivate the online licence.

Likewise, we are required to obtain and maintain licences or approval from various jurisdictions in order to operate our hotel business. There can be no assurance we will be able to obtain new licences or approval or renew any of our existing licences or approval, or if such licences or approval are obtained, such licences or approval will not be conditioned, suspended or revoked; and the loss, denial or non-renewal of any of our licences or approval could have a material adverse effect on our business, financial condition, results of operations and cash flows.

Change in laws and regulations imposes uncertainty for gaming and hotel industries. For example, Prague, the capital of the Czech Republic, has announced a ban on slot machines, which will take effect on 1 January 2024. Given the other cities in the Czech Republic has already reduced the availability of gaming choices, we are uncertain about the regulatory development on gambling in other cities in the Czech Republic. In the event that the laws and regulations in relation to gambling in the cities where we operate become more stringent, our Group's business operation and financial performance may be adversely affected. Furthermore, there may be different interpretations resulting from lack of specificity, guidance and past legal cases when the new or revised laws and regulations are first implemented as their application in practice may evolve or change over time, resulting into higher compliance costs and difficulty in compliance. Although we believe our operations are in compliance in all material respects with all applicable laws and regulations in Europe, a court or an administrative or regulatory body may in the future render an interpretation of these laws and regulations, or issue new or revised regulations, which differs from our interpretation and could have a material adverse effect on our financial condition, results of operations and cash flows.

*From time to time, we may be involved in legal and other proceedings arising out of our operations*

We may be involved in disputes with various parties involved in our gaming and hotel operations, the operation of our properties, including contractual disputes with

## RISK FACTORS

suppliers or property damage or personal liability claims. Regardless of the outcome, these disputes may lead to legal or other proceedings and may result in substantial costs and the diversion of resources and management's attention. We may also have disagreements with regulatory bodies in the course of our operations, which may subject us to administrative proceedings and unfavourable decisions that result in penalties being imposed on us. In such cases, our business, financial condition, results of operations and cash flows could be materially and adversely affected.

*We use third-party suppliers, service providers and other business partners to provide products and services to us and to our customers*

We work with our third-party suppliers, service providers and other business partners to conduct our business, for example, slot machine suppliers, CMS provider, property management system, suppliers of food and beverage and suppliers of utilities, linens, toiletries and miscellaneous hotel consumables. Any interruptions to their operations, any termination or suspension of our supply arrangements, any change in cooperation terms, the deterioration of cooperative relationships, or any disputes with these partners may materially and adversely affect our results of operations. In addition, we cannot assure you that we would be able to find suitable replacement suppliers or service providers on commercially reasonable terms or a timely basis. If we could not solve the impact of the interruptions of operations of our third-party suppliers or service providers, our business operations and financial results may be materially and adversely affected.

Furthermore, our reputation and operation may be harmed by illegal or unsatisfactory actions taken or unsatisfactory performance by these partners that are outside of our control. For example, the failure of our slot machine, CMS or raw material suppliers to ensure product quality or to comply with relevant other laws and regulations, interrupt our operations and/or result in claims against us. In the event that we become subject to claims caused by actions taken or unsatisfactory performance by these partners, we may attempt to seek compensation from the relevant partners. However, such compensation may be limited. If no claim can be asserted against a supplier, service provider or business partner, or amounts that we claim cannot be fully recovered from the supplier, service provider or business partner, we may be required to bear such losses and compensation at our own costs. This could have a material and adverse effect on our business, financial condition and results of operations.

*Natural or man-made disasters, an outbreak of highly infectious or contagious disease, political instability, civil unrest, terrorist activity or war could materially adversely affect the number of visitors to our facilities and disrupt our operations*

So-called "Acts of God" and other natural disasters, man-made disasters, outbreaks of highly infectious or contagious diseases, political instability, civil unrest, terrorist activity or war (such as the military conflict between Russia and Ukraine) may result, and in the case of the COVID-19 pandemic, have resulted, in decreases in travel to and from, and economic activity in, area in which we operate, and may adversely affect, and the COVID-19 pandemic has adversely affected, the number of visitors to our properties. We also face potential risks associated with the physical effects of climate change, which may

## RISK FACTORS

include tornado, heavy rainfall, flooding and shortage of water. Any of these events may disrupt our ability to staff our business adequately, could generally disrupt our operations, and could have a material adverse effect on our business, financial condition, results of operations and cash flows. We cannot assure you any our insurance coverage with respect to some of these events will provide any coverage or be sufficient to indemnify us fully against all direct and indirect costs, including any loss of business that could result from substantial damage to, or partial or complete destruction of, any of our properties.

### *We face risks related to instances of food-borne illnesses, food contamination and associated liability claims*

As we provide food and beverage to our customers, we face an inherent risk of food contamination and associated liability claims. Our food quality depends partly on the quality of the food ingredients and raw materials provided by our suppliers. We may not be able to detect all defects in our supplies and food contamination could be caused by third party food suppliers or other factors which are outside of our control. Due to the scale of our operations, we also face the risk that certain of our employees may not adhere to our mandated procedures and requirements. Food-poisoning incidents may occur at our casinos and hotels from time to time. Any failure to detect defective food supplies or observe proper hygiene, cleanliness and other quality control requirements or standards in our operations could adversely affect the quality of the food we offer inside or outside our restaurants, which could lead to liability claims, complaints and related adverse publicity, reduced customer traffic at our restaurants and even our casinos and hotels and the imposition against us of penalties by relevant authorities and compensation awards by courts.

### *We are exposed to foreign exchange risks*

During the Track Record Period, a majority of our revenue are denominated in EUR ("**Revenue Currencies**") but the costs incurred by our Group in our business operation are mostly denominated in EUR and CZK ("**Expense Currencies**"). The exchange rate of the Revenue Currencies against that of Expense Currencies fluctuates from time to time and is affected by a number of factors, such as changes in the political and economic conditions in the relevant jurisdiction as well as the fiscal and foreign exchange policies prescribed by the local governments. Any significant fluctuations in the exchange rates between the Revenue Currencies and the Expense Currencies could materially and adversely affect our results of operations. We recorded net foreign exchange loss of HK\$1.0 million, HK\$4.9 million and HK\$9.5 million for the three years ended 31 March 2023 in the combined statements of profit or loss.

We are therefore exposed to foreign currency risks and our profit margins may be adversely affected if we are unable to hedge foreign currency risk. Any exchange rate volatility relating to the Revenue Currencies against the Expenses Currencies may affect our value of net assets, profits and dividends. Any such exchange rate fluctuations may result in an increase or decrease in our reported costs and earnings, which may materially and adversely affect our financial condition and results of operations.

## RISK FACTORS



*If our internal controls and procedures fail to be implemented effectively, our business and prospects may be materially and adversely affected*

We have recently enhanced our internal controls and systems in a continual effort to improve our risk management capabilities and enhance our internal controls. For more details, please refer to the section headed "Internal Controls and Anti-Money Laundering" in this document. However, we cannot assure you that our internal control and procedures will adequately control, or protect us against, all risks. Some of these risks are unforeseeable or unidentifiable and may be more severe than what we may anticipate.

Our risk management capabilities and ability to effectively monitor legal compliance and other risks are restricted by the information, tools, models and technologies available to us. In addition, given the limited history of some aspects of our risk management and internal control policies and procedures, we will require additional time to implement these policies and procedures in order to fully assess their impact and evaluate our compliance with them. Moreover, our employees will require time to adjust to these policies and procedures and we cannot assure you that our employees will be able to consistently comply with or accurately apply them.

If our risk management and internal controls, procedures and systems fail to be implemented effectively, or if the intended results of such internal controls, procedures or systems are not achieved in a timely manner, including our ability to maintain an effective internal control system, our business, financial condition, results of operations and reputation may be materially and adversely affected.

*We may not be able to adequately protect our intellectual property*

Our principal intellectual property rights are the logos and brands we use in our gaming and hotel operations. During the course of our business development, we have established two brands, namely "*Palasino*" and "*Trans World Hotels*". As at the Latest Practicable Date, our material trademarks, "", "" and "PALASINO" were registered in European Union. For details, please refer to the paragraph headed "Statutory and General Information — B. Further information about our business — 2. Intellectual Property Rights" in the document.

It is possible that we may be unable to register other trademarks or renew the registration of any of our existing registered trademarks in the future. In any case, we are susceptible to infringement of our logos and brands by third parties, whether or not such logos are or will continue to be registered trademarks. There is no guarantee that the registration of our trademarks can completely protect us against any infringement or passing off. The infringement of and passing off on our logos and brands could adversely affect the perception that our customers have of our casinos and hotels. Enforcement of our intellectual property rights through litigation, whether successful or not, could incur substantial costs. All of these may in turn have a material adverse effect on our business, financial condition, results of operations and prospect.

## RISK FACTORS

*The appraised value of our properties may be different from their actual realisable value and are subject to change, and if the actual realisable value of our properties is substantially lower than their appraised value, there maybe a material adverse effect on our business, financial condition and results of operations*

Our Property Valuer has valued selected properties in Europe in which our Group has interests as at 31 July 2023. Please refer to Appendix III to this document for the full text of their letter, summary of valuation and valuation certificates with regard to such properties' interests.

If any of the valuation assumptions provided by our Property Valuer are proved to be inaccurate, the appraised values of these properties may be materially affected. Accordingly, these appraised values may differ materially from the price we could receive in an actual sale of the properties in the market, and should not be taken as their actual realisable values or a forecast of their realisable values. Unforeseeable changes to economic conditions in Europe may also affect the values of our properties. If the actual realisable value of our property is substantially lower than its appraised value, it may have a material adverse effect on our business, results of operations and financial conditions.

*It may be difficult to enforce legal judgement against us, our member or our senior management*

We are a holding company incorporated under the Cayman Islands law with all of our business conducted through our operating subsidiaries incorporated in the Czech Republic, Germany and Austria. Most of our senior management are residents of jurisdictions outside of Hong Kong and Cayman Islands. A substantial portion of our assets and the assets of our senior management, at any one time, are and may be located in jurisdictions outside of Hong Kong and Cayman Islands. It could be difficult for [REDACTED] to effect service of process within Hong Kong or Cayman Islands on our senior management who reside outside of Hong Kong and Cayman Islands. Czech Republic, Germany and Austria have no direct bilateral reciprocal agreements or arrangements with Hong Kong or Cayman Islands that provide for the recognition and enforcement of any judgements of the Hong Kong and/or Cayman Islands courts. As a result, it may be difficult for [REDACTED] outside of Czech Republic, Germany and Austria to enforce any judgements of the Hong Kong and/or Cayman Islands courts against us, our members or our senior management in the Czech Republic, Germany and Austria.

### **RISKS RELATING TO THE [REDACTED] AND [REDACTED]**

*If we fail to comply with the applicable laws of the Czech Republic and/or Malta or the Gambling Ordinance (Chapter 148 of the Laws of Hong Kong), the Stock Exchange may suspend the [REDACTED] of our Shares or cancel our [REDACTED]*

The Stock Exchange issued a Guidance Letter HKEx-GL71-14 titled "Gambling Activities of New Applicants and/or Listed Issuers" in January 2014, which applies to the operation of gambling activities by listed companies. If our gaming operations (i) fail to

## RISK FACTORS

comply with the applicable laws in the areas where such activities operate (namely, Czech Republic and/or Malta), and/or (ii) contravene the Gambling Ordinance (Chapter 148 of the Laws of Hong Kong), we or our business may be considered unsuitable for [REDACTED] under Rule 8.04 of the Listing Rules. Depending on the circumstances of the case, the Stock Exchange may require us to take remedial actions, and/or may [REDACTED] or [REDACTED] of our Shares pursuant to Rule 6.01 of the Listing Rules.

*There has been no prior market for our Shares, and their liquidity and market price following the [REDACTED] may be volatile*

Prior to the [REDACTED], there was no public market for our Shares. The indicative [REDACTED] range and the [REDACTED] will be determined by negotiations among the [REDACTED], the [REDACTED] (on behalf of the [REDACTED]) and us, and they may differ significantly from the market price of our Shares following the [REDACTED].

We have applied to [REDACTED] and [REDACTED] our Shares on the Stock Exchange. However, even if approved, there can be no guarantee that: (i) an active or liquid trading market for our Shares will develop; or (ii) if such a trading market does develop, it will be sustained following completion of the [REDACTED]; or (iii) the market price of our Shares will not decline below the [REDACTED]. The trading volume and price of our Shares may be subject to significant volatility in response to, among others, the following factors:

- variations in our financial position and/or results of operations;
- changes in securities analysts' estimates of our financial position and/or results of operations, regardless of the accuracy of information on which their estimates are based;
- changes in investors' perception of us and the investment environment generally;
- loss of visibility in the markets due to lack of regular coverage of our business;
- strategic cooperation or acquisitions;
- changes in laws and regulations that impose limitations on our industry;
- announcements made by us or our competitors;
- release or expiry of lock-up or other transfer restrictions on our Shares;
- the liquidity of the market for our Shares; and
- general economic and other factors.



## RISK FACTORS

*Potential [REDACTED] will experience immediate and substantial dilution as a result of the [REDACTED] and could face dilution as a result of future equity financings*

The [REDACTED] substantially exceeds the per Share value of our net tangible assets after subtracting our total liabilities, and therefore potential [REDACTED] will experience immediate dilution when they purchase our Shares in the [REDACTED]. If we were to distribute our net tangible assets to our Shareholders immediately following the [REDACTED], potential [REDACTED] would receive less than the amount they paid for their Shares.

We will comply with Rule 10.08 of the Listing Rules, which specifies that no further Shares or other securities of our Company (subject to certain exceptions) may be issued or form the subject of any agreement to such an issue within six months from the [REDACTED]. However, after six months from the [REDACTED], we may raise additional funds to finance future acquisitions or expansions of our business operations by issuing new Shares or other securities of our Company. As a result, the percentage shareholding of the then Shareholders may be diluted and such newly issued Shares or other securities may confer rights and privileges that have priority over those of the then Shareholders.

*Future or perceived sales of substantial amounts of our Shares could affect their market price*

The market price of our Shares could decline as a result of future sales of substantial amounts of our Shares or other related securities, or the perception that such sales may occur. Our ability to raise future capital at favourable times and prices may also be materially and adversely affected. Our Shares held by the Controlling Shareholders and Dateplum are currently subject to certain lock-up undertakings, the details of which are set out in the paragraph headed "[REDACTED] Arrangements and Expenses" under the section headed "[REDACTED]" and the paragraph headed "The [REDACTED] Investment" under the section headed "History, Reorganisation and Corporate Structure" in this document, respectively. However, there is no assurance that following the expiration of the lock-up periods, these Shareholders will not dispose of any Shares. We cannot predict the effect of any future sales of the Shares by any of our Shareholders on the market price of our Shares.

*Our management has significant discretion as to how to use the [REDACTED] of the [REDACTED], and you may not necessarily agree with how we use them*

Our management may use the [REDACTED] from the [REDACTED] in ways that you may not agree with or that do not yield a favourable return to our Shareholders. By [REDACTED] in our Shares, you are entrusting your funds to our management, upon whose judgement you must depend, for the specific uses we will make of the [REDACTED] from this [REDACTED]. Please refer to the section headed "Future Plans and Use of [REDACTED]" in this document.

## RISK FACTORS

*Our Controlling Shareholders have substantial influence over our Company and its interests may not be aligned with the interests of Shareholders who subscribe for Shares in the [REDACTED]*

Prior to and immediately following the completion of the [REDACTED], our Controlling Shareholders will have substantial control over its interests in the issued share capital of our Company. Subject to the Articles of Association, the Companies Ordinance and the Listing Rules, the Controlling Shareholders by virtue of their controlling beneficial ownership of the share capital of the Company, will be able to exercise significant control and exert significant influence over our business or otherwise on matters of significance to us and other Shareholders by voting at the general meeting of the Shareholders and at Board meetings. Please refer to the section headed "Relationship with our Controlling Shareholders" in this document. The interests of our Controlling Shareholders may differ from the interests of our other Shareholders. Our Controlling Shareholders will have significant influence on the outcome of any corporate transaction or other matters submitted to our Shareholders for approval, including mergers, consolidations, sales of all or substantially all of our assets, election of Directors and other significant corporate actions. This concentration of ownership may discourage, delay or prevent changes in control of our Company that would otherwise benefit our other Shareholders. To the extent that the interests of our Controlling Shareholders conflict with those of our other Shareholders, our other Shareholders may be deprived of opportunities to advance or protect their interests.

*Since there will be a gap of several days between the [REDACTED] and [REDACTED] of our [REDACTED], the [REDACTED] of our [REDACTED] could fall below the [REDACTED] when [REDACTED] commences*

The [REDACTED] of our Shares will be determined on the [REDACTED], which is expected to be on or around [REDACTED]. However, our Shares will not commence trading on the Stock Exchange until the [REDACTED], which is expected to be [REDACTED]. Accordingly, [REDACTED] may not be able to [REDACTED] or [REDACTED] our Shares during the period between the [REDACTED] and the [REDACTED]. Our Shareholders are subject to the risk that the [REDACTED] of our Shares could fall before [REDACTED] begins, as a result of adverse market conditions or other adverse developments that could occur between the [REDACTED] and the [REDACTED].

*We cannot guarantee the accuracy of facts, forecasts and statistics with respect to the Czech Republic, Germany, Austria, Malta and Europe, their economies and our relevant industries contained in this document*

Certain facts, forecasts and statistics in this document relating to the Czech Republic, Germany, Austria, Malta and Europe, their economies and industries relevant to us were obtained from information provided or published by relevant government agencies, independent research institutions or other third-party sources, and we can guarantee neither the quality nor reliability of such source materials. They have not been prepared or independently verified by us, the Sole Sponsor, the [REDACTED], the [REDACTED], the [REDACTED], the [REDACTED] and the [REDACTED] or any of its

## RISK FACTORS

respective affiliates or advisers. Therefore, we make no representation as to the accuracy of such facts, forecasts and statistics, which may not be consistent with other information compiled within or outside of the Czech Republic, Germany, Austria, Malta and Europe. Due to possibly flawed or ineffective collection methods or discrepancies between published information and market practice, the statistics herein may be inaccurate or incomparable to statistics produced for other economies and should not be relied upon. Furthermore, there can be no assurance that they are stated or compiled on the same basis, or with the same degree of accuracy, as similar statistics presented elsewhere. In all cases, [REDACTED] should consider how much weight or importance they should attach to or place on such facts, forecasts or statistics.

*There are risks associated with the forward-looking statements contained in this document*

This document contains certain forward-looking statements and information relating to us and the subsidiaries comprising our Group, which are based on the beliefs of our management as well as the assumptions made by and information currently available to our management. Such statements reflect the current views of our Company's management with respect to future events, operations, liquidity and capital resources, some of which may not materialise or may change. These statements are subject to certain risks, uncertainties and assumptions, including the other risk factors as described in this document.

*[REDACTED] should read the entire document and should not place reliance on any information (if any) contained in press articles or other media coverage regarding our Company and the [REDACTED]*

Prior to the publication of this document, there may be press and media coverage which contain certain information referring to our Company and the [REDACTED] that does not appear in this document. We have not authorised the disclosure of such information in the press or media and do not accept any responsibility for any such press or media coverage or the accuracy or completeness of any such information. We make no representation as to the appropriateness, accuracy, completeness or reliability of any such information or publication. To the extent that any such information is not contained in this document or is inconsistent or conflicts with the information contained in this document, we disclaim any responsibility and liability in connection therewith or resulting therefrom. Accordingly, you should not rely on any such information.

*There is no assurance that our Shares will remain [REDACTED] on the Stock Exchange*

Although it is currently intended that our Shares will remain [REDACTED] on the Stock Exchange, there is no guarantee of the continued [REDACTED] of our Shares. Among other factors, our Company may not continue to satisfy the [REDACTED] of the Stock Exchange. Holders of our Shares would not be able to [REDACTED] our Shares through [REDACTED] on the Stock Exchange if our Shares are no longer [REDACTED] on the Stock Exchange.

## WAIVERS FROM STRICT COMPLIANCE WITH THE LISTING RULES

In preparation for the [REDACTED], our Group has sought the following waivers from strict compliance with certain provisions of the Listing Rules:

### MANAGEMENT PRESENCE IN HONG KONG

Pursuant to Rule 8.12 of the Listing Rules, an issuer must have sufficient management presence in Hong Kong. This normally means that at least two of its executive directors must be ordinarily resident in Hong Kong. We currently only have one executive Director, Mr. Pavel MARŠÍK, who is ordinarily resident in the Czech Republic.

Given that (i) our core business operations are principally located, managed and conducted in the Czech Republic, Germany and Austria; (ii) our executive Director and most of our senior management team principally reside in the Czech Republic, Germany and Austria; and (iii) the management and operations of the Company have mainly been under the supervision of our executive Director and senior management, who are principally responsible for the overall management, corporate strategy, planning, business development and control of our Group's businesses and it is important for them to remain in close proximity to our Group's operations, our Company considers that it would be more practical for our executive Director and most of our senior management to remain ordinarily resident in the places where our Group has substantial operations. For the above reasons, we do not have, and do not contemplate in the foreseeable future that we will have sufficient management presence in Hong Kong for the purpose of satisfying the requirement under Rule 8.12 of the Listing Rules.

Accordingly, we have applied to the Stock Exchange for, and the Stock Exchange [has granted], a waiver from strict compliance with the requirements under Rule 8.12 of the Listing Rules. In order to maintain effective communication with the Stock Exchange, we will put in place the following measures to ensure that regular communication is maintained between the Stock Exchange and us:

- (a) we have appointed two authorised representatives pursuant to Rule 3.05 of the Listing Rules, who will act as our principal channel of communication with the Stock Exchange. The two authorised representatives are Mr. Cheong Thard HOONG and Mr. Kwok Tai LAW, who will be able to meet with the relevant members of the Stock Exchange on reasonable notice and will be readily contactable by telephone and email;
- (b) each of the authorised representatives will have all necessary means to contact all our Directors (including the independent non-executive Directors) promptly at all times, as and when the Stock Exchange wishes to contact our Directors on any matter;
- (c) each Director who is not ordinarily resident in Hong Kong possesses or is able to apply for valid travel documents to visit Hong Kong for business purposes and would be able to meet with the Stock Exchange upon reasonable notice;
- (d) Altus Capital Limited, our compliance adviser, will act as an additional channel of communication with the Stock Exchange; and

**WAIVERS FROM STRICT COMPLIANCE WITH THE LISTING RULES**

- (e) each Director will provide his or her contact details, including mobile phone numbers, office phone numbers, fax numbers and e-mail address to the Stock Exchange.

**ALLOCATION OF SHARES TO [REDACTED] (AS DEFINED BELOW) UNDER THE [REDACTED]**

[REDACTED] who are entitled to participate in the [REDACTED] include certain Directors and their close associates (“[REDACTED]”), namely, Tan Sri Dato’ David CHIU and his spouse, Mrs. Nancy CHIU NG, Mr. Cheong Thard HOONG and his spouse, Ms. Pei Chun TENG, and Dr. Ngai Wing LIU. The [REDACTED] is required under paragraph 3(f) of Practice Note 15 of the Listing Rules. In the absence of prior written consent from the Stock Exchange, participation by the [REDACTED] in the [REDACTED] would be prohibited by paragraph 5(2) of Appendix 6 to the Listing Rules which restricts share allocations to directors or existing shareholders of the listing applicant or their close associates, whether in their own names or through nominees, unless the conditions set out in Rule 10.03 of the Listing Rules are fulfilled.

Rule 10.03 of the Listing Rules provides that directors of the listing applicant and their close associates may only subscribe for or purchase securities for which listing is sought which are being marketed by or on behalf of a new applicant if (a) no securities are offered to them on a preferential basis and no preferential treatment is given to them in the allocation of the securities; and (b) the minimum prescribed percentage of public shareholders required by Rule 8.08(1) of the Listing Rules is achieved.

The [REDACTED] to the [REDACTED] are [REDACTED] pursuant to the [REDACTED] and therefore the condition set out in Rule 10.03(1) of the Listing Rules is not fulfilled. However, the [REDACTED] who are eligible to participate in the [REDACTED] will be participating in their capacity as [REDACTED] rather than in their capacity as Directors or the close associates of Directors, on the same terms as all other [REDACTED], and not on a basis of preferential treatment given to them in their capacity as Directors or the close associates of Directors.

In view of the above, our Company has sought the Stock Exchange’s consent for, and the Stock Exchange [has granted] to our Company, a waiver from strict compliance with Rule 10.03 of the Listing Rules and a consent under paragraph 5(2) of Appendix 6 to the Listing Rules for the inclusion of [REDACTED], who are [REDACTED], as the eligible participants under the [REDACTED], subject to the conditions that:

- (a) no preferential treatment will be given to the [REDACTED] who are [REDACTED] in the allocation of the [REDACTED] under the [REDACTED];

## WAIVERS FROM STRICT COMPLIANCE WITH THE LISTING RULES

- (b) the [REDACTED] in their capacity as [REDACTED] will not apply for such number of [REDACTED] which is more than the total number of [REDACTED];
- (c) save for the [REDACTED], none of the [REDACTED] will participate or indicate any interest in the [REDACTED] and the [REDACTED];
- (d) the allocation of the [REDACTED] will be on a pro rata basis amongst all [REDACTED] (who have applied for the [REDACTED]) and no preferential treatment (in terms of allocation) will be given to the [REDACTED] (who have applied for the [REDACTED] and in their capacity as [REDACTED]) as compared to other [REDACTED]; and
- (e) the minimum public float requirement under Rule 8.08(1) of the Listing Rules will be complied with immediately after completion of the [REDACTED].

### THE POST-TRACK RECORD PERIOD ACQUISITIONS

Rules 4.04(2) and 4.04(4) of the Listing Rules require that the new applicant include in its accountants' report the results and balance sheet of any business or subsidiary acquired, agreed or proposed to be acquired, since the date to which its latest audited accounts have been made up, in respect of each of the three financial years immediately preceding the issue of the listing document.

Pursuant to note (4) of Rule 4.04(4) of the Listing Rules, the Stock Exchange may consider an application for a waiver from strict compliance with Rules 4.04(2) and 4.04(4) of the Listing Rules taking into account the following factors:

- (a) that all the percentage ratios (as defined under Rule 14.04(9) of the Listing Rules) are less than 5% by reference to the most recent audited financial year of the new applicant's trading record period;
- (b) if the acquisition will be financed by the proceeds raised from a public offer, the new applicant has obtained a certificate of exemption from the SFC in respect of the relevant requirements under paragraphs 32 and 33 of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance; and
- (c) (i) where a new applicant's principal activities involve the acquisition of equity securities (the Stock Exchange may require further information where securities acquired are unlisted), the new applicant is not able to exercise any control, and does not have any significant influence over the underlying company or business to which Rules 4.04(2) and 4.04(4) of the Listing Rules relate, and has disclosed in its listing document the reasons for the acquisition and a confirmation that the counterparties and their respective ultimate

## WAIVERS FROM STRICT COMPLIANCE WITH THE LISTING RULES

beneficial owners are independent of the new applicant and its connected persons. In this regard, "control" means the ability to exercise or control the exercise of 30% (or any amount specified in the Hong Kong Code on Takeovers and Mergers as the level for triggering a mandatory general offer) or more of the voting power at general meeting, or being in a position to control the composition of a majority of the board of directors of the underlying company or business; or (ii) with respect to an acquisition of a business (including acquisition of an associated company and any equity interest in a company other than in the circumstances covered under sub-paragraph (a) above) or a subsidiary by a new applicant, the historical financial information of such business or subsidiary is unavailable, and it would be unduly burdensome for the new applicant to obtain or prepare such financial information; and the new applicant has disclosed in its listing document information required for the announcement for a discloseable transaction under Rules 14.58 and 14.60 of the Listing Rules on each acquisition. In this regard, "unduly burdensome" will be assessed based on each new applicant's specific facts and circumstances (e.g. why the financial information of the acquisition target is not available and whether the new applicant or its controlling shareholder has sufficient control or influence over the seller to gain access to the acquisition target's books and records for the purpose of complying with the disclosure requirements under Rules 4.04(2) and 4.04(4) of the Listing Rules).

### Polish Acquisition

On 20 July 2023, Palasino Group entered into a share sale agreement with Mrs. Patrycja Sylwia Matysiak and Mrs. Justyna Mszanska (the "**Polish Vendors**") pursuant to which Palasino Group agreed to acquire the 100% shareholding interest of Palasino Poland held by the Polish Vendors for a cash consideration of PLN98,709 (equivalent to approximately HK\$187,547) (the "**Polish Acquisition**"). The consideration was determined after arm's length negotiation with reference to, among others, Palasino Poland's value to our business as a Polish corporate vehicle with the requisite financial track record to facilitate the launch of our land based gaming business in Poland. The consideration was settled in cash from internal resources and the Polish Acquisition was completed in July 2023.

Palasino Poland is a limited liability company incorporated in Poland on 11 May 2021 and, prior to the Polish Acquisition, was licenced to conduct car lease brokerage business. After the Polish Acquisition, it is intended that Palasino Poland would bid for casino licences in Poland.

There is currently minimal business in Poland and the Polish Acquisition is merely to facilitate the establishment of a Polish corporate vehicle to tender for casino licences in Poland. There is no assurance that we will be successful in the launch of the business, which is subject to, among others, winning any licences.

## WAIVERS FROM STRICT COMPLIANCE WITH THE LISTING RULES

Based on the unaudited management accounts of Palasino Poland, its total assets amounted to approximately PLN68,729 (equivalent to approximately HK\$130,585) as of 31 December 2022. Its net profit before tax was approximately PLN43,371 (equivalent to approximately HK\$82,405) for the year ended 31 December 2022 and its net profit after tax was approximately PLN39,468 (equivalent to approximately HK\$74,989) for the year ended 31 December 2022.

### Possible European Acquisition

On 26 July 2023, Palasino Group entered into a letter of intent with two individuals (the "European Vendors" and together with the Polish Vendors, the "Vendors"), pursuant to which Palasino Group expressed its intention to negotiate towards an agreement to purchase 100% of the shareholding interest in a licenced online and mobile poker and gaming operator in Europe (the "Target Company") held by the European Vendors for an indicative consideration of €3,500,000 (equivalent to approximately HK\$29,925,000) (the "Possible European Acquisition" and together with the Polish Acquisition, the "Acquisitions"). The Target Company is principally engaged in online and mobile gaming in a European licenced market and holds a general gaming licence and single licences for poker, slots, blackjack and roulette. The Possible European Acquisition is subject to satisfactory due diligence and the Target Company maintaining all of its licences. The Possible European Acquisition is part of our efforts to expand our footprint in the online gaming space.

The consideration is expected to be settled in cash and is based on arm's length negotiation between the European Vendors and us. Should the Possible European Acquisition proceed, we intend to use our internal resources to satisfy the consideration.

Based on the unaudited management accounts of the Target Company provided by the European Vendors, the Target Company's total assets amounted to approximately EUR476,300 (equivalent to approximately HK\$4,072,365) as of 31 December 2022. Its net profit before tax was approximately EUR300,969 (equivalent to approximately HK\$2,573,285) for the year ended 31 December 2022 and its net profit after tax was approximately EUR265,554 (equivalent to approximately HK\$2,270,487) for the year ended 31 December 2022. Its net profit before tax was approximately EUR96,227 (equivalent to approximately HK\$822,741) for the year ended 31 December 2021 and its net profit after tax was approximately EUR89,885 (equivalent to approximately HK\$768,517) for the year ended 31 December 2021.

The Possible European Acquisition is at an early stage and is yet to be finalised and the exact terms are to be negotiated. Due diligence is currently underway and there is no assurance that the Possible European Acquisition will proceed.

To the best of our Directors' knowledge, information and belief, having made all reasonable enquiries, the Vendors are Independent Third Parties.



## WAIVERS FROM STRICT COMPLIANCE WITH THE LISTING RULES

### Conditions to the waiver granted by the Stock Exchange

We have applied to the Stock Exchange for, and the Stock Exchange [has granted] a waiver from strict compliance with Rules 4.04(2) and 4.04(4) of the Listing Rules in respect of the Acquisitions on the following grounds:

- i. **Immateriality** — the scale of the businesses operated by Palasino Poland and the Target Company as compared to that of our Group is not material. Based on the financial information of Palasino Poland and the Target Company available to our Company, each of the assets ratio, revenue ratio and profits ratio in relation to each of the Polish Acquisition and the Possible European Acquisition is below 5%. In addition, notwithstanding that the Acquisitions represent suitable strategic acquisition targets of our Group, the Acquisitions will not result in any significant change to our financial position since 31 March 2023 and all information that is reasonably necessary for the potential [REDACTED] to make an informed assessment of the activities or our financial position has been included in this document. As such, a waiver from compliance with Rules 4.04(2) and 4.04(4)(a) of the Listing Rules would not prejudice the interests of the [REDACTED] public.
- ii. **Impracticality** — the Polish Acquisition was only completed in July 2023 and it will require considerable time and resources for our Company and our reporting accountants to first familiarise ourselves with the accounting policies of Palasino Poland, and then to gather and compile the necessary financial information and supporting documents to bring them in conformity with our Group's accounting policies and standards, as well as comply with Rule 4.04 of the Listing Rules for disclosure in this document. The Possible European Acquisition may or may not proceed and remains subject to negotiation between parties and certain conditions, including but not limited to satisfactory due diligence results. As such, our Company does not have full access to the relevant financial records of the Target Company for purposes of audit by its reporting accountant and disclosure in this document. Accordingly, having considered the immateriality of Palasino Poland and the Target Company as well as the time and resources required to obtain, compile and audit such historical information in conformity with our Company's accounting policies, it would be unduly burdensome for our Company to prepare and include the full historical financial information of Palasino Poland and the Target Company in this document.

## WAIVERS FROM STRICT COMPLIANCE WITH THE LISTING RULES

- iii. **Alternative disclosure** — with a view to allowing potential [REDACTED] to understand the Acquisitions in greater detail, we have included in this document the following information regarding the Acquisitions, which is comparable to the information that is required to be included in the announcement of a discloseable transaction under Chapter 14 of the Listing Rules, including: (a) general description of the scope of principal business activities of Palasino Poland and the Target Company; (b) confirmation that the Vendors are Independent Third Parties; (c) the consideration of the Acquisitions; (d) the basis on which the consideration is determined; (e) how the consideration was/is expected to be satisfied; and (f) reasons for and benefits of the Acquisitions. For the avoidance of doubt, the identities of the European Vendors and the Target Company are not disclosed in this document because (i) Palasino Group had entered into a confidentiality agreement with the European Vendors relating to the Possible European Acquisition; and (ii) given the competitive nature of the business and that we have not entered into any legally binding agreements with respect to the Possible European Acquisition as of the Latest Practicable Date, disclosure of the names of the European Vendors and the Target Company in this document is commercially sensitive and may jeopardise our ability to consummate the Possible European Acquisition, should we decide to proceed with it.

INFORMATION ABOUT THIS DOCUMENT AND THE [REDACTED]

[REDACTED]

INFORMATION ABOUT THIS DOCUMENT AND THE [REDACTED]

[REDACTED]

INFORMATION ABOUT THIS DOCUMENT AND THE [REDACTED]

[REDACTED]

INFORMATION ABOUT THIS DOCUMENT AND THE [REDACTED]

[REDACTED]

INFORMATION ABOUT THIS DOCUMENT AND THE [REDACTED]

[REDACTED]

**DIRECTORS AND PARTIES INVOLVED IN THE [REDACTED]**

**DIRECTORS**

<b>Name</b>	<b>Residential Address</b>	<b>Nationality</b>
<b>Executive Director</b>		
Mr. Pavel MARŠÍK	Ke Stromeckum 1510, 253 01 Hostivice, Czech Republic	Czech
<b>Non-Executive Directors</b>		
Tan Sri Dato' David CHIU (丹斯里拿督 邱達昌)	1 Silver Terrace Road Silverstrand, Clear Water Bay Kowloon, Hong Kong	Chinese
Mr. Cheong Thard HOONG (孔祥達)	5A Kennedy Heights 10-18 Kennedy Road, Mid Levels Hong Kong	Malaysian
<b>Independent Non-Executive Directors</b>		
Dr. Ngai Wing LIU (廖毅榮)	Flat A, 17/F, Kingsford Height 17 Babington Path Hong Kong	Chinese
Mr. Kam Choi Rox LAM (林錦才)	Flat E, 4/F 52 Conduit Road Hong Kong	Chinese
Ms. Sin Kiu NG (吳先僑)	Flat E, 38/F Tower 16, Ocean Shores Tseung Kwan O, Hong Kong	Chinese

Please refer to "Directors and Senior Management" in this document for further details of our Directors.



**DIRECTORS AND PARTIES INVOLVED IN THE [REDACTED]**

**PARTIES INVOLVED IN THE [REDACTED]**

**Sole Sponsor**

**Guotai Junan Capital Limited**

*(a licenced corporation under the SFO to engage in type 6  
(advising on corporate finance) regulated activity)*

27th Floor, Low Block

Grand Millennium Plaza

181 Queen's Road Central

Hong Kong

[REDACTED]

**DIRECTORS AND PARTIES INVOLVED IN THE [REDACTED]**

**Legal Advisers to our Company** *As to Hong Kong law:*

**Reed Smith Richards Butler LLP**

17th Floor  
One Island East, Taikoo Place  
18 Westlands Road  
Quarry Bay, Hong Kong

*As to Cayman Islands law:*

**Conyers Dill & Pearman**

29th Floor, One Exchange Square  
8 Connaught Place  
Central, Hong Kong

*As to Czech law:*

**Becker a Poliakoff, s.r.o., advokátní kancelář**

U Prašné brány 1078/1  
Prague 1, 110 00  
the Czech Republic

*As to Austrian law:*

**Kraft Rechtsanwalts GmbH**

Heinrichsgasse 4  
1010 Vienna  
Austria

*As to German law:*

**avocado rechtsanwälte**

Nextower  
Thurn-und-Taxis-Platz 6  
60313 Frankfurt  
Germany

*As to Maltese law:*

**WH Partners**

Quantum House  
75, Abate Rigord Street  
Ta' Xbiex XBX 1120  
Malta

**DIRECTORS AND PARTIES INVOLVED IN THE [REDACTED]**

**Legal Advisers to the Sole  
Sponsor and the  
[REDACTED]**

*As to Hong Kong law:*

**DeHeng Law Offices (Hong Kong) LLP**  
28th Floor, Henley Building  
5 Queen's Road Central  
Central  
Hong Kong

Room 3507, 35/F  
Edinburgh Tower  
The Landmark  
15 Queen's Road Central  
Central  
Hong Kong

*As to Czech law:*

**BRADÁČ ČAPEK STARÝ & Attorneys at Law**  
Ovocný trh 573/12  
110 00 Praha 1  
the Czech Republic

**Auditors and Reporting  
Accountants**

**Deloitte Touche Tohmatsu**  
*Certified Public Accountants*  
35/F, One Pacific Place  
88 Queensway, Hong Kong

**AML Consultant**

**Deloitte Touche Tohmatsu**  
35/F, One Pacific Place  
88 Queensway, Hong Kong

**Property Valuer**

**Roma Appraisals Limited**  
Rooms 1101-4, 11/F, Harcourt House  
39 Gloucester Road, Wan Chai, Hong Kong

**Industry Consultant**

**China Insights Industry Consultancy Limited**  
10F, Block B, Jingan International Center  
88 Puji Road, Jingan District  
Shanghai, China

[REDACTED]

## CORPORATE INFORMATION

<b>Registered office</b>	Cricket Square, Hutchins Drive P.O. Box 2681 Grand Cayman KY1-1111 Cayman Islands
<b>Headquarters and principal place of business in Hong Kong</b>	16/F, Far East Consortium Building 121 Des Voeux Road Central Hong Kong
<b>Company's website address</b>	<u><a href="http://www.palasinoholdings.com">www.palasinoholdings.com</a></u> (information on this website does not form part of the document)
<b>Company secretary</b>	Mr. Kwok Tai LAW (羅國泰) (Chartered Public Accountant) No. 22, 2/F, Yee Yuen 16-22 Dumbarton Road Kowloon Tong, Kowloon Hong Kong
<b>Authorised representatives</b>	Mr. Cheong Thard HOONG (孔祥達) 5A Kennedy Heights 10-18 Kennedy Road, Mid Levels Hong Kong  Mr. Kwok Tai LAW (羅國泰) No. 22, 2/F, Yee Yuen 16-22 Dumbarton Road Kowloon Tong, Kowloon Hong Kong
<b>Audit committee</b>	Dr. Ngai Wing LIU (廖毅榮) ( <i>Chairman</i> ) Mr. Kam Choi Rox LAM (林錦才) Ms. Sin Kiu NG (吳先僑)
<b>Remuneration committee</b>	Dr. Ngai Wing LIU (廖毅榮) ( <i>Chairman</i> ) Mr. Cheong Thard HOONG (孔祥達) Mr. Kam Choi Rox LAM (林錦才)
<b>Nomination committee</b>	Tan Sri Dato' David CHIU (丹斯里拿督邱達昌) ( <i>Chairman</i> ) Dr. Ngai Wing LIU (廖毅榮) Mr. Kam Choi Rox LAM (林錦才) Ms. Sin Kiu NG (吳先僑)

**CORPORATE INFORMATION**

**Principal bankers**

**Allgemeine Sparkasse Oberösterreich  
Bankaktiengesellstift**  
Promenade 11-13  
4020 Linz

**Erste Bank der oesterreichischen Sparkassen AG**  
Am Belvedere 1  
1100 Wien

**Kreissparkasse Köln**  
Neumarkt 18-24  
50667 Köln

**Sparkasse Langen-Seligenstadt**  
Frankfurter Str. 137  
63500 Seligenstadt

**Sparkasse Münden**  
Postfach 13 68  
34333 Hann. Münden

**Česká spořitelna, a.s.**  
Olbrachtova 1929/62  
140 00 Praha 4

**Finductive Ltd.**  
Level 2C, Centris Business Gateway II  
Triq is-Salib tal-Imriehel, Zone 3  
Central Business District  
CBD 3020 Birkirkara

**Česká spořitelna, a.s.**  
Olbrachtova 1929/62  
140 00 Praha 4

**Komerční banka**  
Na příkopě 33, č. p. 969  
114 07 Praha 1

**Compliance adviser**

**Altus Capital Limited**  
21 Wing Wo Street  
Central  
Hong Kong

**CORPORATE INFORMATION**

[REDACTED]

## INDUSTRY OVERVIEW

*This section contains certain information, statistics and data which are derived from the CIC Report. The information from official government publications, industry sources and the CIC Report may not be consistent with information available from other sources within or outside Europe and Hong Kong. We believe that the sources of the information in this section are appropriate sources for such information and have taken reasonable care in extracting and reproducing such information. We have no reason to believe that such information is false or misleading in any material respect. Such information and statistics have not been independently verified by us, the Sole Sponsor, the [REDACTED], the [REDACTED], the [REDACTED], the [REDACTED], the [REDACTED], the [REDACTED] or any other party (other than CIC) involved in the [REDACTED] and no representation is given as to their accuracy or completeness. As such, [REDACTED] are cautioned not to place any undue reliance on the information, including statistics and estimates, set out in this section or similar information included elsewhere in this document.*

## SOURCES OF INFORMATION

CIC was commissioned to conduct an analysis of, and to report on, the gaming industry and the hotel industry in Central Europe, at a fee of approximately USD50,000. The commissioned report was prepared by CIC independent from the influence of the Company and other interested parties. CIC's services include, among others, industry consulting, commercial due diligence, and strategic consulting. Its consulting team has been tracking the latest market trends in multiple business sectors, including the entertainment, internet, environment, industry, energy, chemicals, healthcare, consumer goods, transportation, agriculture, and finance, and has the relevant and insightful market intelligence in the above industries. Our Directors are of the view that, after taking reasonable care, they are not aware of any material adverse change in the overall market information since the date of the CIC Report that would materially qualify, contradict or have an adverse impact on such information.

During the preparation of the commissioned report, CIC conducted both primary and secondary research using a variety of resources. Primary research involved interviewing key industry experts and leading industry participants. Secondary research involved analysing data from various publicly available data sources, such as the Ministry of Finance in the Czech Republic, Eurostat, Organization for Economic Co-operation and Development (OECD), Global Business Travel Association (GBTA), etc. The information and data collected by CIC have been analysed, assessed, and validated using CIC's in-house analysis models and techniques.

The market projections in the commissioned report are based on the following key assumptions: (i) the overall social, economic, and political environment in Central Europe is expected to remain stable during the forecast period; (ii) the economy in Central Europe is likely to maintain a steady growth trajectory during the forecast period; (iii) relevant key industry drivers are likely to drive the gaming industry and the hotel industry in Central Europe, e.g., consumers' higher consumption expenditure and increased wealth, recovery of both leisure and business tourism from COVID-19, demand from neighbouring countries, and progress in technology; (iv) there is no extreme force majeure

## INDUSTRY OVERVIEW

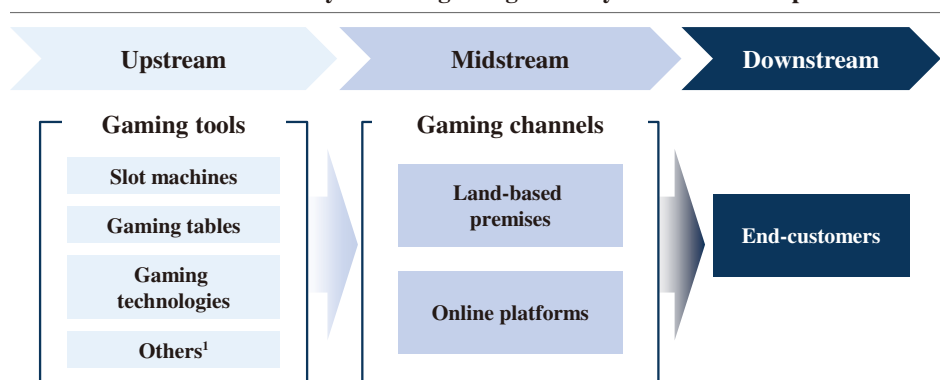
or unforeseen set of industry regulations in which the market may be affected in either a dramatic or fundamental way; and (v) global economy will gradually recover from the negative effects of the COVID-19 pandemic.

### OVERVIEW OF THE GAMING INDUSTRY IN CENTRAL EUROPE

The gaming industry refers to the industry that receives licences from relevant state departments to operate online and land-based gambling games, including slot machines, live games, and others. Slot machines refer to electromechanical game machines including mainly traditional slot machines, electromechanical roulette, electromechanical dices, etc. Slot machines are present in land-based premises or on online platforms. Live games are played by one or more players against a dealer, or against each other at land-based gaming tables or online websites. Gaming tables include tables for roulette, card games, dice games, etc. Others include betting, lottery, bingo, etc.

The upstream of the gaming industry in Central Europe consists of suppliers of gaming tools including slot machines, gaming tables, gaming technologies, and others. The midstream consists of industry players that operate through different gaming channels including land-based premises and online platforms. These industry players purchase or rent gaming tools from upstream suppliers and offer gaming experience to end-customers which are mainly mass individuals.

**Value chain analysis of the gaming industry in Central Europe**



*Note:*

- Others include betting and lottery machines, gaming operational supplies, etc.

*Source:* China Insights Consultancy

The Central Europe gaming market includes the gaming markets in the Czech Republic, Germany, Poland, Austria, and Slovakia, all of which have different attitudes and laws related to gambling. The market size of the gaming industry in Central Europe, in terms of gross gaming revenue (GGR), decreased from HK\$163.4 billion in 2018 to HK\$131.0 billion in 2021 and rebounded to HK\$167.9 billion in 2022, representing a CAGR of 0.7% between 2018 and 2022. In Germany, some types of gaming, like bets on non-sports events, are not permitted. In contrast, the Czech Gambling Act does not have strict prohibition on non-sports betting. The Czech Republic is one of the European countries

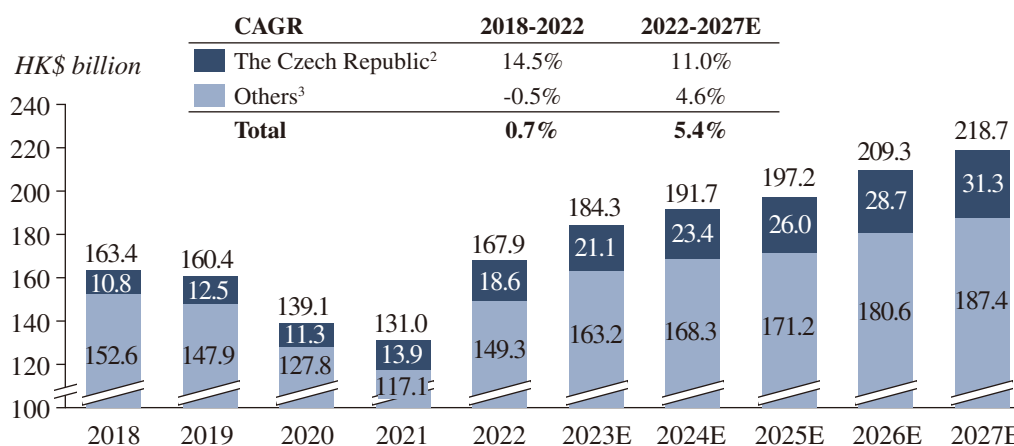


## INDUSTRY OVERVIEW

where most of the modern types of gaming are completely legal and has a more developed online gaming market than Austria and Germany. The Czech Republic allows online gaming operated with a registered office in the Czech Republic, another EU Member State, or a state that is a party to the Agreement on the European Economic Area. In Germany and Austria, online gaming operators are advised to have a local license to avoid potential operational risks. The market size of the Czech Republic's gaming market, 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. The GGR of the land-based gaming industry in the Czech Republic reached HK\$9.3 billion in 2022 with a CAGR of 5.2% between 2018 and 2022. Online gaming in the Czech Republic has witnessed huge increase between 2018 and 2022 from HK\$3.2 billion to HK\$9.3 billion, with a CAGR of 30.6% and is projected to gradually increase to HK\$17.2 billion in 2027, with a CAGR of 13.2% between 2022 and 2027 owing to: (i) the lockdown and restrictions caused by the COVID-19 pandemic, which prohibited people gaining access to land-based gaming premises and altered the gaming behaviour to shift to the online channel; (ii) increasing penetration of mobile gambling activities and the enhancement of the infrastructure used in the development of online gaming.

On 13 March 2020, World Health Organization (WHO) announced that the COVID-19 pandemic officially outbreaked in Europe. Actions were taken by different government authorities to prevent the virus from spreading including (i) closed the border; (ii) imposed stay-at-home order and adopted working from home; (iii) prohibited social gathering and closed public places including schools, restaurants, theatres, casinos, etc. According to the Ministry of Finance in the Czech Republic, in year 2020, the operation of the land-based premises in the gaming industry was ordered to be suspended for certain months. Governments approved several subsidy programmes to support businesses affected including tax relief, loan support, etc. In the Czech Republic, the Ministry of Finance together with the Ministry of Industry and Trade prepared a guarantee program for commercial banks for loans to large companies. The total amount of guarantees is up to CZK150 billion. The gaming industry in Central Europe recovered in 2022 and is expected to grow to HK\$218.7 billion in 2027 in terms of GGR.

**Market size of the gaming industry in Central Europe,  
in terms of GGR<sup>1</sup>, by country, 2018-2027E**



## INDUSTRY OVERVIEW

Notes:

1. Including land-based and online segments;
2. Compared to other countries in Central Europe, the market size of the gaming industry in the Czech Republic increased significantly mainly due to the strong growth of the online gaming segment;
3. Others include Germany, Poland, Austria, and Slovakia.

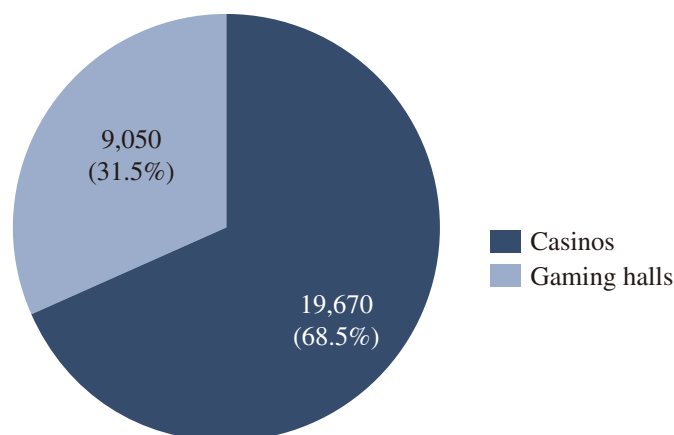
Source: The Ministry of Finance in the Czech Republic, UN Global Compact Network Poland, Institute of Economic and Social Studies, Gambling Laws and Regulations Report Germany, European Gaming & Betting Association, and China Insights Consultancy

### Overview of the land-based slot machine and land-based live game industry in the Czech Republic

There are two types of gaming premises in the Czech Republic including casinos and gaming halls. Casinos refer to standalone, structurally separated premises on which live games and slot machines are operated. Gaming halls refer to standalone, structurally separated premises on which slot machines are operated. At the end of 2022, there are 472 casinos and 362 gaming halls in the Czech Republic.

Land-based slot machines can be played at both casinos and gaming halls. According to the Czech Gambling Act, a minimum of 15 certified slot machines shall be available for operation in a gaming hall. A minimum of 30 certified slot machines and 3 gaming tables shall be available for operation in a casino. In a casino where slot machines are operated, for each additional table above the minimum number specified in the Czech Gambling Act, there can be a maximum of 10 slot machines. This restriction does not apply for a casino where at least 10 tables are in operation. The distribution of slot machines by premise type in 2022 is as below:

**The distribution of slot machines,  
by premise type, the Czech Republic, 2022**

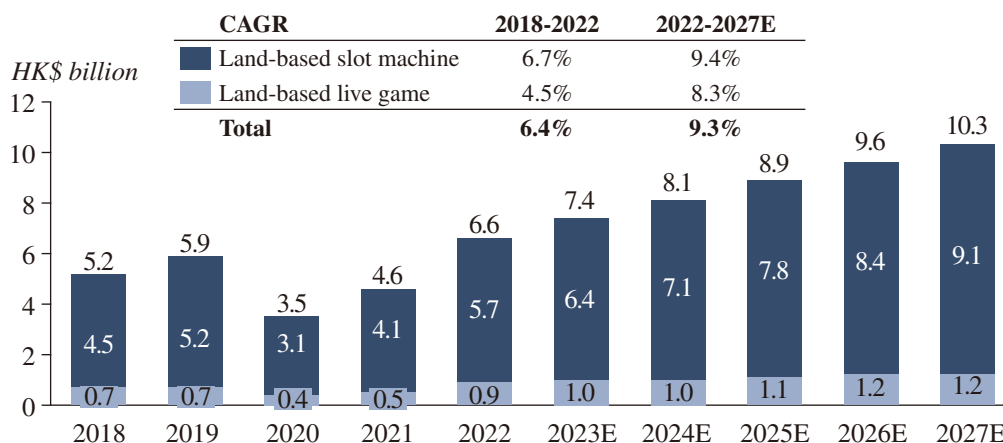


Source: China Insights Consultancy

## INDUSTRY OVERVIEW

The land-based slot machine segment dominated the land-based gaming industry in the Czech Republic in 2022. The market size of the land-based slot machine, in terms of GGR, increased from HK\$4.5 billion in 2018 to HK\$5.7 billion in 2022, and is expected to increase to HK\$9.1 billion in 2027, representing a CAGR of 9.4% between 2022 and 2027. Land-based live games can only be played at casinos. The GGR of the land-based live game industry increased from HK\$0.7 billion in 2018 to HK\$0.9 billion in 2022, representing a CAGR of 4.5% between 2018 and 2022, and is expected to increase to HK\$1.2 billion in 2027, with a CAGR of 8.3% between 2022 and 2027.

### Market size of the land-based slot machine and land-based live game industry in the Czech Republic, in terms of GGR, 2018-2027E



Source: The Ministry of Finance in the Czech Republic, and China Insights Consultancy

### Key market drivers of the gaming industry in Central Europe

**Shift of demand from neighbouring countries:** The gaming industry in Central Europe is marked by varying gambling regulations across countries. Some countries, including the Czech Republic, have legalised gaming activities, while some may take prohibitive approaches. In Austria, before 2013, poker was not regulated by Austria's gambling law, and private poker clubs were allowed. However, in 2013, the Austria's Ministry of Finance announced that poker can only be played within the premises operated by the licenced operators, forcing private poker clubs to close down. This created opportunities for Austria's neighbouring countries, such as the Czech Republic, to absorb Austrian poker players. The city council of Bratislava, which is the capital of Slovakia, announced to prohibit casinos and other forms of gaming in 2021. Incumbent licenced operators are allowed to continue their operations until their licences expire, which mostly will expire in one to two years, with some smaller operators running till 2027. This kind of event potentially creates a shift of demand from Bratislava to the Czech Republic. The seamless travel opportunities across Central European countries also facilitates the shift of demand. Market participants in the gaming industry in the Czech Republic, especially those located on the borders, may benefit from the demand inflow from neighbouring countries where gaming activities are limited or prohibited.

**Higher disposable income and consumption expenditure:** As personal financial resources expand, individuals are endowed with augmented discretionary funds, leading to an upswing in consumption expenditure. In 2018, Austria, Germany, and the Czech Republic had annual household disposable income per capita of HK\$298,219.8, HK\$321,481.7 and HK\$209,044.2, respectively. By 2022, annual household disposable

## INDUSTRY OVERVIEW

income per capita had grown to HK\$352,366.3, HK\$375,377.0, and HK\$255,636.9 in Austria, Germany, and the Czech Republic, with CAGRs between 2018 to 2022 showing 4.3%, 4.0%, and 5.2%. On the expenditure side, the total consumption expenditure of Austria, Germany and the Czech Republic stood at HK\$1,774.1 billion, HK\$14,790.2 billion and HK\$902.2 billion, respectively in 2018. These figures increased to HK\$1,977.8 billion, HK\$16,658.9 billion and HK\$1,139.3 billion in 2022, reflecting CAGRs of 2.8%, 3.0% and 6.0% between 2018 to 2022. Projection for the period between 2022 and 2027 envisage a continued rise, as the total expenditure of Austria, Germany and the Czech Republic increase to HK\$2,267.6 billion, HK\$18,843.0 billion and HK\$1,419.7 billion in 2027, respectively, with CAGRs of 2.8%, 2.5% and 4.5%. The rising affluence of people encourages higher expenditure, which provides favourable conditions for the gaming industry to grow.

***Recovery of tourism in the Czech Republic from COVID-19:*** Tourism in the Czech Republic is recovering from COVID-19, and is expected to continue growing. The total amount of tourism income in the Czech Republic was HK\$40.8 billion in 2022, increased by 76.6% from 2021. In terms of tourists, the number of tourists from abroad reached 7.3 million in 2022 compared to 2.6 million in 2021, with most of them from neighbouring countries such as Germany, Slovakia, Austria, etc. The Czech Republic government introduces initiatives aiming for more inbound tourists, for instance offering discounts to EU citizens on entertainment activities in the Czech Republic, which can bring in more potential customers to the gaming industry in the region.

***Advancement of technology as a catalyst:*** Technological progress is a cornerstone of the gaming industry's development. It enhances customer engagement, introduces inventive gaming experiences, and facilitates efficient operations. The innovation from gaming machine and software suppliers provides gaming operators with wider choices of gaming products, which adds to the appeal of gaming operators to players. Meanwhile, technological advancement furnishes gaming operators with an expansive repertoire of digital tools, such as casino management systems (CMS), cashless payment systems, etc., that are engineered to optimise management efficiency, magnetise consumer interest, and provide players with a fair gaming environment. By embracing these advancements, operators can institute streamlined workflows, leading to efficient resource allocation, cost optimisation, heightened profitability, and solid reputation.

### **Future trends of the gaming industry in Central Europe**

***Integration of hospitality and gaming for complete getaways:*** While individuals are looking for all-inclusive vacation packages, resorts that combine hotels and gaming facilities would gain more popularity. This setup offers guests the ease of having all their desired experiences in one location, avoiding the hassle of moving around for gaming and leisure activities. Resorts that combine lodging and gaming tap into this convenience factor. This approach also has an international appeal when resorts are located in cross-border regions or scenic spots. Integrated casino resorts that provide gaming and non-gaming mass-entertainment services fulfil multiple requirements of international travellers, amplifies revenue streams and prolongs profitable life cycle.

***Increasing demand for enhanced land-based gaming experience:*** The increasing demand for better gaming experiences is pushing the industry towards a more customer-centric approach. The enhanced experiences can be achieved by increased gaming categories, different game themes incorporated in slot machines, well-furnished casino facilities, etc. Gaming, especially land-based one, has inherent social and sensory aspects where players seek an immersive and interactive environment from offline

## INDUSTRY OVERVIEW

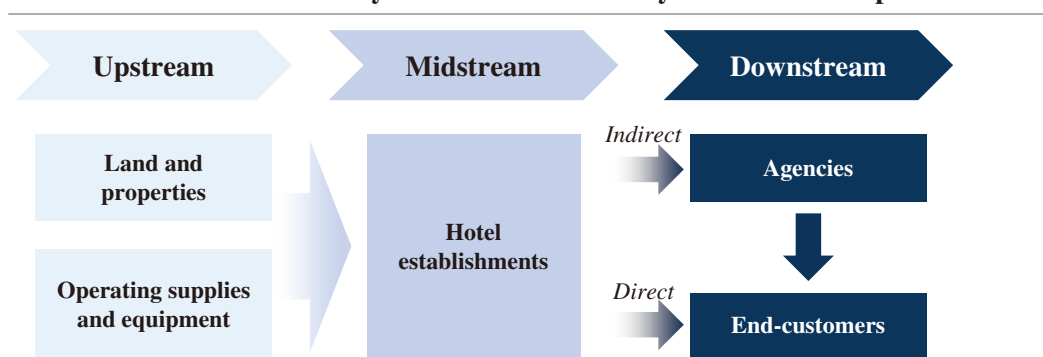
gaming experiences. As various forms of gaming activities emerge, the competition within the industry intensifies, which necessitates a strategic move to retain players, propelling gaming operators to refine and differentiate their physical offerings. Therefore, improving land-based gaming experiences becomes a means of differentiation.

**Digitalisation of gaming activities:** The internet's influence has reshaped traditional gaming practices by extending them to online platforms. With the development of internet, players are allowed to access gaming activities online through various terminal devices. The convenience and accessibility offered by online gaming have fueled its prominence across Central Europe. However, the rise of online gaming is not anticipated to be in the detriment of land-based gaming, as customers of land-based gaming and online gaming seek different experiences. The development of both types of gaming boosts the overall growth of the gaming industry.

### OVERVIEW OF THE HOTEL INDUSTRY IN CENTRAL EUROPE

The upstream of the hotel industry in Central Europe consists of suppliers of land and properties and operating supplies and equipment, including tableware, linens, toiletries, cleaning supplies, kitchen utensils, guest room accessories, etc. The midstream of the hotel industry is the accommodation establishment which provides accommodation and catering services to end-customers. The downstream of the industry consists of agencies and end-customers. End-customers include both corporate customers and mass individuals, and agencies include traditional travel agencies and online travel agencies, such as Booking.com or the hotels' own websites.

#### Value chain analysis of the hotel industry in Central Europe

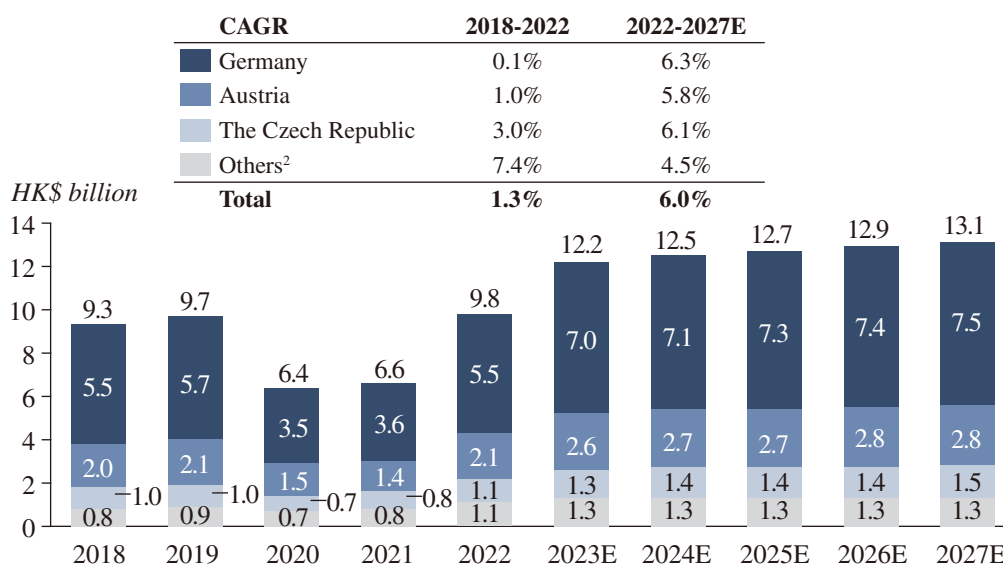


Source: China Insights Consultancy

Central Europe is a popular destination for domestic and overseas travellers. The market size of the hotel industry in Central Europe, in terms of revenue, increased from HK\$9.3 billion in 2018 to HK\$9.7 billion in 2019 and decreased to HK\$6.4 billion and HK\$6.6 billion in 2020 and 2021, respectively, due to the lockdown and restriction of traveling caused by the COVID-19 pandemic. With the global ease of the travel restriction starting in 2022, the hotel industry in Central Europe started to recover and is expected to rebound in 2023, reaching a market size of HK\$12.2 billion. Net occupancy rate in Germany, Austria, and the Czech Republic, in terms of bed-places and bedrooms, increased from 39%, 32%, and 28%, respectively, in 2021 to 55%, 50%, and 38%, respectively, in 2022. As the global hotel industry gradually returns to normal, the hotel industry in Central Europe, in terms of revenue, is expected to increase to HK\$13.1 billion in 2027, representing a CAGR of 6.0% between 2022 and 2027. Germany contributed to approximately 56.1% of the market in Central Europe in 2022 and is expected to maintain a stable share during 2022 and 2027.

## INDUSTRY OVERVIEW

### Market size of the hotel industry in Central Europe<sup>1</sup>, in terms of revenue, by country, 2018-2027E<sup>1</sup>



*Notes:*

1. The market size of the hotel industry includes revenue from accommodation and catering while accommodation includes hotel, motel, tourist camp-site, etc.;
2. Others include Poland and Slovakia.

*Source:* Czech Statistical Office, German Federal Statistical Office, Central Statistical Office of Poland, Statistics Austria, Statistical Office of Slovakia, and China Insights Consultancy

### Key market drivers of the hotel industry in Central Europe

**Greater demand for business travel and corporate events:** Europe is the third largest business travel region in the world, with its spending in business travel accounting for about 20% of global business travel spending in 2022. It is forecasted by the Global Business Travel Association (GBTA) that after travel restrictions were eased and borders were reopened, business travel spending in Europe will continue to recover and grow another 25.3% in 2023 compared to 2022. Germany and Austria have earned recognition as leading corporate travel markets. The International Congress and Convention Association (ICCA) has performed research on the Destination Performance Index (DPI) of countries around the world to measure the overall performance of these destinations on conducting international association meetings. European countries accounted for 70.0% of the top 20 countries in 2021 in terms of DPI. Among European countries, Germany and Austria ranked second and seventh respectively. Apart from business conferences, other types of corporate events, such as corporate team building, integrating weekends and holidays into business trips, etc., are creating opportunities to hotels in these regions.

**Recovery of tourism in Central Europe from COVID-19:** Tourism to Austria, Germany, and the Czech Republic recovers rapidly in 2022 from COVID-19. In Austria, the number of international tourist arrivals reported a 106.3% increase from 12.7 million in 2021 to 26.2 million in 2022. Similarly, Germany witnessed an uptick in international tourist arrivals, recording an increase of 143.6% to 28.5 million in 2022, compared to 11.7 million in 2021. The Czech Republic has also witnessed increase in tourists from abroad, with a year-on-year increase of 185.8% from 2.6 million in 2021 to 7.3 million in 2022. Promoting tourism to Central Europe through targeted campaigns and government

## INDUSTRY OVERVIEW

initiatives serves as another catalyst for attracting visitors to the region. The German National Tourist Board (GNTB) and Austria National Tourist Office (ANTO) market the countries as destinations for both holiday tourism and business travel. The Czech Tourism Agency have developed Czech Republic Destination Strategy 2021 to 2025 to attract visitors worldwide. The increase in number of visitors will increase the demand for hotel services in Central Europe. Resulting from increasing tourists, the number of arrivals from international tourists at hotels and similar accommodations rose by 109.6%, 141.7%, and 187.1% in Austria, Germany, and the Czech Republic from 2021 to 2022.

***Increased number of wealthy people:*** The number of high-net-worth-individual (HNWI), defined as people whose net wealth exceeds USD1.0 million (HK\$7.8 million), is increasing globally, potentially leading to larger number of travellers with greater wealth, as travel is one of the important areas that HNWIs allocate their wealth to. Global HNWI population was about 70.0 million in 2022, and is expected to rise to around 109.0 million in 2027 with a CAGR of about 9.3%. Europe has been a popular destination for global tourists, and 10.4% of all international visitors to Europe visit Germany, Austria and/or the Czech Republic. Wealthier visitors tend to have higher willingness to spend more on accommodation, which may facilitate the growth of the hotel industry in Germany, Austria, and the Czech Republic.

### **Future trends of the hotel industry in Central Europe**

***Expanded offering of services to broaden revenue streams:*** Hotels are moving beyond their traditional roles as mere accommodation providers, venturing into a realm where they offer multifaceted experiences. Hotels can diversify their revenue streams through a spectrum of services, including offering of spas, fitness services, and other entertainment and wellness programs. The availability of such services enables hotels to target a wider market, attracting both business travellers seeking a balanced work-life experience and leisure travellers looking for a comprehensive stay experience, and in turn bolsters occupancy rates and revenue.

***Increasing utilisation of online platforms:*** Hotels in Central Europe are embracing technologies to improve their service quality, such as mobile apps, hotel management systems, etc. Digitalisation of the hotel industry can provide guests with more convenience. Mobile apps, for instance, allow guests to manage bookings, access keyless room entry, request services, and gain insights into local attractions. Online platforms also offer discounts to guests, and enable them to compare various accommodation options to find satisfying places to live within budget, leading to greater popularity of these online platforms. In Germany, Austria, and the Czech Republic, there were 51.7 million overnight stays booked via leading online travel agencies in 2018. Such number increased to 59.3 million in 2022 at a CAGR of 3.5% between 2018 and 2022. Meanwhile, the number of overnight stays booked via these platforms as percentage of the total number of nights spent at tourist accommodation establishments increased from 8.6% in 2018 to 10.5% in 2022. It is predicted that the penetration rate of online booking will continue to grow as the use of online platforms are being more widely recognised.

***Focus on sustainability:*** With an increasing awareness on environmental issues, hotels in Central Europe are integrating sustainable practices into their operations to achieve sustainable development. More and more hotels are implementing energy-efficient technologies and initiatives, such as installing solar panels, LED lighting, water saving campaigns, to reduce their carbon footprint, minimise environmental impact, increase their operation efficiency, and establish a socially responsible image.

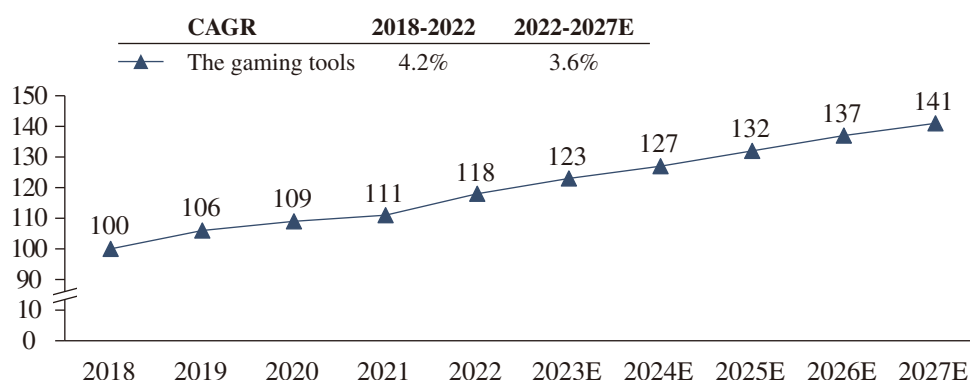
## INDUSTRY OVERVIEW

### COST ANALYSIS OF THE GAMING INDUSTRY AND THE HOTEL INDUSTRY IN CENTRAL EUROPE

In general, the cost structure of the gaming industry and the hotel industry consists of the following: (1) labour costs, including wages, salaries, and social security contributions paid to employees; (2) utility costs, such as electricity, water, heating, etc.; (3) material costs, including food and beverage; and (4) other costs, including marketing costs, maintenance costs, etc. Gaming tool costs, which include costs related to purchase and rental of gaming equipment, gaming software, etc., is also a key cost item for gaming business. In 2018, the annual average inflation rate in Germany, Austria, and the Czech Republic were reported at 1.9%, 2.1%, and 2.1%, respectively. The inflation rate then followed an increasing trend and reached 8.7%, 8.6%, and 15.1% in Germany, Austria, and the Czech Republic in 2022. The increase partly influences the change of related costs during the same period.

The price of the gaming tools, including rental of gaming tools, increased steadily during the year of 2018 and 2022. Due to the variety of gaming tools used in the gaming industry, a price index is used here to demonstrate the pricing trend of gaming tools in the Czech Republic. Using 2018 as the base year for the price index, the price increased by 18% in 2022 as compared to 2018, and is expected to increase by 19.5% from 2022 to 2027.

**Price index<sup>1</sup> of the gaming tools, the Czech Republic, 2018-2027E**



*Note:*

1. 2018 is used as the base year for the price index.

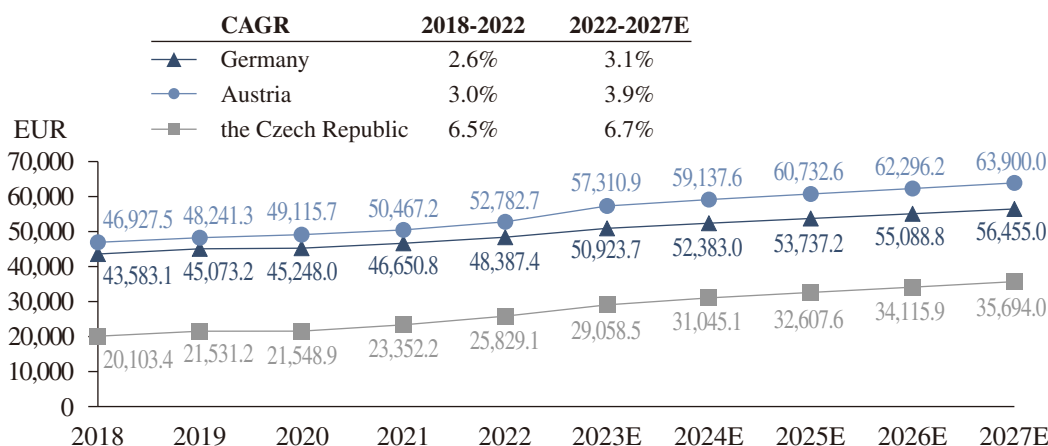
*Source:* China Insights Consultancy

Together with the increase in inflation rate over the year 2018 to 2022, the compensation per employee is growing steadily in Germany, Austria, and the Czech Republic. The annual compensation per employee in Germany, Austria and the Czech Republic increased from EUR43,583.1, EUR46,927.5 and EUR20,103.4, respectively, in 2018 to EUR48,387.4, EUR52,782.7 and EUR25,829.1, respectively, in 2022 with CAGRs of 2.6%, 3.0% and 6.5%, respectively, between the same period. Annual compensation per employee is expected to reach EUR56,455.0, EUR63,900.0 and EUR35,694.0 in 2027 in Germany, Austria, and the Czech Republic, growing at CAGRs of 3.1%, 3.9%, and 6.7%, respectively, between 2022 and 2027.



## INDUSTRY OVERVIEW

### Annual compensation per employee<sup>1</sup>, Germany, Austria, and the Czech Republic, 2018-2027E



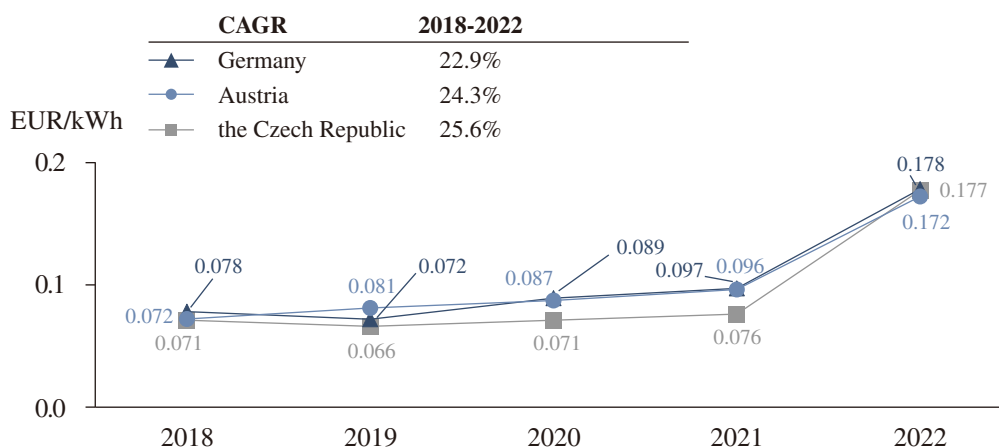
Note:

1. Compensation of employees consists of (i) wages and salaries in cash or in kind; (ii) employer's actual and imputed social contributions.

Source: Eurostat, and China Insights Consultancy

Utility expenses include costs of electricity, which usually accounts for the largest portion of the total utility expenses of a casino or a hotel. The electricity prices for non-household consumers in Germany, Austria and the Czech Republic increased with CAGRs of 22.9%, 24.3%, and 25.6% from 2018 to 2022, respectively. The increase in energy prices in Europe started from 2021, and resulted from a comprehensive set of factors. During the military conflict between Russia and Ukraine, there was a decision made by the Russian government to suspend deliveries of gas to some EU member states, which has heightened the prices for gas and electricity accordingly. Increasing inflation rate in EU has led to higher utility expenses as well. High temperature during the summer of 2022 as compared to previous years has also contributed to a higher demand of energy for cooling, which serves as another factor to push the energy prices higher.

### Electricity prices for non-household consumers, Germany, Austria and the Czech Republic, 2018-2022



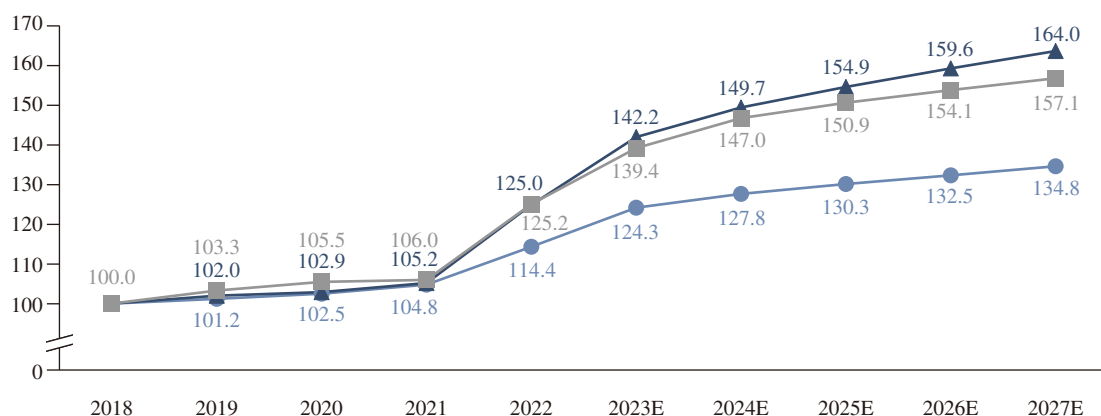
Source: Eurostat, and China Insights Consultancy

## INDUSTRY OVERVIEW

Material costs, particularly costs of food and beverage, is an important part of a casino's or a hotel's operating expenses if dining services are provided. The producer prices index (PPI) on manufacturing of food products and beverages reflects the cost of dining services. The PPI in Germany, Austria and the Czech Republic experienced an increase from 2018 to 2022 with CAGRs of 5.7%, 3.4% and 5.8% respectively. The increase was steady during 2018 to 2021, with a sharper increase starting from 2021. One of the major reasons for the increase lies in the rise in energy prices that contribute to the increase in cost of food production, transportation, and storage, resulting in an increase in food and beverage prices. From 2022 to 2027, the PPIs on manufacturing of food products and beverages in Germany, Austria, and the Czech Republic are expected to grow at CAGRs of 5.6%, 3.3%, and 4.6%.

### PPI<sup>1</sup> of manufacture of food products and beverages, Germany, Austria, and the Czech Republic, 2018-2027E

	CAGR	2018-2022	2022-2027E
▲ Germany		5.7%	5.6%
● Austria		3.4%	3.3%
■ the Czech Republic		5.8%	4.6%



Note:

- 2018 is used as the base year for PPI of each country.

Source: Eurostat, and China Insights Consultancy

## COMPETITIVE LANDSCAPE OF THE GAMING INDUSTRY AND THE HOTEL INDUSTRY IN CENTRAL EUROPE

### Competitive landscape of the land-based casino industry in the Czech Republic

In the Czech Republic, there were 37 companies licenced to operate land-based slot machines and 33 companies licenced to operate land-based live games with 472 casinos in operation at the end of 2022. There are approximately 15, 10, and 15 casinos, respectively, within one-hour driving distance from *Palasino Excalibur City*, *Palasino Wulowitz*, and *Palasino Furth im Wald*, respectively. 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 casinos, accounting for around 35.4% of the total number of slot machines in casinos and the rest casino operators each accounted for less than 5% of the share. According to the Ministry of Finance, the total number of premises (including casinos and gaming halls) with slot machines and/or live games in the Czech Republic decreased from

## INDUSTRY OVERVIEW

1,636 in 2018 to around 834 in 2022, in which the total number of gaming halls decreased from 1,088 in 2018 to 362 in 2022. Due to the Czech Gambling Act, which was in force since 1 January 2017, and the Act on Gambling Tax, which was in force since 1 January 2017, a higher minimum number requirement of slot machines and stricter information technology system requirements for registration and reporting were stipulated, and operators without sufficient capital found it difficult to comply with new regulations and were wiped out eventually. According to the Ministry of Finance, due to the legal conditions, slot machines and live games are concentrated in larger scale premises. At the end of 2017, 72% of the gaming establishments had less than 15 certified slot machines. As of 1 January 2020, the number decreased to only 2%.

The Czech Gambling Act and the Act on Gambling Tax have resulted in challenging market conditions for gaming hall operators. Such development is more favourable to scalable casino operators and has presented consolidation opportunities for casino operators including our Group. In 2022, our Group is among the top ten casino operators in the Czech Republic, in terms of total number of slot machines in casinos.

### Ranking of the top ten casino operators, in terms of total number of slot machines in casinos, the Czech Republic, 2022<sup>1</sup>

Ranking	Casino operator	Total number of slot machines in casinos of the casino operator in the Czech Republic, 2022 <sup>2</sup>	As percentage of the total number of slot machines in casinos in the Czech Republic, 2022
1	Company A	~4,270	~21.7%
2	Company B	~1,470	~7.5%
3	Company C	~1,220	~6.2%
4	Company D	~740	~3.8%
4	Company E	~740	~3.8%
6	Company F	~710	~3.6%
7	Company G	~690	~3.5%
8	Company H	~680	~3.5%
9	<b>Our Group</b>	<b>492</b>	<b>2.5%</b>
10	Company I	~480	~2.4%
Top ten		~11,492	~58.5%
Others		~8,178	~41.5%
<b>Total</b>		<b>19,670</b>	<b>100%</b>

*Notes:*

- The above data are as of the end of calendar year 2022. The ranking uses the total number of slot machines in casinos as a parameter considering land-based slot machines contributed the majority of the market share of the land-based slot machine and land-based live game industry;
- The number of slot machines only includes those in casinos, but not in gaming halls; more slot machines does not represent higher profitability as the occupancy rate of slot machines needs to be considered.

*Source:* The Ministry of Finance in the Czech Republic, and China Insights Consultancy

## INDUSTRY OVERVIEW

Introduction to the top ten casino operators and their relative casinos are as follows:

Company	Location of the casinos <sup>1</sup>	Introduction
Company A	More than half of them are located on the border	A part of a listed high-tech gaming technology company, which mainly focuses on slot machine manufacturing. Company A is based in Austria and established in 1980 and offers a wide range of gambling products including slot machines, table games, and sport betting activities.
Company B	Five of them are located on the border or close to the border	A non-listed casino operator based in the Czech Republic and established in 2002.
Company C	Around ten of them are located on the border or close to the border	A non-listed casino operator based in the Czech Republic and established in 1998.
Company D	Two of them are close to the border	A part of a family-owned, internationally operating, and non-listed business group in the entertainment and leisure industry based in Germany and established in 1957.
Company E	Around five of them are located on the border	A non-listed casino operator based in the Czech Republic and established in 2002.
Company F	One of them are located close to the border	A non-listed casino operator and gaming tool provider based in the Czech Republic and established in 2002.
Company G	None of them are on the border or close to the border	A non-listed casino operator based in the Czech Republic and established in 2010.
Company H	None of them are on the border or close to the border	A non-listed casino operator based in the Czech Republic and established in 2018.
Our Group	All of them are close to the border	An entertainment, gaming and leisure group operating one integrated casino and resort and two full-service casinos in the Czech Republic.
Company I	Two of them are close to the border	A non-listed casino operator based in the Czech Republic and established in 1994.

*Notes:*

1. As our Group is an operator of casinos, which are not comparable to gaming halls in terms of licence required, gaming atmosphere, and target customers, only casinos are considered here;
2. The above data are as of the end of calendar year 2022.

*Source:* China Insights Consultancy

### Competitive landscape of the hotel industry in Central Europe

The hotel industry in Central Europe is highly fragmented and the leading players in Central Europe are large international hotel groups. As of the end of 2022, there are more than 130,000 accommodation establishments in Central Europe. Our Group's five hotels are located in 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.

### Competitive advantages of our Group

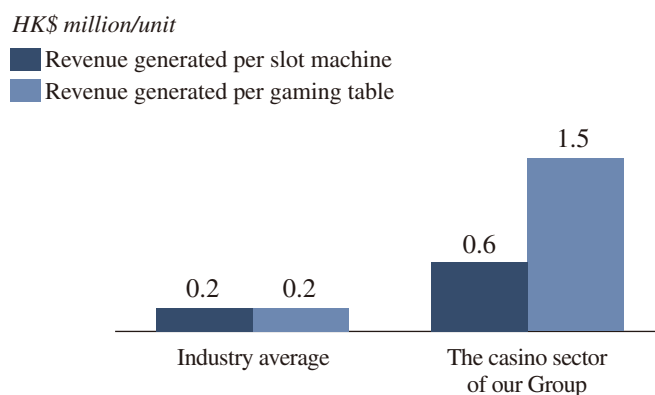
***Top ten largest casino operator in the Czech Republic:*** Our Group is among the top ten largest casino operators, in terms of total number of slot machines in casinos, in the Czech Republic in 2022.

## INDUSTRY OVERVIEW

**The three casinos of our Group are one of the major players in the respective regions:** In terms of GGR of slot machines in the Czech Republic in 2022, *Palasino Excalibur City*, *Palasino Wulowitz*, and *Palasino Furth im Wald* each accounted for around 45%, 50%, and 20% of the market share, in Znojmo, Český Krumlov, and Domažlice districts, respectively.

**Higher than industry average revenue generating capability:** According to the Ministry of Finance, there were more than 28,000 certified slot machines and more than 4,000 gaming tables in the Czech Republic in 2022. Our Group's casino sector had higher revenue generating capability as compared to the industry average, in terms of revenue generated per slot machine and revenue generated per gaming table as follows:

### Comparison of the revenue generating capability between industry average and the casino sector of our Group, the Czech Republic, 2022



*Notes:*

1. Revenue generated per slot machine=revenue generated by slot machines of the year/((opening number of slot machines + closing number of slot machines)/2);
2. Revenue generated per gaming table=revenue generated by gaming tables of the year/((opening number of gaming tables + closing number of gaming tables)/2).

*Source:* The Ministry of Finance in the Czech Republic, and China Insights Consultancy

**All casinos are strategically located on the border:** The Czech-Austrian and Czech-German border areas are characterised by a high concentration of casinos resulting from more rigid regulation of gaming on the other side of the border. For example, offline poker is only permitted in state-owned casinos in Germany and around half of the land-based casinos in Germany are state-owned. Austria prohibits poker games from being held in public places such as bars and restaurants and the government of Austria has taken steps to block foreign poker sites from operating within the country as well. All our Group's casinos are located at the border to attract players from nearby countries including Germany and Austria.

**The casino combined with hospitality services provide high business model resilience:** Our Group's *Palasino Savannah Resort*, comprising *Palasino Excalibur City* and *Hotel Savannah*, offers gaming facilities, accommodation and other hospitality offering. The casino combined with hospitality services business model provides benefits to travelers result from providing a one-stop comprehensive and convenient entertainment center. Therefore, this integrated business model presents more competitiveness in the market. The gaming segment and the non-gaming segment mutually reinforce each other and boost the revenue generation.

### Key entry barriers to the casino industry and the hotel industry in Central Europe

**Strict regulatory requirements and licence obtainment:** The casino industry is regulated in the Czech Republic, which offers limited opportunities for new entrants.

## INDUSTRY OVERVIEW

Prospective casino operators must obtain licences for each type of gaming activities. There were 41 and 35 companies granted with land-based slot machine licence and land-based live game licence, respectively as of 2018. In 2022, there were only 37 and 33 companies granted with land-based slot machine licence and land-based live game licence, respectively. All prospective casino operators must undergo thorough processes, including demonstrating financial capability, ensuring transparent sources of deposit and ownership structure, etc., to comply with legal and regulatory standards. For example, the Reporting Decree No. 19/2019 Coll. has stipulated strict reporting requirements for gaming operators in terms of the scope of data to be transmitted to the Ministry of Finance, the technical parameters of data, the method and frequency of data transmission, etc. This necessitates sufficient capability to operate and maintain an agile casino management system to ensure the accuracy and efficiency of data processing and transmission. These strict requirements make it difficult for new entrants to enter the market.

**High capital requirements:** Establishing a casino involves high capital investment. Besides the initial investment on premises, gaming equipment, and other infrastructures, casino operators in the Czech Republic also must provide security deposit, either by depositing funds into a special account of the Ministry of Finance, or as a bank guarantee accepted by the Ministry of Finance. Currently, the security deposit amount ranges from CZK5.0 million (HK\$1.7 million) to CZK50.0 million (HK\$17.3 million) for basic licence application, depending on the types of games operated. Under the new Czech Gambling Act, the amount of deposit will be changed. Gaming operators will be subject to different amount of deposits based on the amount of gaming tax paid by the gaming operator of the second to fifth tax period preceding the effective date of the new Czech Gambling Act, with a maximum deposit amount up to CZK300.0 million (HK\$103.7 million). High capital requirements also apply to hotels, as running a hotel requires substantial capital outlay in land, building, construction or renovation, etc.

**Dominance of established players:** Both of the casino industry and the hotel industry in Central Europe are well-served by established market participants, who have cultivated a group of loyal customers. The process of building a reputation and forging customer loyalty is time-consuming, which is hard to gain in a short period of time by new entrants.

### Key success factors of the casino industry and hotel industry in Central Europe

**Strategic location to attract customers:** Casinos situated in strategic locations, such as in proximity to international borders, near recreational premises, or around tourist destinations, can benefit from higher foot traffic by absorbing customers from different countries. For casinos, being situated in strategic locations enables the capture of cross-border traffic and offers more accessibility for players if the casinos are within short driving distance. Hotels also benefit from strategic locations, serving as gateways to domestic and international traffic while attracting customers with scenic views. The competitive advantage gained from a prime location can increase customer reach and revenue potential, making it a pivotal factor in achieving sustainable growth and profitability.

**Versatility in game offering:** Casinos that demonstrate the ability to satisfy a diverse range of player preferences gain a distinct competitive advantage. By offering a wide selection of machines and games, casinos position themselves as dynamic and customer-centric destinations for players. Casinos that consistently refresh their game offerings, introduce new themes, and incorporate innovative technologies that foster player engagement and a sense of excitement. Novelty not only attracts new players but also retains existing ones by combating monotony and predictability, leading to heightened overall satisfaction.

**Strong brand awareness and customer loyalty:** In the casino industry, the value of a strong brand can surpass its competitors by maintaining strong relationships with loyal customers, by offering tailored customer loyalty program, VIP player program, and such.

## INDUSTRY OVERVIEW

They foster trust and loyalty among customers, encouraging repeated visits and word-of-mouth recommendations. This helps provide consistent inflow of revenues from recurring customers, and also draw attention from new customers.

***Quality of service and guest experience:*** Delivering exceptional customer service is paramount to achieving success in both the casino and hotel industry. Casinos and hotels need to have a good understanding about different customer profiles. Well-maintained facility is also part of the service. Casinos and hotels that invest in their facilities will elevate the overall guest experience. This includes the facilities that satisfy various demands of customers, such as guest rooms, restaurants, fitness centres, and versatile event spaces.

### **Opportunities and challenges of the casino industry and the hotel industry in Central Europe**

***Limited availability of slot machines to serve more players during peak hours:*** Most land-based casinos offer slot machines with multiple games. The popularity of some slot machines may extend players' time spent on a single machine, resulting in overcrowding and limited availability of slot machines within the casino premises. This is especially prominent during peak hours such as weekends, when more machines are occupied, leaving some players no position to play. Besides, the availability of machines is challenged by the cool-off time mandated by the Czech Gambling Act, which requires players engaging in slot machines to wait 15 minutes every two hours before they can resume playing. This renders machines unavailable for players even if they are not actively utilised. Therefore, inadequate slot machines can be a bottleneck for casinos, particularly during peak hours. Casinos need to make sure that there are enough slot machines available during peak hours, for example by looking at the peak hour occupancy rate of slot machines instead of the average occupancy rate.

***Difficulty in complying with changing gaming regulations:*** In Central Europe, gaming regulation keeps evolving, with many leaning towards a more restrictive approach as governments seek to promote responsible gaming practices. Tightening legislation poses challenges for casinos if they cannot take adequate measures to comply with new regulations. These challenges encompass various aspects, including higher capital requirement in security deposit, additional player protection measures, more investment to improve casino infrastructure, etc., where less competent casino operators may find difficult to fulfil. Moreover, in certain countries, such as the Czech Republic, individual municipalities retain the authority to restrict or ban certain gaming activities within its jurisdictions. For example, in Brno, the second largest city in the Czech Republic, a ban on gaming machines went into effect in 2015, resulting in decreasing number of gaming machines in the city. In such cases, less competent casinos will be compelled to scale down or face the risk of closure.

***Increasing demand for casinos with more permitted gaming options:*** While the tightening regulatory framework in certain cities brings challenges for casinos there, it opens up opportunities for casinos in other areas where more types of gaming activities are permitted. For example, Prague, the capital of the Czech Republic, will enforce a ban on slot machines from 1 January 2024. Once the ban comes into effect, the number of slot machines decrease, resulting in a mismatch in demand, leading to the diversion of traffic to other cities with more relaxed regulations. Casinos in these cities can then benefit from absorbing the players from Prague.

***Potential growth in customer base from tourism to Central Europe:*** The influx of tourists to Central Europe from all over the world creates an opportunity for casinos and hotels to capitalise on an expanded pool of potential customers. The potential customers also include those seeking accommodation and gaming experiences at the same time. This presents an opportunity for casino and hotel operators to market themselves and increase brand awareness to attract new customers.

## REGULATORY OVERVIEW

### 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, primarily offering slot machines and table games, and (ii) three hotels in Germany and one hotel in Austria that offer accommodation, catering, conference, and leisure services. We began preparing for the launch of our Online Gaming Business in Malta.

As such, we are subject to the relevant laws and regulations in the Czech Republic, Germany, Austria and Malta.

### OVERVIEW OF REGULATORY FRAMEWORK OF GAMING OPERATIONS IN THE CZECH REPUBLIC

#### Gambling Act

Games of chance operation in the Czech Republic is governed by conditions set in the Czech Act No. 186/2016 Coll, on gambling, as amended (the "Czech Gambling Act") effective from 1 January 2017.

According to the Czech Gambling Act, gambling is defined as a game of chance; betting; or a lottery in which the participant wagers a bet, while no return on such bet is guaranteed, and the winning or loss on which is entirely or partly subject to chance or unknown circumstance. The following gambling types are regulated by the Czech Gambling Act and may be operated in the Czech Republic: a) lottery, b) odds bet, c) totalisator games, d) bingo, e) technical game, f) live game, g) raffle, and h) small-size tournament.

No gambling by persons under 18 is allowed. Moreover, the following gambling is prohibited in the Czech Republic:

- a) whose type has not been stipulated by the Czech Gambling Act;
- b) for which no licence has been issued, or that has failed to be duly notified under the Czech Gambling Act;
- c) that fails to ensure fair conditions and a fair chance to win for all gambling participants;
- d) that contravenes moral standards or public order;
- e) at which, prior to its start, the gambling participant's age cannot be reliably verified;
- f) at which the winning chance is dependent, whether partly or entirely, on a deposit invested by a subsequent gambling participant;



## REGULATORY OVERVIEW

- g) that does not enable the gambling participant to terminate the game at any time prior to wagering the bet;
- h) that uses national emblems of an European Union Member State or a state that is a party to the Agreement on the European Economic Area, the European Union emblems, or their imitations;
- i) at which the win or loss is decided, whether partly or entirely, by a chance or unknown circumstance that the bettor or the gambling operator may influence; or
- j) whose outcome has been known in advance.

To apply for gaming licences under the Czech Gambling Act, background checks on applicants, gaming systems, financial security, corporate competency, and business plan of the applicants and the relevant companies are required to be conducted.

According to Article 6(1) of the Czech Gambling Act, gaming activities may be operated in the Czech Republic only by one of the following:

- a) the Czech Republic;
- b) a corporation with
  1. a registered office in the Czech Republic; in another European Union Member State; or in a state that is a party to the Agreement on the European Economic Area;
  2. an organisational chart that sets clear and comprehensive definitions of realms and decision-making powers;
  3. an established board of directors, management board, supervisory board, or a similar control body;
  4. its equity totalling at least EUR 2,000,000;
  5. a transparent and unobjectionable origin of its resources;
  6. a transparent ownership structure, clearly identifying its beneficial owner according to the law regulating the register of beneficial owners; and
  7. the substantive, personnel, and organisational capacity required to carry out its activity in the extent to which it foresees to operate gambling.

## REGULATORY OVERVIEW

According to the Czech Gambling Act, the operator is required to maintain and provide reporting for each game of chance, which is:

- a) a daily gaming record in the case of bingo operated in a casino,
- b) daily gaming reporting in the case of a live game operated in a casino,
- c) remote access in other cases.

The operator shall provide reporting via secure remote access to its server in the form of automated output in the specified scope, format and structure for the reporting period of:

- a) one calendar month for daily gaming record and daily gaming reporting,
- b) specified in the Reporting Decree, as described below, for remote access.

### Gaming Licences

#### *Basic Licence*

According to the Czech Gambling Act, a basic licence issued by the Ministry of Finance is required for games of chance operation in the Czech Republic (the "**Basic Licence**"). A specific Basic Licence is required for each type of gambling operation (i.e., live games, technical games, bingo, etc.).

The Ministry of Finance issues the Basic Licence, and the Basic Licence can be issued only in the case that:

- a) the applicant has satisfied the conditions necessary for Basic Licence specified in the Czech Gambling Act;
- b) the applicant has provided a security deposit under conditions set in the Czech Gambling Act;
- c) 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 previous three years;
- d) the gambling operation will not disturb public order; and
- e) proper gambling operation is guaranteed, and appropriate technical equipment is ensured.

According to the Czech Gambling Act, the security deposit mentioned in paragraph b) above amounts as follows:

- i. CZK 5,000,000 for odds betting on animal races and for totalisator games operated at animal races;

## REGULATORY OVERVIEW

- ii. CZK 30,000,000 for odds betting, totalisator games not defined under paragraph (i) above; and for odds betting, totalisator games, and bingo operated as an online game;
- iii. CZK 50,000,000 for lotteries; and lotteries, technical games, and live games operated as an online game.

The obligation to provide a security deposit during a Basic Licence licensing process in connection with paragraph (b) above is applicable only for those games of chance operators who do not want to operate land-based bingo, technical game, and/or live games. Those operators must provide security deposit under conditions set by the Czech Gambling Act for a Premises Licence as described below. Given that Palasino Group operates live and technical games (slots) in three land-based casinos in the Czech Republic, such obligation to provide security deposit, as mentioned in paragraph (b) above, does not apply to Palasino Group.

During the licensing process, the applicant (future gambling operator) has to provide the Ministry of Finance with:

- a) a list of persons who
  - 1. are members of the applicant;
  - 2. are members of the applicant's statutory body;
  - 3. are members of the applicant's supervisory body;
  - 4. are authorised to serve as a procurator; and
  - 5. are the beneficial owner of the applicant.
- b) a document on the provision of the security deposit, while applications for bingo, technical games, and live games are excepted;
- c) a proof of the debt-free status;
- d) identification data of the individuals to whom the clean record requirement applies, or a document proving the clean record for foreign citizens;
- e) a game plan;
- f) a document certifying a professional assessment and approbation of service worthiness;
- g) a document identifying the server location in the event of a game during which the chance is not generated at the place of gambling participation; and

## REGULATORY OVERVIEW

- h) a set of defaced specimen cheques and chips (in case of Basic Licence for live games).

The types of gambling permitted, the type of the game, and conditions of its operation are specified in the Basic Licence. The Ministry of Finance also approves the game plan and equipment with the help of which the gambling should be operated in the Basic Licence.

The Basic Licence is issued for a maximum period of six (6) years and is unassignable.

According to the Czech Gambling Act, the games of chance operator shall notify the Ministry of Finance without undue delay any changes of the facts based on which the Basic Licence has been issued and shall submit documents on such changes within 30 days from the date the change occurred.

### *Premises Licence*

According to the Czech Gambling Act, a licence for the gambling premises location is required for bingo, technical game, and live game land-based operations (hereinafter the "**Premises Licence**").

Such licence is issued, under delegated jurisdiction, by the municipal authority of the municipality within whose territorial jurisdiction the gambling premises intended for the respective gambling type are to be located.

According to the Czech Gambling Act, the Premises Licence may be issued by the relevant municipal authority if:

- a) the applicant satisfies the conditions defined in the Czech Gambling Act;
- b) the applicant has provided a security deposit defined in the Czech Gambling Act; and
- c) if the gambling premise's location does not contradict a generally applicable decree of the municipality.

During the licensing process, the applicant has to provide the relevant municipal authority with the following:

- a) the Basic Licence for gambling operation;
- b) a payment document of the security deposit;
- c) a certificate of the operational worthiness of each technical device through which the game is operated;

## REGULATORY OVERVIEW

- d) a document of the legal grounds for the use of the premises intended for the gambling operation; the preceding does not apply if the legal grounds may be found in the public administration information system or its subsection serving as public records, a register, or a list; and
- e) a CCTV scheme.

According to the Czech Gambling Act, the applicant for the Premises Licence is obliged to provide a security deposit amounting to CZK 10,000,000 for each casino, subject to CZK 20,000,000 at a minimum and CZK 50,000,000 at a maximum for all casinos of one operator.

In the Premises Licence, the municipal authority approves the casino location, operation of the respective gambling type, opening hours of the gambling premises, and the number of the terminal devices through which the game will be operated, including their types, serial number(s) and the precise quantity of the game access points.

The Premises Licence is valid for the effective period of the Basic Licence, subject to a maximum term of three (3) years.

### Regulation of Advertisement

Gambling games advertisement is regulated by Act No. 40/1995 Coll., on Regulation of Advertisement, as amended (the "**Act on Regulation of Advertisement**").

According to the Act on Regulation of Advertisement, a gambling advertisement shall not contain a message that gives the impression that participation in a game of chance may be a source of funds similar to the receipt of income from a dependent, self-employed, or other similar activity. The advertising of a gambling game shall not be directed at persons under the age of 18.

The gambling advertisement must also contain a statement prohibiting the participation of persons under 18 years of age in the gambling game and a prominent and clear warning worded as follows: "The Ministry of Finance warns: Participation in gambling may lead to addiction!".

### Other Gambling Regulations

The Ministry of Finance of the Czech Republic issued the following decrees to implement the Czech Gambling Act:

- decree No. 208/2017 Coll. (the "**Decree on Technical Parameters**");

The Decree on Technical Parameters lays down the scope of technical parameters for devices through which gambling games are operated, requirements for the protection and storage of gaming and financial data, and their technical parameters.

## REGULATORY OVERVIEW

- decree No. 433/2021 Coll. (the "**Decree on Output Documents**");

The Decree on Output Documents regulates requirements for the minimum elements of the output document and the provision of the output document to the authorities exercising state administration in the field of gambling. It applies mainly to certified persons executing the output documents (professional assessment, certificate of operability, registration mark, and a change assessment report).

- decree No. 10/2019 Coll., on the method of notification and transmission of information and data by gambling operators, the scope of transmitted data, and other technical data transmission parameters (the "**Reporting Decree**").

The Reporting Decree regulates the method of notification and transmission of information and data by a gambling operator to the authorities supervising the Czech Gambling Act, the scope of the data to be transmitted, and other technical parameters of data transmission in the form of (a) remote access, which is secure remote access to the operator's server providing a chronological overview of gaming and financial data, (b) daily gaming reporting, (c) daily game logging; and (d) notification or transmission of other information to the supervisory authorities. According to the Reporting Decree, the operator provides remote access as per (a) above three times per calendar day for a period of eight hours.

The government of the Czech Republic has submitted proposed amendments to the Czech Gambling Act to its parliament on 30 June 2023 for further amendments (if any) and approval and it is expected that the new Czech Gambling Act will come into effect on 1 January 2024. For details of the major changes, please refer to the paragraph headed "The New Czech Gambling Act" under the section headed "Business" in this document.

### **Anti-money Laundering Regulation in the Czech Republic**

As an operator of games of chance in the Czech Republic, Palasino Group is, besides conditions specified in the Czech Gambling Act, obliged to comply with AML regulation in the Czech Republic, which imposes strict obligations with respect to AML protections.

Rules and requirements related to anti-money laundering are defined in Czech Act No. 523/2008 Coll. on Selected Measures against Legitimation of Proceeds of Crime and Financing of Terrorism (the "**Czech AML Act**").

## REGULATORY OVERVIEW

According to the Czech AML Act, Palasino Group is considered as an obliged person (as defined in the Czech AML Act) who has to:

- a) carry out the identification of its customers, during which Palasino Group shall record customer identification data and verify them through a certificate of identity, if the identity card includes them, and then record the type and number of the identity card, issuing country, issuing authority and the validity, and to verify if the holder matches the photo on presented identification card;
- b) perform the customer due diligence during which Palasino Group shall mainly:
  1. monitor the business relationship with its customers, including scrutiny of transactions undertaken throughout the course of that business relationship to detect if these transactions are consistent with the obliged entity's knowledge about the customer, its business, and risk profile;
  2. perform scrutiny of the sources of funds or other property affected by a transaction or business relationship; and
  3. in respect of a business relationship with a politically exposed person, adopt adequate measures to identify the origin of his/her funds.

According to the Czech AML Act, Palasino Group shall also store the following for ten (10) years since the realisation of the transaction or termination of the business relationship:

- a) customers identification data obtained under the Czech AML Act or based on directly applicable regulations of the European Union adjusting information accompanying wire transfers of funds;
- b) the copies of stated documents for identification, if such documents were obtained;
- c) data about the person and the date of first performed identification of a customer;
- d) information and copies of documents obtained within the customer due diligence under the Czech AML Act;
- e) documents explaining the exemption from identification and customer due diligence under the Czech AML Act.

Palasino Group is also obliged to store data and documents about realised transactions connected with the obligation of identification at least ten (10) years after the realisation of the transaction or the termination of the business relationship.

## REGULATORY OVERVIEW

Moreover, Palasino Group as an obliged person, shall, under the Czech AML Act:

- a) introduce and apply adequate strategies and procedures of internal control and communication to mitigate and effectively manage the risks of legitimisation of proceeds of crime and financing of terrorism identified in risk assessment; and
- b) elaborate written system of internal rules, procedures, and control measures to fulfil the obligations stipulated in the Czech AML Act, a part of which shall also be a written risk assessment.

### **Labour and Safety Regulations in the Czech Republic**

An employer must meet its obligations concerning mandatory social security, health insurance, and pension insurance contributions. The employer must consistently comply with these statutory obligations to meet its legal obligations to its employees. Under Czech law, the employer must make mandatory social security, health insurance, and pension contributions on behalf of its employees.

According to Act No. 262/2006 Coll., Labour Code, the employer is obliged to protect employees' occupational safety and health concerning the risks of possible danger to their lives and health, which relate to work performance.

### **Taxation in the Czech Republic**

#### *Gambling Tax*

Taxation of gambling activities is governed by Act No. 187/2016 Sb., on gambling tax (the "**Act on Gambling Tax**").

According to Act on Gambling Tax, the gambling tax rate applicable to us is set out as follows:

- a) 35 % of the gross gaming revenue on technical games; and
- b) 23 % of the gross gaming revenue on live games.

Amendment of the Act on Gambling Tax is currently being discussed in the Czech Parliament, which proposes increase of the live games tax rate to 30%. The amendment shall become effective as of 1 January 2024. These proposed revisions are still subject to discussion within the Czech Parliament and may be changed during the process.

Furthermore, the operator must pay income tax, value-added tax, and other taxes if the conditions set by the law are met.



## REGULATORY OVERVIEW

### *Income Tax*

Corporate income tax (CIT) is regulated by Act No. 586/1992 Coll., on Income Tax, and applies to the profits generated by all companies, including branches of foreign companies.

Czech resident companies are required to pay CIT on income derived from worldwide sources. Non-resident companies are required to pay CIT on income sourced in the Czech Republic.

The CIT rate is 19% and applies to all business profits. However, the legislative process to change the legislation is currently underway and a new rate of 21% should apply from 2024, if accepted.

### *Value Added Tax (VAT)*

Under Czech tax law, VAT is regulated by Act No. 235/2004 Coll., and is generally charged at 21% on supplies of goods and services within the Czech Republic. Certain supplies (e.g. groceries, construction works related to social housing) are taxed at a rate of 15%, and a second reduced rate of 10% is applicable for specified categories of goods and services (e.g. hotel accommodation and admission to cultural, sport, theatre, or similar facilities). Currently, the amending process is ongoing and from 2024 onwards there should be only tax rate of 21% and one reduced rate of 12%.

The VAT return must be filed and tax paid within 25 days after the end of the taxable period. The taxable period is a calendar month (or calendar quarter under certain circumstances).

Beside VAT return, all the VAT payers have to submit a report, as a "control statement". In the control statement, the VAT payers have to give detailed evidence of data from invoices that have been issued and received, so that the Czech Financial Administration can compare and check transactions with business partners of the tax payer to prevent tax evasion and fraud.

### **Intellectual Property Rights in the Czech Republic**

Czech law stipulates complex protection of intellectual property rights regulating, in particular, but not limited to naming rights (trademarks and appellations of origin/geographical indications), to the results of technical creativity (inventions and utility models), as well as objects of industrial design (industrial designs), etc. The regulation of intellectual property is contained in several pieces of legislation, such as Act No. 441/2003 Coll., on Trademarks, Act No. 527/1990 Coll., on Inventions and Rationalisation Proposals, Act No. 478/1992 Coll., on Utility Models and Act No. 207/2000, of the Protection of Industrial Designs. In addition to protection at national level, the European Union regulation also provides for protection at European Union level, which is applicable also in the Czech Republic.

## REGULATORY OVERVIEW

Intellectual property rights arise and acquire protection only in case they are registered with the competent authority (Czech Industrial Property Office in case of national intellectual property rights and European Union Intellectual Property Office in case of European Union level). Protection is stipulated only for a limited period of time.

Trademark is any designation provided that it is capable of distinguishing the goods or services of one person from those of another person and is able to be expressed in the trademark register. By registering, the proprietor of the trademark acquires the exclusive right to use it. The validity of the trademark is 10 years from the date of filing the trademark application. The validity may be extended by an additional 10 years on the basis of an application for trademark renewal filed within the statutory period.

On the basis of a registered intellectual property right, the holder may claim against the infringer to refrain from infringing and/or to remedy the consequences of the infringement, as well as the right to damages and unjust enrichment, according to Act No. 221/2006 Coll., on Enforcement of Industrial Property Rights.

### OVERVIEW OF REGULATORY FRAMEWORK OF OPERATIONS OF HOTELS IN GERMANY

We operate three hotels in Germany that offer accommodation, catering, conference, and leisure services. We are, therefore, subject to the relevant laws and regulations in Germany.

#### **Business Registration**

All businesses are required to go through a registration process under Section 14 of the German Trade Regulation (Gewerbeordnung) to obtain a business registration.

Furthermore, all legal entities are registered automatically in the Commercial Register (Handelsregister).

## REGULATORY OVERVIEW

### Accommodation Guidelines (Beherbergungsstättenrichtlinie)

Hotels with more than 30 beds must also comply with the Accommodation Guidelines, which are subject to state legislation. These guidelines include requirements for escape routes, alarm systems and other building specifications.

Furthermore, Hesse, North Rhine-Westphalia and Lower Saxony (where our three hotels in Germany are located) have inspection regulations that directly affect hotel facilities. This applies in particular for the following systems:

- Systems for smoke evacuation or smoke control;
- automatic and non-automatic fire detection and alarm systems;
- Security power supplies;
- security lighting;
- electrical installations (under certain conditions);
- lightning protection systems; and
- hold-open systems of automatically closing fire and smoke doors.

Regular safety inspections by supervisory authorities are common practice for special buildings throughout Germany and are referred to under different terms, e.g. fire prevention inspection. Depending on the federal state, there are either binding requirements and deadlines for lodging facilities or only general guidelines that leave it to the discretion of the local authorities whether and how often such inspections are carried out.

State regulations for Hesse, North Rhine-Westphalia and Lower Saxony include:

- In Hesse, accommodation facilities with more than 30 beds are defined as special buildings in accordance with Section 2 (8) of the Hessische Bauordnung, Hessian Building Code (HBO). Furthermore, Hesse has implemented the Model Accommodation Establishment Ordinance, so that accommodation establishments with more than 12 guest beds fall within the scope. Vacation homes are not included. The Hessischen Verordnung über die Prüfung technischer Anlagen und Einrichtungen in Gebäuden, Hessian Ordinance on the Testing of Technical Installations and Equipment in Buildings (TPrüfV) applies to the inspection of technical building systems in Hesse. For lodging establishments with more than 100 beds, this stipulates an inspection prior to commissioning, after significant changes and otherwise every 3 years. In terms of fire protection, Hesse has the Verordnung über die Organisation und Durchführung der Gefahrenverhütungsschau, Ordinance on the Organisation and Implementation of the Hazard Prevention Review (GVSVO), which applies to lodging establishments with 30 or more beds. According to this, a risk prevention inspection must be carried out every 5 years.

## REGULATORY OVERVIEW

- In North Rhine-Westphalia, accommodation establishments with more than 30 beds are defined as special buildings in accordance with Sections 54 and 68 (1) sentence 3 Bauordnung für das Land Nordrhein-Westfalen, Building Regulation for the State of North Rhine-Westphalia (BauO NRW). The Verordnung über Bau und Betrieb von Sonderbauten (Sonderbauverordnung), Ordinance on the Construction and Operation of Special Buildings (SBauVO) Part 2 also applies, which covers lodging establishments with more than 12 beds. The technical building systems of lodging establishments within the meaning of the SBauVO must be inspected in accordance with the NRW inspection regulations before commissioning, after significant changes and otherwise every 3 years. For electrical systems and certain other systems, a period of 6 years applies. Furthermore, according to the Gesetz über den Brandschutz, die Hilfeleistung und den Katastrophenschutz, Law on Fire Protection, Assistance and Civil Protection (BHKG), a fire prevention inspection must be carried out if a large number of people are at risk. When this is the case is at the discretion of the municipalities. However, a fire prevention inspection must be carried out at least every 6 years.
- In Lower Saxony, accommodation facilities are defined as special buildings in accordance with § 2 Niedersächsische Bauordnung, Lower Saxony Building Code (NBauO) from a number of 12 beds. According to the Allgemeine Durchführungsverordnung zur Niedersächsischen Bauordnung, General Implementing Regulation for the Lower Saxony Building Code (DVNBauO), the inspection of technical building systems must also be carried out for accommodation facilities with a number of 12 beds or more before commissioning, after significant changes and otherwise every 3 years. Furthermore, the Niedersächsisches Gesetz über den Brandschutz und die Hilfeleistung der Feuerwehr (Niedersächsisches Brandschutzgesetz), Lower Saxony Law on Fire Protection and Assistance by Fire Departments (NBrandSchG) stipulates that a regular fire inspection must be carried out for facilities where a large number of people are at risk, whereby the municipalities are granted discretionary powers.

### Restaurant Permit

Some German states require a restaurant permit or concession (Gaststättenerlaubnis) to operate a restaurant and/or which offers alcoholic beverages, in other German states only a notification is required in this case. A restaurant in this sense is defined as an establishment that sells alcoholic drinks to the public. Restaurants that are part of a hotel are only covered by Restaurant Codes (Gaststättengesetze) if they are open to the public and not just to hotel guests. Whether a approval of a mere notification is required is regulated by State law and varies from state to state. The purpose of the permit/notification is to ensure that the establishment of the restaurant does not pose any risks (e.g. to the health and safety of guests, hygiene protection) or unacceptable nuisances (e.g. noise and odour emissions).

## REGULATORY OVERVIEW

A restaurant permit or concession is required for example in the state of North Rhine-Westphalia (where the *Hotel Kranichhöhe* in Siegburg of Trans World Germany is located). Only a notification is required e.g. in the states of Hesse (where *Hotel Columbus* of Trans World Germany is located) and Lower Saxony (where *Hotel Auefeld* of Trans World Germany is located).

To obtain a permit, a number of records and other documents, such as a criminal record and health and safety training records, must be submitted. The Restaurant Codes of Baden-Württemberg, Bremen, Rhineland-Palatinate, Saarland, Saxony-Anhalt, Saxony and Thuringia require restaurants to apply for a permit if they wish to serve alcoholic beverages.

The federal states of Brandenburg, Hesse and Lower Saxony do not require a restaurant approval. However, restaurant owners must notify the relevant authority four weeks before opening if they intend to open a restaurant and if they intend to serve alcoholic beverages.

### Safety and Hygiene

Hotel owners must also comply with a number of safety and hygiene regulations, including but not limited to the Operational Safety Ordinance (Betriebssicherheitsverordnung), the Infection Protection Act (Infektionsschutzgesetz), the regulations implementing provisions of Community legislation on food hygiene (Verordnungen zur Durchführung von Vorschriften des gemeinschaftlichen Lebensmittelhygienerechts) as well as the Non-Smokers' Protection Act (Nichtraucherschutzgesetz) and regulations relating the protection of minors.

### Food hygiene

The central legal bases for complying with food hygiene requirements in hospitality businesses are:

- Food, Commodities and Feed Code (LFGB);
- Regulation (EC) No. 852/2004 on the hygiene of foods;
- Regulation (EC) No. 853/2004 laying down specific hygiene rules for food of animal origin;
- Regulation on the hygiene of foodstuffs (LMHV);
- Regulation (EC) No. 1169/2011 — Food Information Regulation (LMIV);
- Food Information Implementing Regulation (LMIDV); and
- Infection Protection Act (IfSG).

## REGULATORY OVERVIEW

### *Price Lists*

Pursuant to Section 7, paragraph 3 of the Price Indication Ordinance (PAngV), a list showing the prices of the rooms essentially offered and, if applicable, the breakfast price must be displayed or displayed in a conspicuous place at the entrance or at the registration office of the hotel or restaurant.

If food or drinks are offered, their prices must be indicated in price lists in accordance with Section 7 paragraph 1 PAngV.

### **EMPLOYMENT AND SOCIAL SECURITY LAW IN GERMANY**

In a typical German employment relationship, the parties agree all material terms and conditions of employment in a written contract. Employment contracts must consider any existing collective agreements and should also address company policies. Trans World Germany is bound by certain collective agreements.

There are also laws and regulations that regulate other general working conditions and benefits of employees, including among others, working hours, minimum wage, annual leave, sick pay, maternity protection leave, equal treatment and anti-discrimination, and employment termination.

The German social security system includes different types of insurance, which to a certain extent, are mandatory.

#### **Accident Insurance**

Every employer must insure his employees against accidents at work.

The Berufsgenossenschaft Nahrungsmittel und Gaststätten (BGN), a statutory accident insurance institution, is responsible for the hotel and catering industry. All employees are insured with the BGN against accidents at work and occupational diseases.

#### **Pension Insurance and Unemployment Insurance**

Employees are obliged to join both the public pension scheme and the unemployment insurance scheme.

Contributions are paid equally by the employer and the employee.

#### **Health Insurance and Care Insurance**

In addition, there is compulsory health and long-term care insurance based on the employee's taxable income, which is paid equally by the employer and the employee.

#### **Pensions**

By law, all employees are members of the state pension scheme established and operated by the German government.

## REGULATORY OVERVIEW

### TAXATION IN GERMANY

#### **(Corporate) Income Tax**

The income tax rate for individuals conducting business (including through a partnership) in Germany varies between 14% and 45% plus a solidarity surcharge of 5.5%.

Corporations are subject to corporate income tax plus a solidarity surcharge. Quarterly advance payments are due on 10 March, 10 June, 10 September and 10 December.

#### **Trade Tax**

German trade tax is a second type of income tax on business income. Trade tax income is based on income for (corporate) income tax purposes, adjusted by certain additions and deductions. In principle, it is levied on all domestic business operations, whether they are corporations, partnerships, branches or sole proprietorships. Conceptually, trade tax is a municipal tax, but without giving municipalities the right not to levy the tax. Rates are set individually by each municipality. Trade tax rates regularly vary between 7% and 17.15% depending on the municipality where the taxpayer's business is located. Quarterly advance payments are due on 15 February, 15 May, 15 August and 15 November.

#### **Value Added Tax**

In Germany, VAT is levied on the supply of goods and services to both private consumers and businesses. In principle, only private consumption is effectively charged with VAT.

Two VAT rates apply to goods and services supplied in Germany: currently the standard rate for goods and services is 19%, while some services and certain privileged goods — mainly food products — are taxed at 7%. VAT for the "letting of living and sleeping quarters which an entrepreneur makes available for the short-term accommodation of strangers, as well as the short-term letting of camping sites" is subject to Art. 5 No. 1 of the Act on the Acceleration of Economic Growth and the amendment to § 12 para. 2 no. 11 UStG, since 1.1.2010 the reduced VAT tax rate is 7%.

### OVERVIEW OF REGULATORY FRAMEWORK OF OPERATION OF HOTELS IN AUSTRIA

We operate one hotel in Austria that offers accommodation, catering, conference, and leisure services. We are, therefore, subject to the relevant laws and regulations in Austria.

#### **Trade Licence**

A trade licence is a document issued by the trade authority (Gewerbebehörde), the only licencing authority to grant licences in Austria, which processes all applications for

## REGULATORY OVERVIEW

new licences for hotels and restaurants under the provisions of Trade Act Gewerbeordnung, ("GewO"). According to section 111 GewO the trade licence for hospitality industry is subdivided into a) hotel licence and b) restaurant (dishes and beverages of all kind) licence. It is possible to apply of one or both licences. Trans World Austria has obtained both hotel licence and restaurant licence.

The GewO states that operators of the hotel and restaurant industry shall maintain the business premises and any other business premises and their furnishings and equipment in good condition at all times and shall ensure that the business premises and any other business premises, the furnishings and the management of the business meet the requirements appropriate to the type of business.

Both licences, the hotel and the restaurant licence are granted for an unlimited period of time. Major changes in the operation require further approval of the authority. It is the responsibility of Trans World Austria to ensure that its premises comply and continue to comply with the licence conditions and other regulations or laws of Austria.

### **Building permit and Business facility permit**

Where the business premises are capable of generating risks, nuisances or impairments to the business owner, customers or neighbours, a business facility permit (Betriebsanlagengenehmigung) will be required. In the hotel business this applies for premises with more than 30 beds. Trans World Austria has a valid business facility permit.

The approval notice from the trade authority ordinarily imposes certain conditions. These are obligations which the respective owner of the business facilities must comply with. Approved business facilities must be regularly reviewed (usually every 5 years) to confirm that they are in line with the approval notice and the applicable rules under trade law. Any variations (such as the installation of new machines and structural alterations) will generally be subject to further approval.

The company may carry out the review itself or employ the services of an independent and accredited certification body for management system, personal and product certification to perform regular audits.

### **EMPLOYMENT LAW IN AUSTRIA**

Employment law in Austria is divided into individual and collective employment law. Individual employment law refers to the employer and employee relationship, the employment agreement and employment agreement law. Collective employment law covers, in particular, the law pertaining to collective agreements and works constitutions.

As a general principle, employer and employee may negotiate the content of the employment agreement on a private contractual basis. However, the applicable statutes and collective agreements often prescribe minimum standards (e.g., for minimum wage, overtime supplements, maximum permitted working hours and annual leave).



## REGULATORY OVERVIEW

### Collective agreements

Collective agreements are agreements made in writing between the employer entities competent to make collective agreements (e.g., the Austrian Chamber of Commerce or Wirtschaftskammer Österreich — WKÖ) and employees (Austrian Trade Union Confederation or Österreichischer Gewerkschaftsbund — ÖGB). In the hotel business, two collective agreements, namely the "Collective agreement for employees hotel and restaurant industry" and the "Collective agreement for workers in hotel and restaurant industry" apply.

The collective agreements are mandatory. Minimum working conditions set out in collective agreements must be met, and can be exceeded.

In addition to compensation, collective agreements also include other material terms of employment such as working time, entitlements to unpaid leave or termination dates/notice periods.

### Employment of (non-European Union) aliens in Austria

Employment of (non-European Union) aliens in Austria is subject to various restrictions and controls under the Austrian Employment of Aliens Act (German Ausländerbeschäftigungsgesetz short: AuslBG).

## TAXATION IN AUSTRIA

The list of taxes below is not conclusive. It covers the most important taxes for a business.

### Value-added tax

Austrian value-added tax (VAT) applies to turnover generated by profit-oriented business entities within Austria, irrespective of whether the entrepreneur is domiciled in Austria or not. The rate of VAT is, as a general rule, 20%, and in certain circumstances a reduced rate of 10% or 13% will apply.

### Corporate Income Taxation

Austrian-based corporations (AG and GmbH) are subject to corporate income tax ("CIT") and in general also to trade tax, which is a profit tax levied by the municipalities. CIT is charged at a rate of 25% on the taxable income. Minimum corporation tax per year is EUR1,750.

### Social Security

Under the rules of the General Social Security Act (German Allgemeines Sozialversicherungsgesetz, "ASVG") employees are automatically covered by health, accident and pension and unemployment insurance. The employer is responsible for registering the employee with the relevant social security fund Austrian Health Insurance

## REGULATORY OVERVIEW

(German Österreichische Gesundheitskasse, "ÖGK") and cover commences on the date the employee starts to work. Social security contributions are paid by both employee and employer and are directly deducted from wages or salaries by the employer. In addition the employer is obliged to contribute to the employee severance fund under the severance fund act (German Betriebliche Mitarbeiter- und Selbständigenvorsorgegesetz "BMSVG"), contributions are also deducted from wages and salaries and paid to ÖGK by the employer.

### OVERVIEW OF REGULATORY FRAMEWORK OF GAMING OPERATIONS IN MALTA

As we develop the Online Gaming Business through Palasino Malta, we are subject to the relevant laws and regulations in Malta.

#### Malta Online Gaming Regulatory Framework

The Gaming Act, Chapter 583 of the Laws of Malta ("**Gaming Act**"), was adopted by Malta's unicameral parliament on 8 May 2018 following a unanimous vote in favour.

Malta's approach to gaming regulation operates within a structured three-tier framework ("**Malta Regulatory Framework**"):

- **Gaming Act:** At the forefront is the Gaming Act itself, serving as the principal legislation governing all aspects of gaming within Malta and affording the relevant powers to the MGA;
- **Regulations:** The second tier encompasses regulations, which are disseminated through legal notices by the Minister responsible for the MGA, acting on the MGA's recommendations. These regulations meticulously outline the prerequisites for licence issuance and address specific cross-cutting concerns; and
- **Directives and Instruments:** The third tier consists of directives, as well as other binding and non-binding instruments. These instruments are published by the MGA and contain the detailed processes and requirements.

The MGA also collaborates with other public authorities to develop guidance documents and analogous tools, such as with the Financial Intelligence Analysis Unit ("**FIAU**"), where the MGA has released implementing procedures ("**FIAU Implementing Procedures**") and the Office of the Information and Data Protection Commissioner ("**IDPC**") in respect of compliance with operators' data protection obligations. The FIAU Implementing Procedures are tailored to offer specialised guidance to MGA licencees regarding specific mandates related to AML and counter-terrorism financing obligations.

The MGA is the single authority responsible for the regulation, governance, and supervision of gambling operators in Malta and its remit covers both land-based and online (or remote) gambling. The MGA has general supervisory and enforcement powers, as well as the power to grant licences.

## REGULATORY OVERVIEW

### Legality of Providing Gambling Services and Licensing Regime in Malta

Any person carrying out a gaming service or providing a critical gaming supply from Malta or to any person in Malta, or through a Maltese legal entity, must possess a valid licence or be exempt from the requirement of a licence under the Gaming Act or any other regulatory instrument. The provision of a service or supply which requires a licence from the MGA without the necessary licence or the aiding or abetting of such a provision without the necessary licence constitutes a criminal offence.

Depending on whether a prospective gambling operator seeks to provide business-to-business ("B2B") online gambling services or business-to-consumer ("B2C") online gambling services, the MGA may issue either:

- a B2B "critical gaming supply" licence; or
- a B2C gaming services licence.

Licences are channel neutral and game neutral. However, licencees need to obtain specific approvals from the MGA to supply different activities falling under different types of games. Licences are issued for a period of ten (10) years, subject to the imposition of new conditions by the MGA and that renewal is made within a pre-established timeframe before the expiry of the licence.

A person applying for a licence with the MGA should establish a company in the European Union or the European Economic Area.

### Gaming Compliance and Reporting Obligations

#### *Compliance Obligations*

The Malta Regulatory Framework is a point of supply framework. This means that the Gaming Act and the regulations and directives adopted as part of the Malta Regulatory Framework do not prevent MGA B2C gaming service licence holders from offering their online gambling services to consumers in other jurisdictions. B2C gaming service licences are, however, issued by the MGA subject to the standard licence condition that the B2C gambling operators must exercise due care in selecting the markets in which to pursue their activities and the advertising thereof, ensuring that their activity is underpinned by justifiable arguments. Countries where online gambling services may be provided to consumers are therefore not prescribed under the Malta Regulatory Framework; rather, it is an obligation of the MGA B2C gaming service licence holders to ensure that their operations are not breaching applicable laws of the countries in which they provide services.

A B2C Licencee must also ensure that any providers of critical gaming supplies are in possession of the relevant MGA licence or an equivalent licence issued by a competent authority in an European Union or an European Economic Area Member State and subsequently recognised by the MGA.

## REGULATORY OVERVIEW

The Malta Regulatory Framework includes the Gaming Commercial Communications Regulations (SL583.09) which set out the general obligations and limitations related to advertisement of licensable games. The obligations prescribe limits to contents of commercial communications, as well as mandatory minimum information, and targeting restrictions. The Gaming Commercial Communications Regulations also provide a general prohibition on advertisements being placed in public places, with a limited number of exemptions and prescribe rules applicable to sponsorships by gaming operators.

### AML Compliance and Reporting Obligations

AML and terrorist financing are regulated by the following laws and regulations:

- The Prevention of Money Laundering Act (Chapter 373 of the Laws of Malta);
- The Prevention of Money Laundering and Funding of Terrorism Regulations (S.L. 373.01) ("PMLFTR");
- Directive on the Key Function of the Prevention of Money Laundering and the Financing of Terrorism (Directive 3 of 2020);
- The FIAU Implementing Procedures Part 1 and the FIAU Implementing Procedures Part 2 (Remote Gaming Sector);
- The Criminal Code (Chapter 9 of the Laws of Malta); and
- The European Union Directive 2015/849 of 20 May 2015 (4th AML Directive).

The FIAU is Malta's national agency responsible for the collection, collation, processing, analysis and dissemination of information to combat money laundering and the funding of terrorism. The FIAU Implementing Procedures are binding on all subject persons and provide comprehensive guidance which assist subject persons to fulfil their obligations under the PMLFTR.

The 4th AML Directive classifies gambling operators as "subject persons" who are subject to stringent compliance, reporting and procedural obligations.

A B2C gaming licensee must adhere to the below obligations pursuant to the PMLFTR:

- a. Risk assessment;
- b. Appointment of a money laundering reporting officer;
- c. Identification and verification of a customer and, where applicable, an ultimate beneficial owner;
- d. Ongoing monitoring and record keeping;

## REGULATORY OVERVIEW

- e. Reporting obligations; and
- f. Awareness and training for staff.

### *Identification and Verification of a Customer*

In terms of identification and verification of a customer, Regulation 7 of the PMLFTR provides that subject persons are to adopt Customer Due Diligence ("CDD") measures. Furthermore, CDD shall consist of the identification and verification of the customer on the basis of the documents, data or information obtained from a reliable and independent source, including, where available, electronic identification means. The verification of identity is one of the aspects that can be outsourced.

The subject person should conduct a customer risk assessment and categorise the customer as either low-risk, medium-risk or high-risk. Depending on the categorisation under which the customer falls, different CDD measures apply. Simplified CDD is possible where there is low AML or counter terrorist financing risk.

On the other hand, subject persons are to apply enhanced CDD ("EDD") measures when a high AML or counter terrorist financing risk is detected. EDD includes the collecting of more detailed information on source of wealth and source of funds as well as implement additional measures which are deemed necessary in order to mitigate the risks identified. EDD measures should be implemented in respect of the following irrespective of the actual risk presented:

- a. Politically Exposed Persons;
- b. Transactions that are complex, unusually large, conducted in an unusual pattern, or have no apparent economic or lawful purpose; and
- c. Occasional transactions or business relationships or transactions which involve non-reputable jurisdictions.

### **Taxation in Malta**

#### *Corporate income tax*

A company incorporated in Malta is automatically considered as resident and domiciled in Malta, subject to corporate income tax on its worldwide chargeable income at the rate of thirty five percent (35%), in terms of the Income Tax Act (Chapter 123 of the Laws of Malta) and the Income Tax Management Act (Chapter 372 of the Laws of Malta).

Malta currently operates a system of full imputation, whereby, when a company established in Malta distributes dividends to its shareholders out of profits on which tax has been paid in Malta, the net dividend is grossed up by a tax credit equal to the tax borne in Malta, resulting in no further tax in Malta on the dividends at the level of the shareholder.

## REGULATORY OVERVIEW

Malta also provides for a system of tax refund, whereby the shareholders, upon receipt of dividends from a Malta company, may be entitled to a refund of the Malta tax paid by a Malta company.

### *Value Added Tax ("VAT") Within the Gaming Industry*

Item 9 Part 2 Fifth Schedule to the Value Added Tax Act, (Chapter 406 of the Laws of Malta) ("VATA") provides that the provision of "Government lotto and lotteries, the supply of agency services related thereto, and such other supplies related to gambling as may be approved by the Minister" are exempt without credit supplies of services.

On 21 November 2017, guidelines were issued by the Office of the Commissioner for Revenue regarding the application of Item 9 Part 2 of the Fifth Schedule to the VATA which became effective as from 1 January 2018. The guidelines identified those supplies related to gambling which, when supplied in Malta in terms of the general place of supply rules, shall be treated as exempt without credit supplies.

In terms of the guidelines, the supply of sportsbook, betting on events, lotto, lottery, bingo and live casino games are exempt without credit supplies. Whereas the supply of random number generator (RNG) casino and poker are considered as taxable supplies when supplied to players located in Malta.

Companies which are established in Malta, and which carry out taxable supplies or mixed supplies (taxable and exempt) should be registered in Malta for VAT purposes under the full VAT registration (commonly referred to as article 10 VAT registration).

### *Gaming tax and compliance contributions*

A B2C Licensee must pay a gaming tax of 5% of the gaming revenue generated from the gaming services provided by a B2C Licensee to players physically present in Malta. Gaming tax is a tax on consumption and applies on all verticals and all types of gaming services provided to Maltese players. No gaming tax is charged on supplies to non-Maltese players.

Furthermore, a compliance contribution is payable monthly. The compliance contribution is based on monthly gross gaming revenue and different brackets provide for different percentages:

- For type one gaming services, the compliance contribution fee shall not be less than €15,000 per year and shall not exceed €375,000;
- For type two gaming services, the compliance contribution fee shall not be less than €25,000 per year and shall not exceed €600,000;
- For type three gaming services, the compliance contribution fee shall not be less than €25,000 per year and shall not exceed €500,000; and
- For type four gaming services, the compliance contribution fee shall not be less than €5,000 per year and shall not exceed €500,000.

## REGULATORY OVERVIEW

### LAWS AND REGULATIONS IN RELATION TO DATA PROTECTION

Regulation (EU) 679/2016 on the protection of natural persons with regard to the processing of personal data and on the free movement of such data (General Data Protection Regulation, GDPR) largely harmonises data protection law at European Union level. The GDPR became directly applicable on 25 May 2018 and does not require transposition into member state law (unlike the prior European Union data protection directive).

Although directly applicable in all European Union member states, the GDPR does not provide for full harmonisation. It leaves room for national laws to some extent in some areas (for example, for data protection relating to employees or the processing of health data). Therefore, businesses will have to assess on a case-by-case basis whether the GDPR and/or specific national laws (on federal or state level) need to be met.

As a general rule, any processing of personal data is only permitted if either a statutory justification exists, or the consent of the data subject has been granted. The grant of consent must be clear and fairly detailed and based on the free decision of the data subject. Specific processing situations (for example, transfers of personal data outside the European Union, or processing health or other sensitive data) may be subject to further restrictions. European Union data protection law does not differentiate between consumers and non-consumers so that the requirements on the processing of personal data generally apply to the processing of any data of natural persons by a company, irrespective of whether that natural person acts in a personal or business context.

As data protection law is relevant whenever personal data is concerned, it has to be observed throughout all industries and in various contexts, and plays a major role in legal compliance. Also, the transfer of personal data within international groups of companies has become a major challenge for corporate compliance. With considerable accountability and documentation obligations as well as potential administrative fines of up to EUR 20 m or up to 4% of the total worldwide annual turnover of the preceding financial year, whichever is higher, data protection compliance needs to be a core element and requires early top management attention.

The applicability of the GDPR does not necessarily require any form of establishment in the European Union. With its extraterritorial reach, the GDPR also applies in case non-European Union businesses offer goods or services to data subjects located in the European Union, or monitor the behaviour of data subjects located in the European Union.

## REGULATORY OVERVIEW

There are several data protection authorities at the federal and state level which are responsible for monitoring the application of the GDPR and other data protection laws. Such authorities may act on their own initiative (for example, random checks at randomly selected companies) or following data subjects' complaints. They are also active in promoting public awareness on data protection issues as well as in providing advice, such as by publishing regulatory authorities general guidance. These authorities also have the power to enforce data protection law, for example, by carrying out investigations, issuing orders to amend/cease certain processing activities or by imposing fines.



## HISTORY, REORGANISATION AND CORPORATE STRUCTURE

### 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 Land Based Gaming Business and German and Austrian Hotel Business were acquired by the FEC Group through the Merger in 2018, and since then we have expanded our gaming offerings with the addition of new slot machines and the launch of poker game, and rebranded our casinos to "*Palasino*". We began preparing for the launch of our Online Gaming Business with the establishment of Palasino Malta in 2021.

FEC is one of our Controlling Shareholders with subsidiaries principally engaged in (i) property development; (ii) hotel operations and management (comprising our German and Austrian Hotel Business and the hotels of the Remaining FEC Group); (iii) gaming and related operations (i.e. our Land Based Gaming Business); (iv) car park operations and facilities management; (v) property investment; (vi) securities and financial product investments; and (vii) provision of mortgage services.

By way of background, the Merger occurred in March 2018. Prior to the Merger, TWC was a company listed on the OTC Markets Group OTCQB. To the best of the knowledge, information and belief of our Directors, having made all reasonable enquires, TWC and its ultimate beneficial owner(s) were third parties independent of FEC and its connected persons. FEC UK (an indirect wholly-owned subsidiary of FEC), FEC Investment (US) Limited (then a direct wholly-owned subsidiary of FEC UK), and TWC entered into an agreement and plan of merger (the "**Merger Agreement**"), pursuant to which FEC Investment (US) Limited would merge with and into TWC, such that TWC would continue as the surviving corporation. TWC became a wholly-owned subsidiary of FEC UK on 30 April 2018 and TWC was officially delisted from the OTC Markets Group OTCQB on the same day. Each share of TWC's common stock was cancelled and converted into the right to receive US\$4.1886 (equivalent to approximately HK\$32.6711) per share, without interest and less withholding taxes (the "**Privatisation Offer Price**"). The aggregate consideration paid by the FEC Group in the Merger for all of the outstanding equity interests of TWC was US\$42 million (equivalent to approximately HK\$327.6 million), minus certain expenses of TWC. The FEC Group paid for the consideration in cash and this was funded from the FEC Group's internal resources. As stated in the announcement of FEC dated 5 March 2018, it was considered that the Merger would, among others, allow FEC to expand its hospitality offerings in Europe and establish a gaming platform.

## HISTORY, REORGANISATION AND CORPORATE STRUCTURE

To the best knowledge, information and belief of our Directors, having made all reasonable inquiries, our Directors confirm that in respect of our Group's businesses:

- (a) TWC had, during the period it was listed on the OTC Markets Group OTCQB, complied in all material aspects with the applicable requirements of the US securities laws and regulations as well as rules and regulations of the OTC Markets Group OTCQB; and
- (b) there are no matters in relation to the prior listing of TWC that need to be brought to the attention of the Shareholders.

Given that more than five years have passed since the Merger, we have not provided any comparison of the Privatisation Offer Price with the [REDACTED]. During this five year period, market conditions have improved, our Group has rebranded and established a stronger market position to have met the challenges of COVID-19. As a result, our Group's value has grown beyond the aggregate acquisition price paid by the FEC Group of US\$42 million. It is expected that our Group's business will continue to grow and benefit from the [REDACTED], which will provide our Group with a separate fund-raising platform and broaden our [REDACTED] base.

### OUR MILESTONES

The following events are the key development milestones of our Group following the Merger:

- 2018      FEC acquired the Land Based Gaming Business and German and Austrian Hotel Business through the Merger.
- 2020      Poker was introduced at *Palasino Excalibur City* and *Palasino Wulowitz*.
- 2021      We began preparing for the launch of our Online Gaming Business with the establishment of Palasino Malta.
- 2022      Our Group's casinos were rebranded from "*American Chance Casinos*" to "*Palasino*".  
  
Palasino Group became ISO 27001 certified.  
  
Palasino Malta was granted an online gaming licence by the MGA.

## HISTORY, REORGANISATION AND CORPORATE STRUCTURE

### CORPORATE DEVELOPMENT

#### Our Company

Our Company was incorporated under the laws of the Cayman Islands as an exempted company with limited liability on 6 July 2023. As a result of the Reorganisation, our Company became the holding company of our subsidiaries. See "Reorganisation" of this section for details.

#### Our Major Subsidiaries

Our major subsidiaries that made a material contribution to our results of operations during the Track Record Period are set out below:

Company	Date of establishment and commencement of business	Equity interests held by our Group as at the Latest Practicable Date	Place of establishment	Principal business activities
Palasino Group	6 September 1995	100%	Czech Republic	Hotel and casino operations and investment holding
Trans World Germany	3 December 2003	100%	Germany	Hotel operations
Trans World Austria	15 January 1992	100%	Austria	Hotel operations

Please refer to Note 35 to the Accountants' Report in Appendix I to this document for a summary of the corporate information and the particulars of all of our subsidiaries.

On 10 February 2023, Turbo Century, Dateplum and Blossom International Investment Holdings Limited entered into a subscription agreement, pursuant to which Dateplum subscribed for 10% of the equity interest of Turbo Century for a cash consideration of US\$20,000,000 (equivalent to approximately HK\$156,000,000). As stated in the announcement of FEC dated 20 March 2023, FEC's intention was to explore capital market opportunities in relation to the gaming business segment.

## HISTORY, REORGANISATION AND CORPORATE STRUCTURE

### Reorganisation

In anticipation of the [REDACTED], our Group underwent the Reorganisation to consolidate the Land Based Gaming Business, the German and Austrian Hotel Business and the Online Gaming Business from the FEC Group into our Group. The Reorganisation [was] implemented in the manner described below:

- (a) On 6 July 2023, our Company was incorporated in the Cayman Islands with an authorised share capital of HK\$50,000 divided into 50,000 Pre-subdivision Shares of par value of HK\$1.00 each. Upon incorporation, one fully paid Pre-subdivision Share was issued to the initial subscriber, who transferred the one fully paid Pre-subdivision Share to Ample Bonus.
- (b) On 25 July 2023, BVI Holdco was incorporated in the British Virgin Islands and was authorised to issue a maximum of 50,000 shares of par value of US\$1.00 each. On 27 July 2023, one fully paid share of BVI Holdco was allotted and issued to our Company as the initial subscriber.
- (c) As between our Group and the Remaining FEC Group, the inter-company balances (in respect of the Singford Loans and the BC Agreement) were transferred such that a single net balance was owed by FEC UK to Palasino Group (save for certain indebtedness owed by FECL to Palasino Group which was settled in [●]). The net inter-company balance (the "**Inter-company Balance**") was set-off in its entirety by a dividend (the "**Dividend**") declared and paid by Palasino Group to FEC UK on 8 September 2023 of an amount equal to the Inter-company Balance.
- (d) On [●], FEC UK and BVI Holdco entered into a share contribution agreement whereby FEC UK contributes 100% of the shareholding interest in Palasino Group for 99 newly issued shares in BVI Holdco, representing 99% of BVI Holdco's issued shares upon completion of the allotment and issuance of shares. Upon completion of the share contribution, Palasino Group became wholly-owned by BVI Holdco.
- (e) On [●], 99% of the shareholding interest in BVI Holdco was transferred to Ample Bonus by FEC UK. The consideration for this transfer of approximately US\$42 million (by reference to the net book value of BVI Holdco) was settled by the issue of a promissory note by Ample Bonus to FEC UK. Upon completion of the share transfer, BVI Holdco became owned as to 99% by Ample Bonus and 1% by our Company.
- (f) On [●], 10% of the shareholding interest in BVI Holdco was transferred to Dateplum by Ample Bonus, in consideration of Dateplum transferring the 10% of shareholding interest in Turbo Century held by it to Ample Bonus. Upon completion of the share transfers, BVI Holdco became owned as to 89% by Ample Bonus, 1% by our Company and 10% by Dateplum.

## HISTORY, REORGANISATION AND CORPORATE STRUCTURE

- (g) On [●], 89% of the shareholding interest in BVI Holdco was transferred to our Company by Ample Bonus, in consideration of our Company issuing 89 Pre-subdivision Shares to Ample Bonus, representing 98.89% of our Company's total share capital upon completion of the allotment and issuance of Pre-subdivision Shares. On the same day, 10% of the shareholding interest in BVI Holdco was transferred to our Company by Dateplum, in consideration of our Company issuing 10 Pre-subdivision Shares to Dateplum, representing 10% of our Company's total share capital upon completion of the allotment and issuance of Pre-subdivision Shares. After such issuances, our Company became owned as to 90% by Ample Bonus and 10% by Dateplum and BVI Holdco became wholly-owned by our Company.

On [●], our then Shareholders passed an ordinary resolution to approve the Share Subdivision, pursuant to which, every issued and unissued ordinary share of HK\$1.00 par value in our Company was subdivided into 100 ordinary shares of HK\$0.01 par value each. The shareholding percentages of the then Shareholders remained unchanged after the Share Subdivision. On [●], our Company increased its authorised share capital to HK\$20,000,000 divided into 2,000,000,000 Shares of par value of HK\$0.01 each.

Pursuant to the written resolutions of our Shareholders passed on [●], conditional on the share premium account of our Company being credited as a result of the [REDACTED] or otherwise having sufficient balance, our Directors are authorised to [REDACTED] standing to the credit of the share premium account of our Company by applying such sum in paying up in full at par [REDACTED] Shares for issue and allotment to holders of Shares whose names appear on the register of members of our Company on the date of passing such resolution in proportion (as near as possible without involving fractions so that no fraction of a Share shall be issued and allotted) to their then existing respective shareholdings in our Company. Our Shares to be issued and allotted pursuant to such resolution shall carry the same rights in all respects with the existing issued Shares.

### **Compliance with Laws and Regulations**

As of the Latest Practicable Date, the establishment of our Company and transfers of equity interests [have been] properly and legally completed in compliance with the applicable laws and regulations.

## HISTORY, REORGANISATION AND CORPORATE STRUCTURE

### POST-TRACK RECORD PERIOD ACQUISITIONS

#### Polish Acquisition

On 20 July 2023, Palasino Group entered into a share sale agreement with the Polish Vendors pursuant to which Palasino Group agreed to acquire the 100% shareholding interest of Palasino Poland held by the Polish Vendors for a cash consideration of PLN98,709 (equivalent to approximately HK\$187,547). The consideration was determined after arm's length negotiation with reference to, among others, Palasino Poland's value to our business as a Polish corporate vehicle with the requisite financial track record to facilitate the launch of our land based gaming business in Poland. The Polish Acquisition was completed in July 2023.

Palasino Poland is a limited liability company incorporated in Poland on 11 May 2021 and, prior to the Polish Acquisition, was licenced to conduct car lease brokerage business. After the Polish Acquisition, it is intended that Palasino Poland would bid for casino licences in Poland.

There is currently minimal business in Poland and the Polish Acquisition is merely to facilitate the establishment of a Polish corporate vehicle to tender for casino licences in Poland. There is no assurance that we will be successful in the launch of the business, which is subject to, among others, winning any licences.

#### Possible European Acquisition

On 26 July 2023, Palasino Group entered into a letter of intent with the European Vendors, pursuant to which Palasino Group expressed its intention to negotiate towards an agreement to purchase 100% of the shareholding interest in the Target Company held by the European Vendors for an indicative consideration of €3,500,000 (equivalent to approximately HK\$29,925,000). The consideration is expected to be settled in cash and is based on arm's length negotiation between the European Vendors and us. Should the Possible European Acquisition proceed, we intend to use our internal resources to satisfy the consideration.

The Target Company is principally engaged in online and mobile gaming in a European licenced market and holds a general gaming licence and single licences for poker, slots, blackjack and roulette. The Possible European Acquisition is subject to satisfactory due diligence and the Target Company maintaining all of its licences. The Possible European Acquisition is part of our efforts to expand our footprint in the online gaming space.

The Possible European Acquisition is at an early stage and is yet to be finalised and the exact terms are to be negotiated. Due diligence is currently underway and there is no assurance that the Possible European Acquisition will proceed.

## HISTORY, REORGANISATION AND CORPORATE STRUCTURE

### [REDACTED] OF OUR GROUP FROM FEC

FEC has concluded that our Group's business is of a size which merits a separate [REDACTED] and that such [REDACTED] will be beneficial to our Group for the following reasons:

- (a) it provides flexibility and a separate fund-raising platform for our Group in raising future funds from the capital markets to support its growth;
- (b) it would better reflect the value of our Group on its own merits and increase its operational and financial transparency through which [REDACTED] would assess the performance and potential of our Group separately and independently from the FEC Group;
- (c) it would enable the management teams of the FEC Group and our Group to focus on the respective core businesses of the two groups, thereby enhancing efficiency in their respective decision-making processes and responsiveness to market changes; and
- (d) FEC intends to maintain a more than 50% equity interest in our Company. Accordingly, FEC will continue to benefit from any potential upside in the businesses to be owned by our Group through consolidation of financial results generated by our Group.

The [REDACTED] by FEC complies with the requirements of Practice Note 15 of the Listing Rules. The [REDACTED] is not subject to the approval by the shareholders of FEC.

### THE [REDACTED] INVESTMENT

#### Overview

Pursuant to a subscription agreement entered into among Turbo Century, Dateplum and Blossom International Investment Holdings Limited on 10 February 2023, Dateplum subscribed for 10% of the equity interest of Turbo Century at a consideration of US\$20,000,000 (equivalent to approximately HK\$156,000,000). On [●], our Company allotted and issued 10 shares to Dateplum, after which our Company was owned as to 10% by Dateplum. For details, see "Reorganisation" in this section.

Dateplum has not been granted any special rights in relation to our Group under the subscription agreement. The Shares held by Dateplum are considered part of the public float for the purposes of Rule 8.08 of the Listing Rules as (i) Dateplum is not a core connected person of our Company; (ii) the subscription of its shareholding interest in our Company was not financed directly or indirectly by any core connected person of our Company; and (iii) it is not accustomed to take instructions from a core connected person in relation to the acquisition, disposal, voting or other disposition of securities of our Company registered in its name or otherwise held by it.

## HISTORY, REORGANISATION AND CORPORATE STRUCTURE

The following table sets out certain key information of the [REDACTED] Investment:

<b>Name of [REDACTED] investor</b>	Dateplum Harvest Limited
<b>Approximate cost per Share</b>	US\$0.28 (equivalent to approximately HK\$2.18)
<b>Post-money valuation</b>	US\$200,000,000
<b>Date of the agreement</b>	10 February 2023
<b>Discount to the [REDACTED] <sup>(Note)</sup></b>	[REDACTED]
<b>Amount of the total consideration paid</b>	US\$20,000,000
<b>Settlement date of consideration</b>	20 March 2023
<b>Basis of determination of the consideration</b>	The consideration was determined after arms' length negotiations between the parties with reference to the valuation of the total equity of Turbo Century.
<b>Use of proceeds and whether they have been fully utilised</b>	The agreement prescribed that the proceeds be used as general working capital. After receipt of proceeds, the proceeds were applied to repay shareholders' loans. As at the Latest Practicable Date, all of the proceeds have been utilised.
<b>Strategic benefits</b>	Our Directors believe that the [REDACTED] Investment demonstrated the [REDACTED] investor's confidence in our business operation and prospects, and given its investment and asset management experience, the [REDACTED] investor can provide insights and recommendation in formulating our strategy in future business development.
<b>Percentage of shareholding in our Company upon [REDACTED] (assuming no exercise of the [REDACTED])</b>	[REDACTED]



## HISTORY, REORGANISATION AND CORPORATE STRUCTURE

**Lock-up** Twelve months after the completion of the share subscription or six months after the [REDACTED], whichever is later.

**Information regarding the [REDACTED] investor** Dateplum is a company incorporated in the BVI and a special purpose vehicle established for the purpose of the [REDACTED] Investment. It is indirectly wholly-owned by Blossom International Investment Holdings Limited, a company incorporated in the BVI which is principally engaged in financial investments in equity and debt products in both primary and secondary markets, asset management (through a wholly-owned subsidiary with Type 4 and 9 licences) and commodity trading. Blossom International Investment Holdings Limited is an investor with a diversified portfolio that spans across various sectors and stages of business development and has investment and asset management experience.

The ultimate beneficial owner of Dateplum and Blossom International Investment Holdings Limited is Ms. Yang Fang. To the best of our Directors' knowledge and belief after making due and careful enquiries, Dateplum and its ultimate beneficial owner are Independent Third Parties who do not have any relationship with our Group or any connected persons of the Company save for the [REDACTED] Investment.

*Note:* The discount to the [REDACTED] is calculated based on the assumption that the [REDACTED] is HK\$[REDACTED] per Share, being the mid-point of the indicative [REDACTED] range of HK\$[REDACTED] to HK\$[REDACTED].

### Sole Sponsor's Confirmation

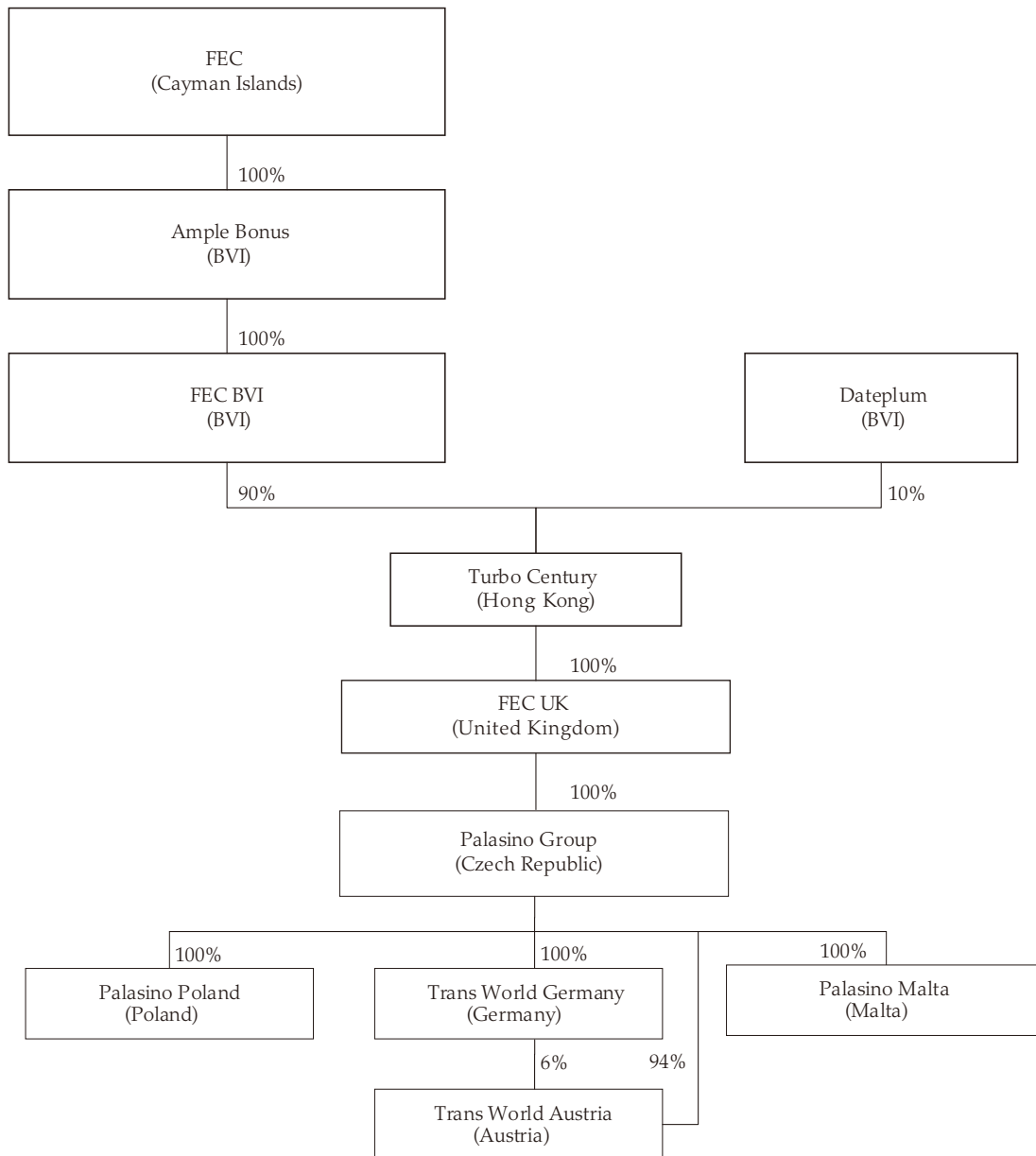
The Sole Sponsor confirms that the [REDACTED] Investment is in compliance with the Interim Guidance on Pre-[REDACTED] Investments (HKEx-GL29-12) issued in January 2012 and updated in March 2017 by the Stock Exchange and the Guidance on [REDACTED] Investments (HKEx-GL43-12) issued in October 2012 and updated in July 2013 and in March 2017 by the Stock Exchange.

**HISTORY, REORGANISATION AND CORPORATE STRUCTURE**

**CORPORATE STRUCTURE**

**Corporate Structure Immediately Prior to the Reorganisation**

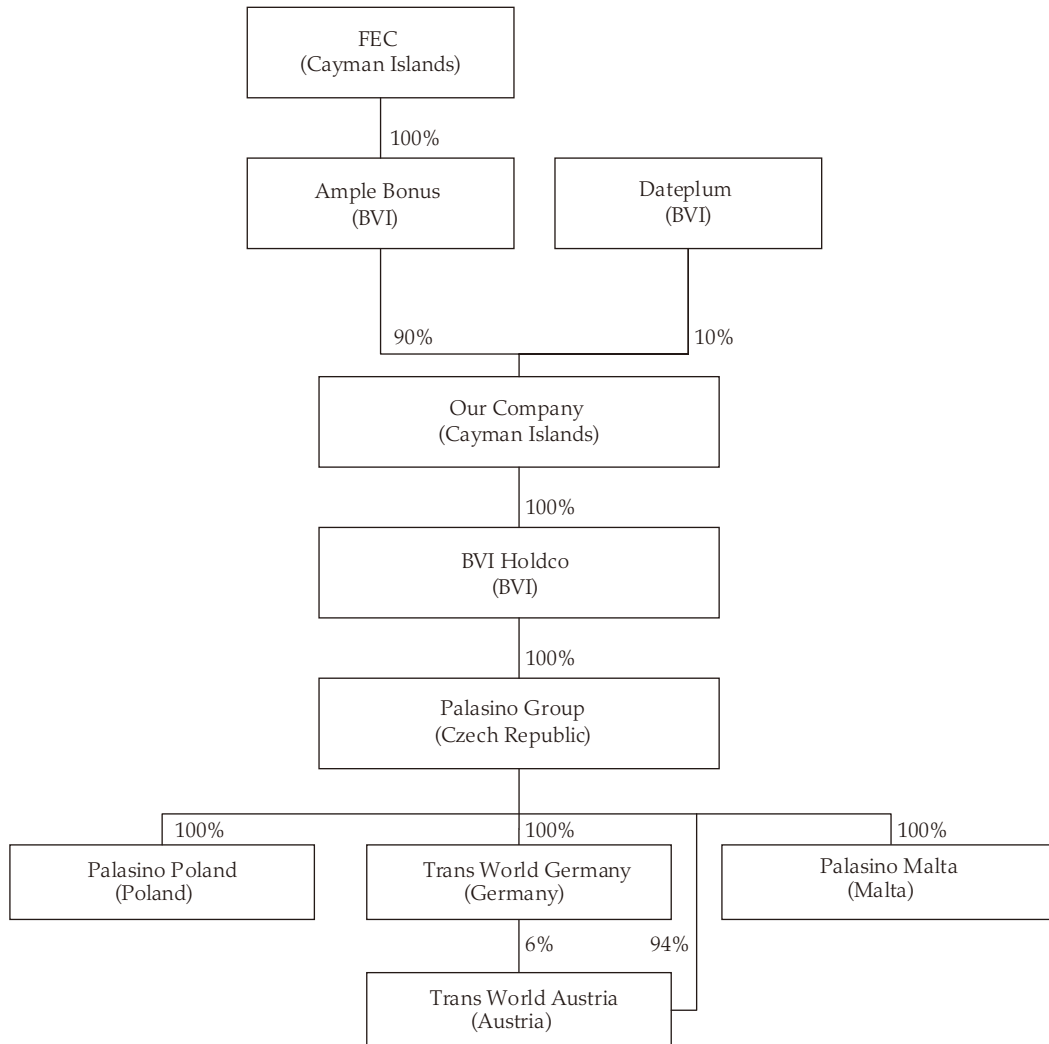
The following chart sets out the corporate structure of our Group, immediately prior to the Reorganisation:



# HISTORY, REORGANISATION AND CORPORATE STRUCTURE

## Corporate Structure After the Reorganisation

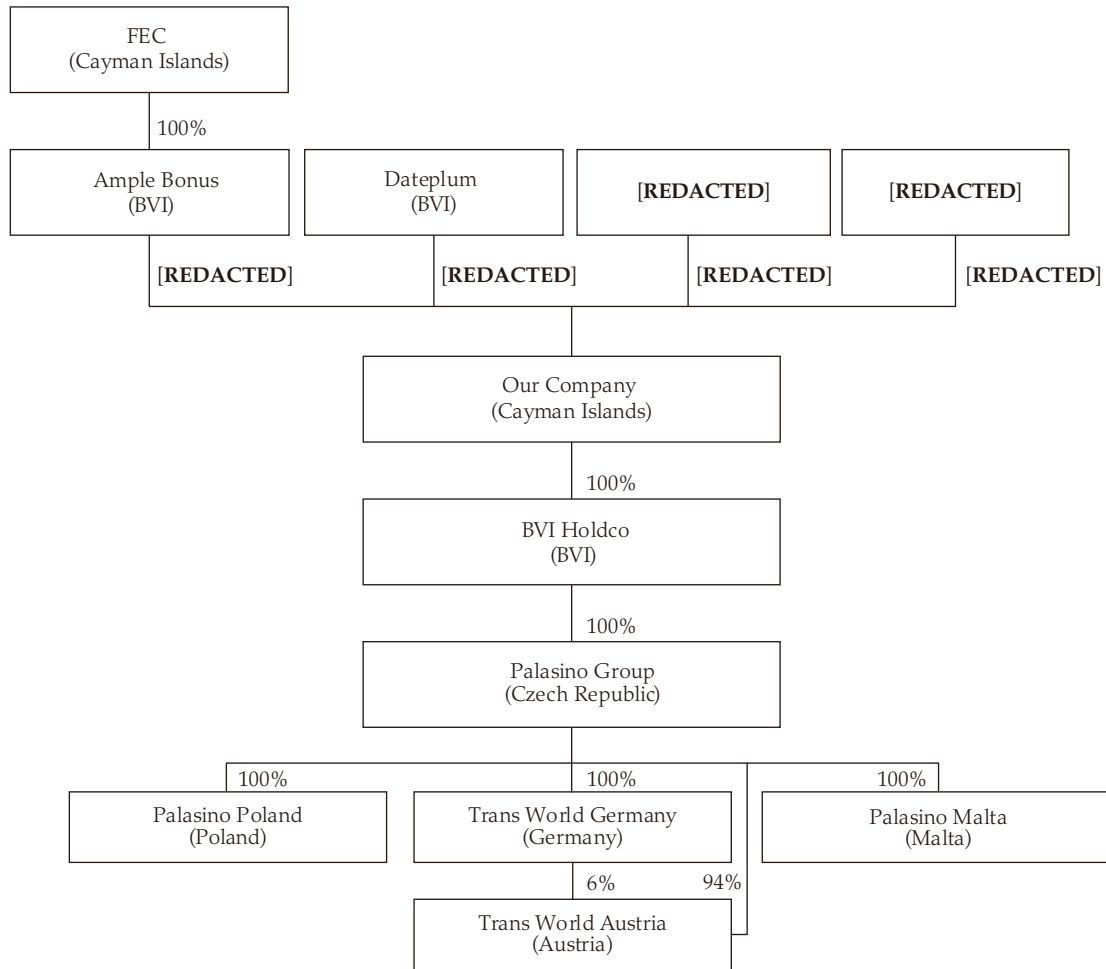
The following chart sets out the corporate structure of our Group after the Reorganisation and immediately prior to the [REDACTED] and [REDACTED]:



**HISTORY, REORGANISATION AND CORPORATE STRUCTURE**

**Corporate Structure upon Completion of the [REDACTED] and the [REDACTED]**

The following chart sets out the corporate structure of our Group upon completion of the [REDACTED] and the [REDACTED] (assuming the [REDACTED] under the [REDACTED] are fully taken up by [REDACTED] and the [REDACTED] is not exercised):



## 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.

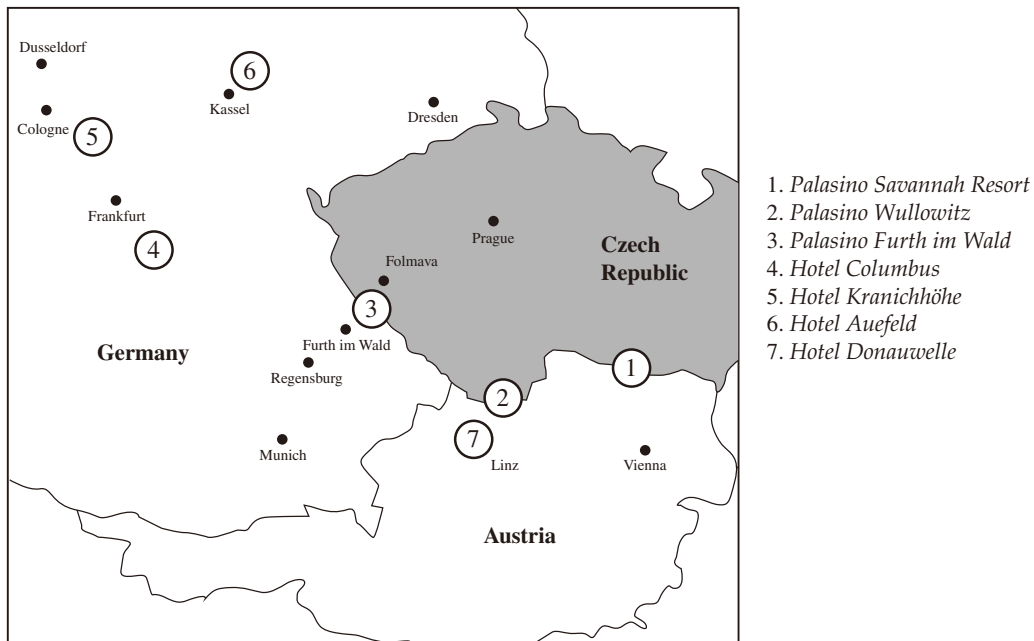
Our commitment to delivering an unique gaming experience is also reflected in our tagline, “*at the heart of the game,*” — casino games are played with heart and emotions such as adrenaline and excitement, which are experienced through the players’ journey through losing and winning.

### 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

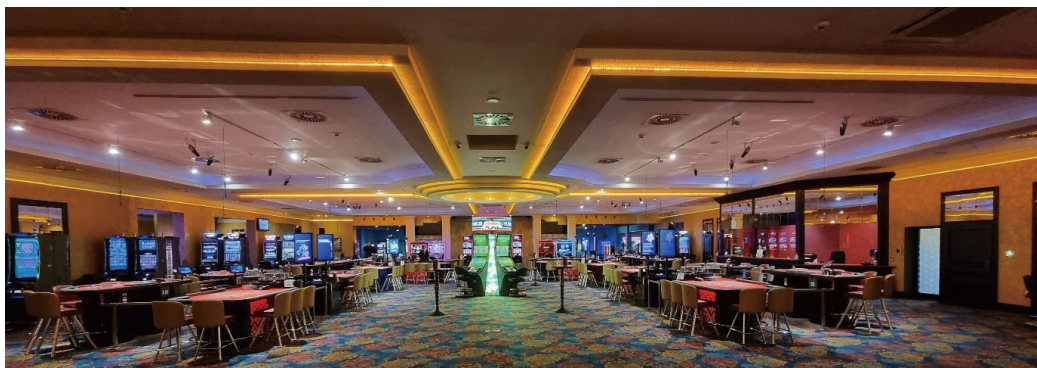
### (1) *Palasino Savannah Resort*



*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.	15 22	13 70
<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.	25 45	8 2

### *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.

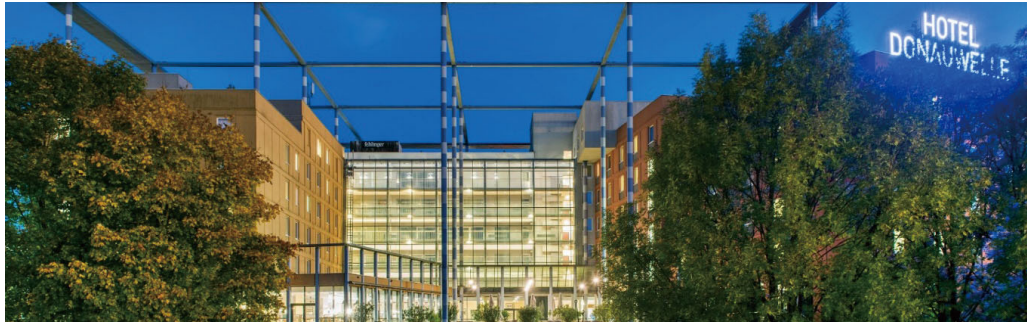
### *Amenities*

*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:

	<b>For the year ended 31 March</b>		
	<b>2021</b>	<b>2022</b>	<b>2023</b>
<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.

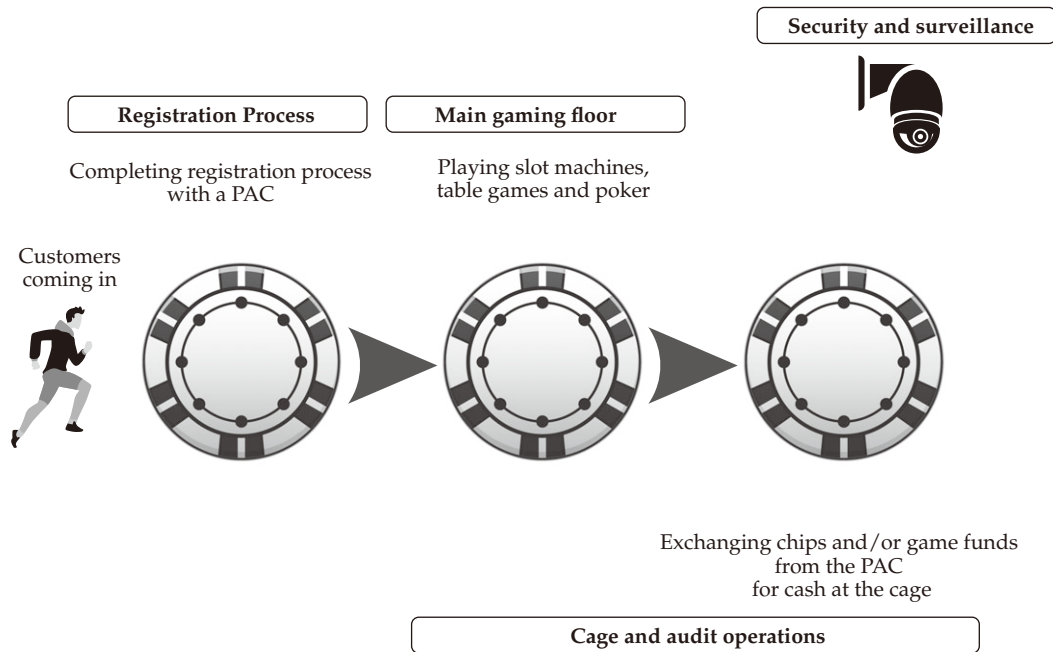
For our Group taken as a whole, we recorded an overall increase in average daily room rate, occupancy rate and RevPAR for the year ended 31 March 2023 as compared to the year ended 31 March 2022.

## 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

<b>Event</b>	<b>Year(s)</b>	<b>Description &amp; Highlights</b>
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.
- <i>Purpose:</i> (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	- <i>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	
(2) Gaming premises licence	(2) Basic licence	
- <i>Purpose:</i> to grant authorisation to operate the relevant gambling activities in a specific location	- a prerequisite to obtain the next level of licence, which is the gaming premises licence	
- <i>Purpose:</i> to grant authorisation to operate the relevant gambling activities in a specific location	- <i>Purpose:</i> to grant authorisation to operate a specific type of gambling	
(2) Gaming premises licence	(3) Gaming premises licence	
- <i>Purpose:</i> to grant authorisation to operate the relevant gambling activities in a specific location	- <i>Purpose:</i> 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**

### 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.

### New Czech Gambling Act

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.

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.

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.

## BUSINESS

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

**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.

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.

### 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.

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.

## 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.

## RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

### RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

As at the Latest Practicable Date, FEC, through its wholly-owned subsidiary, Ample Bonus, [held] an indirect interest of 90% in our Company. Immediately upon completion of the [REDACTED] and the [REDACTED] (assuming the [REDACTED] under the [REDACTED] are fully taken up by [REDACTED] and the [REDACTED] is not exercised), (i) our Company will be owned as to approximately [REDACTED] by Ample Bonus; and (ii) Ample Bonus will continue to be wholly-owned by FEC.

As at the Latest Practicable Date, FEC was directly held as to approximately 0.94% by Tan Sri Dato' David CHIU, as to approximately 50.19% by Sumptuous Assets Limited (a direct wholly-owned subsidiary of Far East Organization (International) Limited, which in turn was directly wholly-owned by Tan Sri Dato' David CHIU), as to approximately 0.001% by Modest Secretarial Services Limited (which was directly wholly-owned by Tan Sri Dato' David CHIU) and as to approximately 0.77% by Mrs. Nancy CHIU NG (the spouse of Tan Sri Dato' David CHIU). As a result, Ample Bonus, FEC, Tan Sri Dato' David CHIU, Sumptuous Assets Limited, Far East Organization (International) Limited and Mrs. Nancy CHIU NG constitute a group of our Controlling Shareholders.

FEC is an exempted company with limited liability incorporated in the Cayman Islands and its shares are listed on the Main Board of the Stock Exchange (stock code: 35). Ample Bonus, Sumptuous Assets Limited and Far East Organization (International) Limited are investment holding companies.

### BUSINESS DELINEATION BETWEEN OUR GROUP AND THE REMAINING FEC GROUP

We are principally engaged in the Land Based Gaming Business and the German and Austrian Hotel Business and are developing the Online Gaming Business. Prior to the [REDACTED], the FEC Group (together with our Group) is principally engaged in (i) property development; (ii) hotel operations and management (comprising the German and Austrian Hotel Business and the hotels of the Remaining FEC Group (as defined below)); (iii) gaming and related operations (i.e. the Land Based Gaming Business); (iv) car park operations and facilities management; (v) property investment; (vi) securities and financial product investments; and (vii) provision of mortgage services.

After the [REDACTED], gaming and related operations (which is currently one of the FEC Group's core business segments) will cease to be classified as a core business segment of the Remaining FEC Group, as the Remaining FEC Group will no longer have any interest in gaming operations other than its shareholding in Palasino Group and its minority interest (less than 5%) and joint venture interest in certain gaming business in Australia (as detailed below). The Remaining FEC Group will continue to focus on its remaining core business segments, namely, property development, hotel operations and management, car park operations and facilities management, property investment, securities and financial product investments, and provision of mortgage services. FEC Group will continue to consolidate the financial results of our Group based on the accounting standard in place.

## RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

In March 2018, the FEC Group entered into a strategic alliance agreement with The Star Entertainment Group Limited ("**The Star**") and Chow Tai Fook group and as at Latest Practicable Date, held an approximately 4.98% equity stake in The Star, one of the two major casino operators in Australia which has a dominant position in Sydney, the Gold Coast and Brisbane. The Destination Brisbane Consortium ("**DBC**"), a joint venture between the FEC Group, The Star and Chow Tai Fook Enterprises Limited, entered into development agreements with the Queensland State, Australia for the delivery of the Queen's Wharf Project located in Brisbane. The Queen's Wharf Project envisages two residential towers, a commercial tower, three world-class hotels, high-end food and commercial outlets and a casino in Brisbane's prime waterfront district. It is currently expected that the casino operations at Queen's Wharf, Brisbane will commence in 2024. The FEC Group does not consolidate the financials of The Star or the DBC in its financial statements.

In respect of its hotel operations, the FEC Group currently owns and operates its hotel portfolio under the Dorsett brand (with the exception of the Ritz-Carlton hotels in Perth and Melbourne, and the 25%-owned Sheraton Grand Mirage in Gold Coast), with a focus on the three to four-star hotel segment. As at the Latest Practicable Date, excluding the hotels of our Group, the FEC Group owned a total of 37 hotels (8 of which were under development), including the wholly-owned Dorsett group, the Ritz Carlton and Sheraton properties in Australia and Dao by Dorsett AMTD in Singapore, spreading over Mainland China, Hong Kong, Malaysia, Singapore, Australia and the United Kingdom. The Ritz Carlton and Sheraton properties in Australia are luxury 5-star hotels that were developed by FEC and managed by an external hotel manager. As at the Latest Practicable Date, the FEC Group also managed 2 other hotels in Malaysia.

On the basis of the differences set out below, we consider that apart from their interest in our Company, our Controlling Shareholders do not currently control a business similar to the principal business of our Group that competes or is likely to compete, either directly or indirectly, with our Group's business:

- in terms of the gaming operations, the Land Based Gaming Business forms our core business. On the other hand, the FEC Group does not consolidate the results of the DBC (in which it has a joint venture interest) or the results of The Star (in which it has a less than 5% minority interest) into its accounts. In addition, the casino operations of our Group are located only in the Czech Republic, whereas the casino operations of the DBC and The Star are located only in Australia (and to our Company's knowledge as of the Latest Practicable Date, neither the DBC nor the Star has any expansion plans outside of Australia or any online gaming presence). Accordingly, there are distinct differences in terms of business focus and no direct or material competition between the two; and
- in terms of the hotel operations, the Remaining FEC Group's operations in the hospitality sector do not extend to the Czech Republic, Germany and Austria, where our Group's hotels are located, and the two are therefore entirely geographically distinct. As at the Latest Practicable Date, out of the 37 hotels owned by the Remaining FEC Group, only 4 hotels (2 of which were under



## RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

development) were located in Europe (specifically, the United Kingdom). To our Company's knowledge as of the Latest Practicable Date, there is no present intention for the Remaining FEC Group to expand into the locations of our hotel business (i.e., the Czech Republic, Germany and Austria), and if any conflict of interest should arise, the respective boards of FEC and our Company are expected to adopt decision making which takes into account the corporate governance expectations set out below. In any event, given that the Remaining FEC Group has no hospitality or gaming operations in the Czech Republic, Germany and Austria at all, and no present intention to expand into these locations, we do not foresee any potential conflict of interest.

In addition, all of the hotels of the Remaining FEC Group (with the exception of the Ritz Carlton/Sheraton properties in Australia) are operated under FEC's Dorsett brand, whereas the hotels of our Group (which were acquired by the FEC Group in 2018 along with the Czech casinos as part of the Merger) remain operated under the Trans World brand. The hotels of our Group have, since before the Merger, been managed and operated by an operating team that is separate from and not involved in the hotel operations of the Remaining FEC Group.

The hotels operated by the Remaining FEC Group and the hotels operated by our Group also target different markets. For example, the hotel portfolio of the Remaining FEC Group comprises mainly hotels located in major cosmopolitan cities (i.e. Hong Kong, Shanghai, Chengdu, Wuhan, Singapore, London, Melbourne, Perth and Kuala Lumpur) that are typically nestled in or within a short distance from prime city center locations, whereas the hotel portfolio of our Group comprises mainly regional hotels that are located some distance from major cities. In particular, (i) *Palasino Savannah Resort* is located in Znojmo, which is outside of Vienna; (ii) *Hotel Columbus* is located in Seligenstadt, which is outside of Frankfurt; (iii) *Hotel Auefeld* is located in Hann, which is outside of Kassell; and (iv) *Hotel Kranichhöhe* is located in Much, which is outside of Cologne.

The hotels of our Group also tend to have fewer rooms than those of the Remaining FEC Group. With the exception of *Hotel Donauwelle*, the hotels of our Group all have fewer than 120 rooms. By contrast, the hotels of the Remaining FEC Group typically have no fewer than 150 rooms (with a majority of them having over 200 rooms). Given their central location and size, the hotels of the Remaining FEC Group tend to attract international business and leisure travellers that are looking for short stays, and accordingly their marketing strategies are aimed at targeting this demographic. On the other hand, due to their regional location and smaller room offerings, the hotels of our Group are catered to a more local/regional clientele and do not tend to attract an international clientele looking to stay in major cities. The facilities and marketing strategies of these hotels are therefore also geared towards attracting local and regional travellers. For example, these hotels tend to offer facilities that complement their countryside setting (such as wellness and fitness facilities) and have meeting rooms and conferencing facilities that allow them to host corporate events/conferences/team-building events.

## RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

In respect of the sole hotel which is part of the Land Based Gaming Business, namely the *Palasino Savannah Resort*, it is integral to supporting the operations of *Palasino Excalibur City* to which it is connected and its business and operation are designed to function in alignment with the casino's operations and to bolster and increase the casino's business. By contrast, the hotels operated by the Remaining FEC Group are focused on the wider scope of hotel operations and as mentioned above, have an entirely separate target customer base.

On the basis of the above, we consider that: (a) apart from their interest in our Company, our Controlling Shareholders do not currently control a business similar to the principal business of our Group that competes or is likely to compete, either directly or indirectly, with our Group's business; (b) our business is clearly delineated from that of the Remaining FEC Group; and (c) together with the reasons set out below in this section, we are sufficiently independent from and do not rely on the Remaining FEC Group.

### INDEPENDENCE FROM THE REMAINING FEC GROUP

Our Board is satisfied, on the basis of the following matters, that our Company can operate independently of the Remaining FEC Group after the [REDACTED].

#### (a) Independence of boards and management

Our business is managed and conducted by our Board and senior management. Our Board comprises one executive Director, two non-executive Directors and three independent non-executive Directors.

The following table shows the details of the directorships of our Company upon [REDACTED] and that of FEC as at the Latest Practicable Date:

Name of directors	Our Company	FEC
Tan Sri Dato' David CHIU (丹斯里拿督邱達昌)	Non-executive Director	Executive Director
Mr. Cheong Thard HOONG (孔祥達)	Non-executive Director	Executive Director
Mr. Dennis CHIU (邱達成)	None	Executive Director
Mr. Craig Grenfell WILLIAMS	None	Executive Director
Ms. Wing Kwan Winnie CHIU (邱詠筠)	None	Executive Director

## RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

Name of directors	Our Company	FEC
Mr. Kwong Siu LAM (林廣兆)	None	Independent non-executive Director
Mr. Wai Hon Ambrose LAM (林懷漢)	None	Independent non-executive Director
Mr. Lai Him Abraham SHEK (石禮謙)	None	Independent non-executive Director
Mr. Wai Hung Boswell CHEUNG (張偉雄)	None	Chief financial officer and company secretary
Mr. Pavel MARŠÍK	Executive Director	None
Dr. Ngai Wing LIU (廖毅榮)	Independent non-executive Director	None
Mr. Kam Choi Rox LAM (林錦才)	Independent non-executive Director	None
Ms. Sin Kiu NG (吳先僑)	Independent non-executive Director	None

Our Directors believe that our Board and our senior management are capable of operating our business and managing all actual or potential conflicts of interest independently of the Remaining FEC Group for the following reasons:

- except for our non-executive Directors, Tan Sri Dato' David CHIU and Mr. Cheong Thard HOONG, there will not be any overlap between the Remaining FEC Group and our Company in terms of directors and senior management. Tan Sri Dato' David CHIU and Mr. Cheong Thard HOONG are executive directors of FEC. See "Directors and Senior Management" in this document for more details on their roles within FEC. Each of Tan Sri Dato' David CHIU and Mr. Cheong Thard HOONG will not be participating in the day-to-day management of our Group after the [REDACTED] and each will abstain from voting on any relevant board resolution of our Company in which FEC has a conflict of interest;
- the executive Director and the members of our senior management are responsible for the day-to-day management of our business and none of them holds any directorships and/or other roles within the Remaining FEC Group. Our Company will have a team of full-time senior management and employees who operate independently from the Remaining FEC Group;

## RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

- all of our independent non-executive Directors are professionals with requisite knowledge and experience in different industries. See the section headed "Directors and Senior Management" in this document for more details. Our independent non-executive Directors are appointed in accordance with the requirements under the Listing Rules to ensure that the decisions of our Board are made only after due consideration of independent and impartial opinions. None of our independent non-executive Directors are directors of FEC or otherwise connected with FEC in any manner that may affect their independent judgement or independence as required under the Listing Rules; and
- each Director is aware of his/her fiduciary duties as a director which require, among others, that he/she acts for the benefit and in the interest of our Company and does not allow any conflict between his/her duties as a Director and any personal interests. Further, our Company will have in place such corporate governance measures as set out below such that they would only be involved in our Group's business when there is no conflict and hence there should not be any concern over their duties of care and loyalty in cases where they do participate in the management of our Group.

Based on the above, our Directors believe that our business is managed independently of the Remaining FEC Group.

### **(b) Financial independence**

We believe our Group will be financially independent from the Remaining FEC Group after the [REDACTED] for the following reasons:

- we have established our own finance and accounting department with independent teams of staff separate from the Remaining FEC Group, and are responsible for our own financial management, accounting, reporting, treasury and internal control functions;
- we make financial decisions independently according to our own funding needs;
- we have established our own independent audit system, accounting system and financial management system;
- we are capable of obtaining financing from independent financial institutions on a standalone basis without guarantee or other financial assistance from the Remaining FEC Group, if necessary or desirable; and
- upon the [REDACTED], there will be no outstanding inter-company loans or guarantees or other forms of financial assistance which were provided by the Remaining FEC Group to or for the benefit of our Group.

## RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

### (c) Operational independence

We hold all material licences and own all relevant intellectual properties necessary to carry on our business and have sufficient capital, facilities, equipment and employees to operate our business independently of the Remaining FEC Group. Our access to, and relationship with, our customers and suppliers are independent of the Remaining FEC Group, and we have an independent management team that operates our business.

The FEC Group provides us with administrative support services, including office administration, secretarial, legal and staff training services. In addition, we rent an office space from the FEC Group. See the section headed "Connected Transactions" in this document for further details of and reasons for entering into these transactions. We are of the view that we do not and will not significantly rely on the FEC Group as a result of FEC Group's provision of these services considering (i) the nature of the administrative support services being capable of being provided by independent third parties, if necessary, and (ii) there is clear division of the area occupied by our Group in the office building of the FEC Group which will not materially affect our operational independence.

We have also established our own accounting and internal audit departments which operate independently from the FEC Group and adopted a set of internal control procedures to maintain effective and independent operation of our business.

Based on the above, our Directors believe that we are able to operate independently of the Remaining FEC Group.

### CORPORATE GOVERNANCE MEASURES

Our Directors recognise the importance of good corporate governance in protecting our Shareholders' interests. The following will also be adopted as part of our Company's governance upon [REDACTED]:

- as part of our preparation for the [REDACTED], we have adopted our Articles to comply with the Listing Rules. In particular, unless otherwise provided, a Director shall not vote on any resolution approving any contract or arrangement or any other proposal in which such Director or any of his close associates has a material interest nor shall such Director be counted in the quorum present at the meeting;
- under the Articles, where any member is, under the Listing Rules, required to abstain from voting on or restricted to voting only for or only against any particular resolution proposed at a Shareholders' meeting, any votes cast by or on behalf of such member in contravention of such requirement or restriction shall not be counted;

## RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

- a Director with material interests shall make full disclosure in respect of matters that may have actual or potential conflict with any of our interest and abstain from the Board meetings on matters in which such Director or his/her associates have a material interest, unless the attendance or participation of such Director at such meeting of the Board is specifically requested by a majority of the independent non-executive Directors;
- our Company has established internal control mechanisms to identify connected transactions, and we will comply with the applicable Listing Rules if we enter into connected transactions with our Controlling Shareholders or any of their associates after [REDACTED];
- where our Directors reasonably request the advice of independent professionals, such as financial advisers, the appointment of such independent professionals will be made at our Company's expenses;
- we have appointed Altus Capital Limited as our compliance adviser for the period prescribed by the Listing Rules to provide advice and guidance to us in respect of compliance with the applicable laws and regulations, as well as the Listing Rules, including various requirements relating to corporate governance; and
- as required by the Listing Rules, our independent non-executive Directors will review any continuing connected transaction annually and confirm in our annual report that such transactions have been entered into in our ordinary and usual course of business, are either on normal commercial terms or on terms no less favourable to us than those available to or from independent third parties and on terms that are fair and reasonable and in the interests of our Shareholders as a whole.

## CONNECTED TRANSACTIONS

### CONNECTED TRANSACTIONS

The transactions with the Remaining FEC Group disclosed in this section are expected to continue after the [REDACTED] and will constitute one-off connected transactions or continuing connected transactions of our Group under Chapter 14A of the Listing Rules upon [REDACTED], as FEC is one of our Controlling Shareholders and members of the Remaining FEC Group are our connected persons for the purposes of Chapter 14A of the Listing Rules.

#### **Fully Exempt Continuing Connected Transaction - Shared administrative services**

On [●], our Company and FEC entered into a shared administrative services framework agreement (the "**Shared Administrative Services Framework Agreement**") which is effective upon [REDACTED], pursuant to which members of the Remaining FEC Group and our Group may share certain administrative services such as office administration, secretarial, legal and staff training services (the "**Shared Administrative Services**") from time to time. The Shared Administrative Services will be shared on a cost basis, and the cost of sharing the Shared Administrative Services will be identifiable and allocated to each of the Remaining FEC Group and our Group on a fair and equitable basis.

Since the Shared Administrative Services Framework Agreement is a new transaction with effect from the [REDACTED], there are no historical amounts for this transaction.

Our Directors estimate the maximum amounts to be incurred by us under the Shared Administrative Services Framework Agreement for the three years ending 31 March 2026 will be less than HK\$3.0 million a year.

As the Shared Administrative Services constitute the sharing of administrative services on a cost basis, and the costs will be identifiable and will be allocated to the parties on a fair and equitable basis, the transactions under the Shared Administrative Services Framework Agreement are fully exempt from shareholders' approval, annual review and all disclosure requirements under Chapter 14A of the Listing Rules pursuant to Rule 14A.98 of the Listing Rules.

## CONNECTED TRANSACTIONS

### Connected Transaction — Tenancy agreement

On [●], our Company as the tenant entered into a tenancy agreement (the “**Tenancy Agreement**”) with Annick Investment Limited (“**Annick**”) as the landlord, pursuant to which we agreed to lease a room of 84 sq. ft at 16/F, Far East Consortium Building, 121 Des Voeux Road Central, Hong Kong (the “**Office Premise**”) as an office space for a term of three years from [●] 2024 to [●] 2027 at a monthly rental of HK\$3,200 (inclusive of rates, government rent and management fee, air-conditioning charges, water charges, electricity charges, telephone charges and Wi-Fi services and other similar charges and expenses).

Since the Tenancy Agreement is a new transaction with effect from the [REDACTED], there are no historical amounts for this transaction.

In accordance with HKFRS 16 “Leases”, our Company will recognise a right-of-use asset on its combined statement of financial position in connection with the lease of the Office Premise under the Tenancy Agreement. Accordingly, the entering into of the Tenancy Agreement will be regarded as an acquisition of asset by our Group for the purpose of the Listing Rules.

The value of the right-of-use asset to be recognised by our Company under the Tenancy Agreement is expected to be approximately HK\$88,000.

Annick is a wholly-owned subsidiary of FEC, one of our Controlling Shareholders. Accordingly, Annick is a connected person of our Company and the transaction contemplated under the Tenancy Agreement constitutes a connected transaction of our Company under Chapter 14A of the Listing Rules. As all the applicable percentage ratios in respect of the estimated value of the right-of-use asset to be recognised by our Group under the Tenancy Agreement are less than 0.1%, the transactions contemplated under the Tenancy Agreement falls within the *de minimis* threshold under Rule 14A.76(1)(a) of the Listing Rules and is exempt from the reporting, annual review, announcement, circular and independent Shareholders’ approval requirements under Chapter 14A of the Listing Rules.



## DIRECTORS AND SENIOR MANAGEMENT

### BOARD OF DIRECTORS

Our Board of Directors consists of six Directors, including one executive director, two non-executive directors and three independent non-executive Directors.

The following table sets out certain information in respect of the members of our Board:

Name	Age	Date of joining our Group	Date of appointment	Position	Responsibilities	Relationship with other Directors and senior management
Tan Sri Dato' David CHIU (丹斯里拿督邱達昌)	69	26 August 2023	26 August 2023	Non-executive Director and Chairman of the Board	Providing strategic advice in the formulation of business plans and major decisions of our Group	None
Cheong Thard HOONG (孔祥達)	54	26 August 2023	26 August 2023	Non-executive Director	Providing strategic advice in the formulation of business plans and major decisions of our Group	None
Pavel MARŠÍK	50	March 2000	6 July 2023	Executive Director, Chief Executive Officer and Chief Financial Officer	Day-to-day management, strategic planning and overall financial management of our Group	None
Ngai Wing LIU (廖毅榮)	72	●	●	Independent non-executive Director	Providing oversight of the Board and independent advice on the operation and management of our Group	None
Kam Choi Rox LAM (林錦才)	68	●	●	Independent non-executive Director	Providing oversight of the Board and independent advice on the operation and management of our Group	None
Sin Kiu NG (吳先僑)	50	●	●	Independent non-executive Director	Providing oversight of the Board and independent advice on the operation and management of our Group	None

## DIRECTORS AND SENIOR MANAGEMENT

The functions and duties of our Board include convening Shareholders' meetings, reporting to Shareholders at Shareholders' meetings, implementing the resolutions of the Shareholders, determining our business and investment plans, formulating our annual budget and final accounts, formulating proposals for our dividend and bonus distributions and for the increase or reduction of capital, and exercising other powers, functions and duties as authorised by the Articles of Association.

Save as disclosed in this document, each of our Directors confirms with respect to himself or herself that he or she (i) did not hold other long positions or short positions in the Shares, underlying Shares, debentures of our Company or any associated corporation (within the meaning of Part XV of the SFO) as of the Latest Practicable Date; (ii) did not hold any other directorships in the three years prior to the Latest Practicable Date in any public companies of which the securities are listed on any securities market in Hong Kong and/or overseas; and (iii) there are no other matters concerning his or her appointment that need to be brought to the attention of our Shareholders and the Stock Exchange or shall be disclosed pursuant to Rules 13.51(2)(h) to (v) of the Listing Rules. As of the Latest Practicable Date, none of our Directors or senior management is related to other Directors or senior management of our Company.

### Non-executive Directors

**Tan Sri Dato' David CHIU** (丹斯里拿督邱達昌), aged 69, is our non-executive Director and chairman of our Board. He is also one of our Controlling Shareholders. Tan Sri Dato' David CHIU is responsible for providing strategic advice in the formulation of business plans and major decisions of our Group. Tan Sri Dato' David CHIU has over 40 years of experience in property development and extensive experience in hotel development. He graduated from the University of Sophia in Japan with a Bachelor of Science degree in Business Administration and Economics in July 1975. He was appointed as the managing director of FEC and later became the deputy chairman and chief executive officer of the FEC Group in 1978, 1994 and 1997, respectively. In 2011, Tan Sri Dato' David CHIU was appointed as the chairman of FEC. He is an executive director of FEC and also a director of a number of the FEC Group's subsidiaries. Tan Sri Dato' David CHIU was the vice-chairman and a non-executive director of i-CABLE Communications Limited (stock code: 1097) from September 2017 until May 2023. In Malaysia, he was conferred an honorary award which carried the title "Dato" and subsequently a more senior honorary title of "Tan Sri" by His Majesty, the King of Malaysia, in 1997 and 2005, respectively.

## DIRECTORS AND SENIOR MANAGEMENT

Tan Sri Dato' David CHIU was a director of the following companies prior to their dissolutions:

Name of Company	Place of incorporation	Date of Dissolution	Mode of Dissolution	Reason of Dissolution	Business Nature prior to Dissolution
Canning Investments Limited 建程投資有限公司	Hong Kong	5 Feb 2021	Deregistration	Cessation of business	Investment holding
Commodious Property Limited	Hong Kong	5 Feb 2021	Deregistration	Dormant	Dormant
Dorsett Hotels & Resorts (H.K.) Limited	Hong Kong	12 Jan 2018	Deregistration	Cessation of business	Investment holding
Ersign Development Limited	Hong Kong	23 Mar 2001	Deregistration	Dormant	Dormant
Far East Consortium China Infrastructure Company Limited 遠東發展中國基建有限公司	Hong Kong	14 Dec 2018	Deregistration	Cessation of business	Investment holding
Far East Pudong Development Limited 遠東浦東開發有限公司	Hong Kong	5 Feb 2021	Deregistration	Cessation of business	Investment holding
Faubert Investment Limited	Hong Kong	22 Aug 2008	Deregistration	Dormant	Dormant
Happiways Construction Limited 悅途工程有限公司	Hong Kong	27 Feb 2004	Deregistration	Dormant	Dormant
Healthonline.Com Limited	Hong Kong	6 Oct 2006	Deregistration	Dormant	Dormant
Hepworth Investment Limited 謙和投資有限公司	Hong Kong	11 Feb 2021	Deregistration	Cessation of business	Investment holding
Hong Kong Indoor Recreation Centres Limited 香港室內娛樂場有限公司	Hong Kong	20 Apr 2001	Deregistration	Cessation of business	Amusement centre
Modern Recreation Centre Limited 現代娛樂有限公司	Hong Kong	21 Jun 2019	Deregistration	Cessation of business	Amusement centre
Oi Tak Enterprises Limited 愛德企業有限公司	Hong Kong	7 Nov 2014	Deregistration	Cessation of business	Investment holding

## DIRECTORS AND SENIOR MANAGEMENT

Name of Company	Place of incorporation	Date of Dissolution	Mode of Dissolution	Reason of Dissolution	Business Nature prior to Dissolution
Profess World Investments Limited 好而威投資有限公司	Hong Kong	29 Sep 2006	Deregistration	Dormant	Dormant
Renoir Realty Limited 朗厦物業有限公司	Hong Kong	5 May 2017	Deregistration	Cessation of business	Investment holding
Sea Wave Properties Limited 景滔置業有限公司	Hong Kong	5 May 2017	Deregistration	Cessation of business	Investment holding
Sheen Profit Industries Limited 瑞益實業有限公司	Hong Kong	14 Dec 2018	Deregistration	Cessation of business	Hotel operation
The Warwick Hotel (H.K.) Limited 華威酒店(香港)有限公司	Hong Kong	13 Dec 2002	Striking-off	Failed to deliver annual returns	Dormant
Transcamp Limited	Hong Kong	18 Jul 2003	Striking-off	Failed to deliver annual returns	Dormant
Turbulent Limited	Hong Kong	30 Jun 2017	Deregistration	Cessation of business	Investment holding
United Automobile Holdings Limited 聯達汽車集團有限公司	Hong Kong	25 Apr 2003	Striking-off	Failed to deliver annual returns	Investment holding
United Automobile Manufacturing Limited 聯達汽車製造廠有限公司	Hong Kong	25 Apr 2003	Striking-off	Failed to deliver annual returns	Dormant
Upperace Development Limited 登藝發展有限公司	Hong Kong	18 Aug 2017	Deregistration	Cessation of business	Investment holding

## DIRECTORS AND SENIOR MANAGEMENT

Tan Sri Dato' David CHIU confirmed that he has not been involved in any dispute with the above companies' creditors, shareholders and directors in respect of the dissolutions, that the above companies have been dissolved with no outstanding liability or claim in relation thereto and were solvent at the time of dissolutions, that the dissolutions of the companies had not resulted in any liability or obligation being imposed against him, that his involvements in the above companies were in relation to his appointments as director of the companies and that no misconduct or misfeasance on his part had been involved in the dissolutions.

**Cheong Thard HOONG (孔祥達)**, aged 54, is our non-executive Director. Mr. Hoong is responsible for providing strategic advice in the formulation of business plans and major decisions of our Group. Mr. Hoong has over 12 years of experience in the corporate finance and investment banking industry in Asia. In 1997, he joined UBS as an associate director in the corporate finance department and was subsequently promoted to director and executive director in 2000 and 2002, respectively. From 2003 to 2006, Mr. Hoong worked for Deutsche Bank as a director. Mr. Hoong was the chief executive officer and an executive director of China LotSynergy Holdings Limited (which was then listed on GEM of the Stock Exchange but has since transferred its listing to the Main Board of the Stock Exchange and changed its name to China Ecotourism Group Limited) from 2006 to 2008, and its non-executive director from 2008 to 2017. Mr. Hoong joined FEC as the managing director in September 2008 and has been an executive director since August 2012. Mr. Hoong has been a non-independent and non-executive director of Land & General Berhad, a company listed on the main board of Bursa Malaysia, since 1 June 2010. Mr. Hoong was a non-executive director of i-CABLE Communications Limited, a company listed on the Main Board of the Stock Exchange, from September 2017 to May 2023. Mr. Hoong was a director of AGORA Hospitality Group Co., Ltd., a company listed on the Tokyo Stock Exchange, from March 2009 to March 2017. Mr. Hoong graduated from Imperial College of Science, Technology and Medicine, University of London in the United Kingdom in August 1989 with a Bachelor of Engineering degree in Mechanical Engineering. Mr. Hoong is a member of the Institute of Chartered Accountants in England and Wales.

Mr. Hoong was a director of the following companies prior to their dissolutions:

Name of Company	Place of incorporation	Date of Dissolution	Mode of Dissolution	Reason of Dissolution	Business Nature prior to Dissolution
Dorsett Hotels & Resorts (H.K.) Limited	Hong Kong	12 Jan 2018	Deregistration	Cessation of business	Investment holding
Far East Consortium China Infrastructure Company Limited 遠東發展中國基建有限公司	Hong Kong	14 Dec 2018	Deregistration	Cessation of business	Investment holding

## DIRECTORS AND SENIOR MANAGEMENT

Name of Company	Place of incorporation	Date of Dissolution	Mode of Dissolution	Reason of Dissolution	Business Nature prior to Dissolution
Renoir Realty Limited 朗廈物業有限公司	Hong Kong	5 May 2017	Deregistration	Cessation of business	Investment holding
Sea Wave Properties Limited 景滔置業有限公司	Hong Kong	5 May 2017	Deregistration	Cessation of business	Investment holding
Sheen Profit Industries Limited 瑞益實業有限公司	Hong Kong	14 Dec 2018	Deregistration	Cessation of business	Hotel operation
Turbulent Limited	Hong Kong	30 Jun 2017	Deregistration	Cessation of business	Investment holding
Upperace Development Limited 登藝發展有限公司	Hong Kong	18 Aug 2017	Deregistration	Cessation of business	Investment holding

Mr. Hoong confirmed that he has not been involved in any dispute with the above companies' creditors, shareholders and directors in respect of the dissolutions, that the above companies have been dissolved with no outstanding liability or claim in relation thereto and were solvent at the time of dissolutions, that the dissolutions of the companies had not resulted in any liability or obligation being imposed against him, that his involvements in the above companies were in relation to his appointments as director of the companies and that no misconduct or misfeasance on his part had been involved in the dissolutions.

### Executive Director

**Pavel MARŠÍK**, aged 50, is our executive Director, Chief Executive Officer and Chief Financial Officer. Mr. Maršík is responsible for the day-to-day management, strategic planning and overall financial management of our Group. Mr. Maršík is also a director of various subsidiaries of our Group. Mr. Maršík worked at Arthur Andersen Prague from August 1996 to March 2000. Mr. Maršík joined Palasino Group in March 2000 as the regional financial controller. Initially, Mr. Maršík supported TWC (the then parent company of Palasino Group) in the implementation of internal control and financial reporting systems as well as the financial management of Palasino Group. Since 2004, Mr. Maršík has taken an active role in growing and diversifying Palasino Group's business both organically as well as by acquisitions and greenfield developments of casinos in the Czech Republic and hotels in the Czech Republic, Germany, and Austria. From September 2018 to June 2020, Mr. Maršík was the chief financial officer (Europe) of FEC. Since July 2020, Mr. Maršík has been leading the team at Palasino Group as managing director, chairman of the board and chief financial officer of Palasino Group. Mr. Maršík obtained a Dipl. Ing. (Master's Degree) from the University of Economics in Prague in June 1996, specialising in International Trade, and obtained the FCCA title from the Association of Chartered Certified Accountants in the United Kingdom in May 2005.

## DIRECTORS AND SENIOR MANAGEMENT

### Independent Non-executive Directors

**Ngai Wing LIU (廖毅榮)**, aged 72, was appointed as an independent non-executive Director with effect from [●] 2023. Dr. Liu is responsible for providing oversight of the Board and independent advice on the operation and management of our Group. Prior to joining our Group, Dr. Liu held other senior management positions in companies whose shares are or were listed on the Main Board of the Stock Exchange. Dr. Liu was the chief executive officer and non-executive chairman at Yoshiya International Corporation, Limited (currently known as Capital Estate Limited, Stock Code: 193) from October 1996 to November 1998 and from December 1998 to April 2002, respectively; the chief executive officer and executive director of Singapore Hong Kong Properties Investment Limited (Stock Code: 245) (currently known as China Vered Financial Holding Corporation Limited) from September 2000 to December 2001; and an executive director of eSun Holdings Limited (Stock Code: 571) from November 1998 to May 2008. From March 2000 to December 2008, Dr. Liu was an independent non-executive director and the chairman of the audit committee of Hang Fung Gold Technology Limited (currently known as 3D-GOLD Jewellery Holdings Limited), a company whose shares were listed on the Main Board of the Stock Exchange but were subsequently delisted on 9 July 2012. Shares in 3D-GOLD were suspended from trading since 29 September 2008, and it was announced on the same day that Dr. Lam Sai Wing ("Dr. Lam"), the then chairman of 3D-GOLD, had passed away and that technical breaches of certain loan facilities may arise as a result of Dr. Lam ceasing to be chairman of 3D-GOLD. On 14 October 2008 it was announced that certain wholesale trade receivables of 3D-GOLD might not be recoverable, and a winding up petition for 3D-GOLD was filed by The Hongkong and Shanghai Banking Corporation Limited on 17 October 2008. The winding-up petition was subsequently adjourned to 13 July 2011 based on the available announcement of 3D-GOLD. The shares of 3D-GOLD were delisted with effect from 9 July 2011 by the Stock Exchange. Since Dr. Liu's resignation from the board of directors of 3D-GOLD on 5 December 2008, he has been unaware of any further developments in the affairs of 3D-GOLD.

Since 1 April 2019, Dr. Liu has been acting as an independent non-executive Director of Hanvey Group Holdings Limited (Stock Code: 8219), a company whose shares are listed on the Main Board of the Stock Exchange. He also previously acted as an independent non-executive Director in other companies listed on the Main Board of the Stock Exchange, including in Daiwa Associate Holdings Limited (Stock Code: 1037) (currently known as Maxnerva Technology Services Limited) from September 2004 to December 2015, and in New Smart Energy Group Limited (Stock Code: 91) (currently known as Golden Century International Holdings Group Limited) from July 2005 to September 2009. Dr. Liu was also an independent non-executive Director in Dorsett Hospitality International Limited from September 2010 to October 2015.

Dr. Liu was awarded a Master of Business Administration from Hong Kong Metropolitan University (formerly known as The Open University of Hong Kong) in December 1999. He further obtained multiple degrees, including a Master of Science degree in Hotel and Tourism Management from The Hong Kong Polytechnic University in November 2001 and a Master of Science degree in Global Business from The Chinese University of Hong Kong in December 2002. Dr. Liu obtained his PhD degree from the Hotel and Tourism Management School of The Hong Kong Polytechnic University in

## DIRECTORS AND SENIOR MANAGEMENT

October 2008, a Master of Arts degree in China Studies from Hong Kong University of Science and Technology in November 2011, a Doctor of Business Administration degree from Curtin University of Technology in January 2013, a Master of Arts degree in Asian and International Studies from The City University of Hong Kong in February 2013, a Master of Arts degree in Practical Philosophy from Lingnan University in November 2015, a Master of Arts degree in Chinese Studies from Chu Hai College of Higher Education in October 2017, a Bachelor of Arts degree in Chinese Humanities from Hong Kong Metropolitan University in August 2018, and a Bachelor of Social Sciences degree from Hong Kong Metropolitan University in November 2021.

Dr. Liu is an associate of The Hong Kong Chartered Governance Institute (formerly known as The Hong Kong Institute of Company Secretaries), an associate of The Chartered Governance Institute (formerly known as The Institute of Chartered Secretaries and Administrators), a member of The Hong Kong Institute of Certified Public Accountants and a fellow of The Association of Chartered Certified Accountants.

Dr. Liu was a director of the following companies prior to their dissolutions:

Name of Company	Place of incorporation	Date of Dissolution	Mode of Dissolution	Reason of Dissolution	Business Nature prior to Dissolution
Ich International City Hotels Management Limited 國際城市酒店管理有限公司	Hong Kong	21 June 2022	Striking Off	Failure to submit annual return within the specified time	Hotel management
Transcamp Limited	Hong Kong	18 July 2003	Striking-off	Failed to deliver annual returns	Dormant
China Fair Investment Limited 新華福投資有限公司	Hong Kong	27 November 2009	Deregistration	Cease of operation	Property Investment
Engward Industrial Limited 優越實業有限公司	Hong Kong	2 July 2010	Deregistration	Cease of operation	Paper Handkerchiefs Factory
Forever Win Development Limited 恒中發展有限公司	Hong Kong	11 January 2008	Deregistration	Cease of operation	Hotel Investment
Good Friends Limited 明誼有限公司	Hong Kong	24 March 2006	Deregistration	Cease of operation	Canton-pop Concerts
Link Clever Industries Limited 同勇實業有限公司	Hong Kong	24 February 2006	Deregistration	Cease of operation	Share Investments



## DIRECTORS AND SENIOR MANAGEMENT

Name of Company	Place of incorporation	Date of Dissolution	Mode of Dissolution	Reason of Dissolution	Business Nature prior to Dissolution
Roebling Development Limited 羅寧發展有限公司	Hong Kong	8 February 2002	Deregistration	Cease of operation	Property Investment
Rosemary Limited	Hong Kong	11 October 2019	Deregistration	Cease of operation	Property Investment
Senior Wisdom Limited 晉敏有限公司	Hong Kong	2 May 2008	Deregistration	Cease of operation	Property Investment

Dr. Liu confirmed that he has not been involved in any dispute with the above companies' creditors, shareholders and directors in respect of the dissolutions, that the above companies have been dissolved with no outstanding liability or claim in relation thereto and were solvent at the time of dissolutions, that the dissolutions of the companies had not resulted in any liability or obligation being imposed against him, that his involvements in the above companies were in relation to his appointments as director of the companies and that no misconduct or misfeasance on his part had been involved in the dissolutions.

**Kam Choi Rox LAM (林錦才)**, aged 68, was appointed as an independent non-executive Director with effect from [●] 2023. Mr. Lam is responsible for providing oversight of the Board and independent advice on the operation and management of our Group. Mr. Lam is a retired senior banker with over 40 years of experience in the banking and financial industry. Prior to joining our Group, Mr. Lam was with OCBC Bank (HK Branch) from July 2007 to April 2023, where he has held various positions, including Head of Corporate and Institutional Banking, deputy general manager, and chief executive and general manager, which was his last position with the bank. From March 1978 to July 2007, Mr. Lam worked at the Bank of Tokyo-Mitsubishi UFJ (currently known as MUFG Bank), where he has held various positions, including Head of Corporate Banking and Deputy General Manager. Mr. Lam's last position with the Bank of Tokyo-Mitsubishi UFJ was Senior Assistant General Manager of the Asian Investment Banking Division - Global Finance Department. From October 1984 to March 1987, Mr. Lam was with the Bank of Credit and Commerce where he was promoted from officer to acting manager. Mr. Lam was a bank officer in the Advances Department in Barclays Bank from October 1978 to October 1984. Mr. Lam obtained a Master of Business Administration from the University of Ballarat (currently known as Federation University Australia) in Australia in September 2006. Mr. Lam has been a Certified Credit Risk Management Professional (Credit Portfolio Management (CCRP(CPM))) of the Hong Kong Institute of Banker since January 2021.

## DIRECTORS AND SENIOR MANAGEMENT

**Sin Kiu NG (吳先僑)**, aged 50, was appointed as an independent non-executive Director with effect from [●] 2023. Ms. Ng is responsible for providing oversight of the Board and independent advice on the operation and management of our Group. Ms. Ng has been a partner of the law firm, Watson Farley & Williams LLP, since December 2015. She was previously also a partner at Squire Patton Boggs from April 2012 to December 2015. Ms. Ng has over 10 years of experience in corporate finance matters, and has advised on a broad spectrum of matters, including initial public offerings, secondary equity and equity-linked offerings, merges and acquisitions, transactional and compliance matters, and other commercial matters. Prior to becoming partner, Ms. Ng was an assistant solicitor at Paul Hastings from January 2008 to October 2008, and at Gallant (formerly known as Gallant Y.T. Ho & Co) from February 2000 to April 2001. From May 2001 to December 2007 and October 2008 to December 2009, Ms. Ng was an assistant solicitor at Sidley Austin, and she was a consultant at Sidley Austin from January 2010 to March 2012. Ms. Ng graduated with a Bachelor of Laws degree from The University of Hong Kong ("HKU") in November 1995, and also obtained her Postgraduate Certificate in Laws at HKU in June 1996. She was awarded a Master of Laws degree from HKU in December 1999. Ms. Ng was qualified as a Solicitor of the High Court of Hong Kong in August 1998, of the Supreme Court of England & Wales in March 1999, and of the Greater Bay Area in May 2023.

Ms. Ng was a director of the following company prior to its dissolution:

Name of Company	Place of incorporation	Date of Dissolution	Mode of Dissolution	Reason of Dissolution	Business Nature prior to Dissolution
Gain Pacific Investment Limited 裕國投資有限公司	Hong Kong	8 May 2020	Striking off	Failure to pay annual registration fee	No business prior to dissolution

Ms. Ng confirmed that she has not been involved in any dispute with the above company's creditors, shareholders and directors in respect of the dissolution, that the above company has been dissolved with no outstanding liability or claim in relation thereto and was solvent at the time of dissolution, that the dissolution of the company had not resulted in any liability or obligation being imposed against her, that her involvement in the above company was in relation to her appointment as director of the company and that no misconduct or misfeasance on her part had been involved in the dissolution.

## DIRECTORS AND SENIOR MANAGEMENT

### SENIOR MANAGEMENT

The following table sets out certain information in respect of our senior management personnel:

Name	Age	Date of joining our Group	Date of appointment as a member of senior management of our Group	Position	Responsibilities	Relationship with other Directors and senior management
Pavel MARŠÍK	50	March 2000	March 2000	Executive Director, Chief Executive Officer and Chief Financial Officer	Day-to-day management, strategic planning and overall financial management of our Group	None
Kwok Tai LAW (羅國泰)	52	August 2023	August 2023	Deputy Chief Financial Officer	Responsible for capital markets and investor relations. In addition, he will support the Chief Financial Officer in financial matters	None
Tomáš KMENT	57	October 1997	March 2000	Director of Admin and Facilities	Responsible for the corporate governance and administrative matters of the Land Based Gaming Business and the German and Austrian Hotel Business	None
Colin Chapman STEWART	58	February 2014	November 2015	Chief Operating Officer — Gaming	Responsible for operations and formulating business development strategies of the Land Based Gaming Business and Online Gaming Business	None
John FRIAR	50	November 1999	August 2008	Director of Audit and Compliance	Responsible for supervision and compliance of the operation of the Land Based Gaming Business and the German and Austrian Hotel Business	None

**Pavel MARŠÍK**, aged 50, is our executive Director, Chief Executive Officer and Chief Financial Officer. His biographical details are set out under "Board of Directors — Executive Director" in this section.

**Kwok Tai LAW (羅國泰)**, aged 52, is our Deputy Chief Financial Officer and is responsible for the capital market and investor relations of our Company. Mr. Law has over 20 years of experience in the corporate finance, investment banking and financial industry. Prior to joining our Group, Mr. Law was an executive director at Morgan Stanley Asia Limited from September 2018 to May 2023 and a director at Credit Suisse (Hong Kong) Limited from September 2015 to August 2018. From August 2006 to August 2015,

## DIRECTORS AND SENIOR MANAGEMENT

Mr. Law worked at BNP Paribas Capital (Asia Pacific) Limited with his last position as a director. Mr. Law was an assistant vice president at BOCI Asia Limited from February 2005 to August 2006. From March 2000 to February 2005, Mr. Law was at Anglo Chinese Corporate Finance, Limited, where his last position was senior manager. From December 1996 to February 2000, Mr. Law was at KPMG, where his last position was assistant manager. Mr. Law graduated from Hong Kong Polytechnic with an honorary Bachelor of Science in Nursing in November 1994 and obtained his Master of Business Administration from Monash in Melbourne, Australia in December 1996. Mr. Law is qualified as a Certified Public Accountant in Australia and in Hong Kong and was certified as a Chartered Financial Analyst in September 2001. Mr. Law is also a fellow of the Hong Kong Securities and Investment Institute.

**Tomáš KMENT**, aged 57, is our Director of Administration and Facilities, and leads the administration, legal, facilities and IT team of our Company responsible for the procurement and maintenance of facilities and equipment of the Land Based Gaming Business and German and Austrian Hotel Business, as well as other general administrative functions of our Company. He is also responsible for the corporate governance of our Group, including overseeing the licensing and permit agenda and dealings with governmental agencies. Mr. Kment is also a director of various subsidiaries of our Group. Mr. Kment has over 26 years of management experience. He joined LMJ Casino Rozvadov in October 1997 as an administrative manager and was appointed our Director of Administrations and Facilities in 2000. Prior to joining our Group, Mr. Kment worked at Kreditní banka a.s., Plzeň in the Czech Republic from 1993 to 1996. Mr. Kment graduated from Czech Technical University, Transportation and Handling Technology in Prague in September 1990 with a dipl Ing degree. Mr. Kment is the president of the Czech Casino Association (which is a member of the European Casino Association).

**Colin Chapman STEWART**, aged 58, is our Chief Operating Officer — Gaming and leads the operations team in relation to the Land Based Gaming Business and the Online Gaming Business and is responsible for formulating the business development strategies of the Land Based Gaming Business and Online Gaming Business. Mr. Stewart also handles the gaming licence applications of the Online Gaming Business. Mr. Stewart is also a director of various subsidiaries of our Group. Mr. Stewart joined our Group in February 2014 as director of casino operations and was appointed our Director of Operations in November 2015. Mr. Stewart has been heading Palasino Malta as its chief executive officer since July 2021 and is a Key Functionary of Palasino Malta, having been granted the Key Function Certificate by the MGA in November 2022. Mr. Stewart has over 40 years of experience in the gaming industry, having worked in various jurisdictions, including the United Kingdom, Poland, Czech Republic, Bulgaria and the Caribbean. During the period from 1988 to 2007, Mr. Stewart worked in casinos in different countries, including Genting Lucaya Beach Resort & Casino (in the Bahamas), Shangri La Casino of Storm International (in Russia), Zjednoczone Przedsiębiorstwa Rozrywkowe S.A. (in Poland), Aspers (Newcastle) Ltd (in the United Kingdom) and Princess Trimontium Casino (in Bulgaria) with various senior titles, including gaming shift manager, pit boss, head of marketing and general manager. Prior to joining our Group, Mr. Stewart worked at Casino Marketing Design, where his responsibilities included preparing market and business reports for casinos.

## DIRECTORS AND SENIOR MANAGEMENT

**John FRIAR**, aged 50, is our Director of Audit and Compliance and is responsible for supervising the operation of the Land Based Gaming Business and the German and Austrian Hotel Business to ensure they remain compliant with external regulations and internal procedures. Mr. Friar has over 20 years of experience in the gaming industry. He joined TWC as a trainee dealer in 1999 and was appointed as an internal auditor of our Group in 2001 and our Director of Audit and Compliance in 2008. Prior to joining our Group, Mr. Friar was with Prudential Assurance Company PLC in the United Kingdom from 1989 to 1995. Mr. Friar is a Key Functionary of Palasino Malta, having been granted the Key Function Certificate by the MGA in November 2022. Mr. Friar finished his secondary education at Downs School, Compton in the United Kingdom in 1989.

### COMPANY SECRETARY

Mr. Kwok Tai LAW (羅國泰), aged 52, was appointed as our company secretary on 29 August 2023. His biographical details are set out under "Senior Management" in this section.

### BOARD COMMITTEES

#### Audit Committee

We have established an Audit Committee on [●] pursuant to a resolution of our Directors passed on [●] with written terms of reference in compliance with Rules 3.21 – 3.23 of the Listing Rules and the Corporate Governance Code as set out in Appendix 14 to the Listing Rules.

The primary duties of the Audit Committee are to review and supervise our financial reporting process and system, risk management and internal control systems, to nominate and monitor external auditors, and to perform other duties and responsibilities as assigned by the Board.

The Audit Committee consists of three members, namely, Dr. Ngai Wing LIU, Mr. Kam Choi Rox LAM and Ms. Sin Kiu NG. The Audit Committee is chaired by Dr. Ngai Wing LIU.

#### Remuneration Committee

We have established a Remuneration Committee on [●] pursuant to a resolution of our Directors passed on [●] with written terms of reference in compliance with Rules 3.25 – 3.26 of the Listing Rules and the Corporate Governance Code as set out in Appendix 14 to the Listing Rules.

The primary duties of the Remuneration Committee are to review, evaluate and make recommendations to our Board regarding the remuneration of our Directors and senior management.

The Remuneration Committee consists of three members, namely, Dr. Ngai Wing LIU, Mr. Cheong Thard HOONG and Mr. Kam Choi Rox LAM. The Remuneration Committee is chaired by Dr. Ngai Wing LIU.

## DIRECTORS AND SENIOR MANAGEMENT

### Nomination Committee

We have established a Nomination Committee on [●] pursuant to a resolution of our Directors passed on [●] with written terms of reference in compliance with Rules 3.27A and 8A.27 – 8A.28 of the Listing Rules, and the Corporate Governance Code as set out in Appendix 14 to the Listing Rules.

The primary duties of the Nomination Committee are to review the structure, size and composition of our Board, assessing the independence of independent non-executive Directors, identifying individuals suitably qualified to become Board members, and to make recommendations to the Board on the appointment or reappointment of Directors and on any proposed changes to the Board to complement our corporate strategy.

The Nomination Committee consists of four members, namely, Tan Sri Dato' David CHIU, Dr. Ngai Wing LIU, Mr. Kam Choi Rox LAM and Ms. Sin Kiu NG. The Nomination Committee is chaired by Tan Sri Dato' David CHIU.

### Executive Committee

We have established an Executive Committee on [●] pursuant to a resolution of our Directors passed on [●] with written terms of reference as the regular management body of our Group.

The primary duties of the Executive Committee are to consider our Company's overall objectives, corporate strategies and key results, and make strategic and executive decisions for our Group, including but not limited to business plans, corporate development policies and performance targets.

The Executive Committee consists of two members, namely, Mr. Pavel MARŠÍK and Mr. Kwok Tai LAW. The Executive Committee is chaired by Mr. Pavel MARŠÍK.

## COMPLIANCE WITH THE CODE PROVISIONS OF APPENDIX 14 TO THE LISTING RULES

We are committed to achieving high standards of corporate governance with a view to safeguarding the interests of our Shareholders. To accomplish this, we will comply with the code provisions set out in the Corporate Governance Code as set out in Appendix 14 to the Listing Rules after the [REDACTED].

## BOARD DIVERSITY POLICY

Our Board has adopted the Board Diversity Policy in order to enhance the effectiveness of our Board of Directors and to maintain a high standard of corporate governance. The Board Diversity Policy sets out the criteria in selecting candidates to our Board of Directors, including but not limited to gender, age, cultural background educational background, professional experience, skills, knowledge, and/or length of service. The ultimate decision for appointment to our Board will be based on merit and the contribution that the selected candidates will bring to our Board of Directors.

## DIRECTORS AND SENIOR MANAGEMENT

Our Directors have a balanced mix of knowledge and skills, including but not limited to overall business management, finance, accounting and legal knowledge and skillsets. They have obtained degrees in diversified majors including hotel and tourism management, law, international trade, accounting, business administration, economics, and mechanical engineering. Our Board is of the view that our Board of Directors satisfies the Board Diversity Policy. In addition, our Board of Directors encompasses a wide range of ages, ranging from 50 to 72. One of our Directors is female. While we recognise that the gender diversity at our Board of Directors level can be improved given that the majority of our Directors are male, we will continue to apply the appointment criteria based on competence and with reference to the overall diversity policy. Our Board of Directors will also ensure that appropriate balance of gender diversity is achieved with reference to [REDACTED] expectation, and international and local recommended best practices.

To further ensure gender diversity of our Board of Directors in the long run, our Group will also identify and select several female individuals with a diverse range of skills, experience and knowledge in different fields from time to time, and maintain a list of such female individuals who possess qualities to become members of our Board of Directors, which will be reviewed by our Nomination Committee periodically in order to develop a pipeline of potential successors to our Board of Directors to promote gender diversity. In addition to our Board level, we are also committed to promoting gender diversity at the senior management and all other levels of our Group by providing career development opportunities for female staff, making available to them knowledge and skills training in support of succession planning and ensuring that future gender diversity can be achieved on our Board.

The Nomination Committee is responsible for reviewing the diversity of our Board. The Nomination Committee will monitor and evaluate the implementation of the Board Diversity Policy from time to time to ensure its continued effectiveness. The Nomination Committee will also include in successive annual reports a summary of the Board Diversity Policy, including any measurable objectives set for implementing the Board Diversity Policy and the progress on achieving these objectives.

### SHARE OPTION SCHEME

Our Company has conditionally adopted the Share Option Scheme, the purpose of which is to, amongst others, motivate our Directors, senior management and key employees to optimise their future contributions to our Group and/or reward them for their past contributions, and/or to attract and retain or otherwise maintain on-going relationships with such participants who are significant to or whose contributions are or will be beneficial to the performance, growth or success of our Group. For details relating to selection criteria, eligibility and determination of entitlement, and principal terms of the Share Option Scheme, see "Appendix VI — Statutory and General Information — D. Share Option Scheme".

## DIRECTORS AND SENIOR MANAGEMENT

### REMUNERATION OF DIRECTORS

The aggregate remuneration received by our Directors (including fees, salaries, and other allowances and benefits in kind and discretionary bonuses) from us for the three years ended 31 March 2023 was approximately HK\$2.0 million, HK\$2.1 million and HK\$2.4 million, respectively. Under the arrangements currently in force, we estimate the aggregate remuneration (including fees, salaries, and other allowances and benefits in kind, excluding discretionary bonuses) payable to our Directors for the year ending 31 March 2024 to be HK\$3.0 million.

The aggregate amount of salary and other allowances and benefits paid by us to the five highest paid individuals of our Group during the three years ended 31 March 2023 was approximately HK\$6.8 million, HK\$6.7 million and HK\$7.9 million, respectively.

No remuneration was paid by us to our Directors or the five highest paid individuals as an inducement to join or upon joining us or as compensation for loss of office in respect of the three years ended 31 March 2023. None of our Directors waived any emoluments during the Track Record Period.

Except as disclosed above, no other payments have been paid or are payable in respect of the three years ended 31 March 2023 by us or any of our subsidiaries to our Directors.

Our Directors are entitled to receive annual salaries as described in "Statutory and General Information — C. Further Information About Directors and Substantial Shareholders — 1. Particulars of Letters of Appointment" and in "Statutory and General Information — C. Further Information About Directors and Substantial Shareholders — 2. Directors Remuneration" and such annual salaries are determined by our Remuneration Committee. All Directors receive reimbursements from our Company for expenses which are necessarily and reasonably incurred for providing services to our Company or executing matters in relation to the operations of our Company. Our Directors may also receive options to be granted under the Share Option Scheme.

### COMPLIANCE ADVISER

We have appointed Altus Capital Limited as our compliance adviser pursuant to Rule 3A.19 of the Listing Rules. Pursuant to Rule 3A.23 of the Listing Rules, our compliance adviser will advise our Company in the following circumstances:

- before the publication of any regulatory announcement, circular or financial report;
- where a transaction, which might be a notifiable or connected transaction, is contemplated, including share issues and share repurchases;



## DIRECTORS AND SENIOR MANAGEMENT

- where our Company proposes to use the [REDACTED] of the [REDACTED] in a manner that is different from that detailed in this document or where our business activities, development or results deviate from any forecasts, estimates or other information in this document; and
- where the Stock Exchange makes an inquiry of our Company regarding unusual movements in the price or trading volume of the Shares, the possible development of a false market in the Shares or any other matters.

The term of appointment of the compliance adviser shall commence on the [REDACTED] and is expected to end on the date on which we comply with Rule 13.46 of the Listing Rules in respect of our financial results for the first full financial year commencing after the [REDACTED].

### MANAGEMENT PRESENCE

Pursuant to Rule 8.12 of the Listing Rules, an issuer must have a sufficient management presence in Hong Kong. This will normally mean that at least two of its executive directors must be ordinarily resident in Hong Kong. We do not have sufficient management presence in Hong Kong for the purpose of Rule 8.12 of the Listing Rules.

Accordingly, we have applied for, and the Stock Exchange [has granted], a waiver from strict compliance with Rule 8.12 of the Listing Rules. Please refer to the section headed "Waivers from Strict Compliance with the Listing Rules" in this document for further details.

**SHARE CAPITAL**

The following is a description of the authorised and issued share capital of our Company in issue and to be issued as fully paid or credited as fully paid immediately following the completion of the [REDACTED]:

	<b>Authorised Share Capital</b>	<i>HK\$</i>
2,000,000,000	Shares of par value HK\$0.01 each	20,000,000

**Issued Share Capital**

	<i>Issued and to be issued, fully paid or credited as fully paid upon completion of the [REDACTED] (assuming the [REDACTED] is not exercised):</i>	<i>HK\$</i>	<b>Percentage to total share capital</b>
10,000	Shares in issue as of the date of this document	100	0.001%
[REDACTED]	Shares to be issued pursuant to the [REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	Shares to be issued pursuant to the [REDACTED]	[REDACTED]	[REDACTED]
<u>[REDACTED]</u>	<b>Total</b>	<u>[REDACTED]</u>	<u>100%</u>

	<i>Issued and to be issued, fully paid or credited as fully paid upon completion of the [REDACTED] (assuming the [REDACTED] is exercised in full):</i>	<i>HK\$</i>	<b>Percentage to total share capital</b>
10,000	Shares in issue as of the date of this document	100	0.001%
[REDACTED]	Shares to be issued pursuant to the [REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	Shares to be issued pursuant to the [REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	Shares to be issued pursuant to the [REDACTED]	[REDACTED]	[REDACTED]
<u>[REDACTED]</u>	<b>Total</b>	<u>[REDACTED]</u>	<u>100%</u>

## SHARE CAPITAL

### ASSUMPTIONS

The above table assumes that the [REDACTED] becomes unconditional and that Shares are issued pursuant to the [REDACTED], but does not take into account the exercise of any options to be granted under the Share Option Scheme or any Shares which may be issued or repurchased pursuant to the general mandate given to our Directors for issue and allotment of Shares or the repurchase mandate referred to in "Appendix VI — Statutory and General Information" to this document.

### RANKING

The Shares are ordinary shares in our share capital and rank equally with all Shares currently in issue and, in particular, will rank equally for all dividends or other distributions declared, made or paid on the Shares in respect of a record date which falls after the date of this document.

### SHARE OPTION SCHEME

We have conditionally adopted the Share Option Scheme, the principal terms of which are set out in "Appendix VI — Statutory and General Information — D. Share Option Scheme" to this document.

### GENERAL MANDATE TO ISSUE SHARES

Subject to the [REDACTED] becoming unconditional, our Directors have been granted a general unconditional mandate to allot, issue and deal with the Shares (otherwise than pursuant to, or in consequence of, the [REDACTED], a rights issue or the exercise of any options under the Share Option Scheme or any scrip dividend scheme or similar arrangements, any adjustment of rights to subscribe for Shares under options and warrants or a special authority granted by our Shareholders) with an aggregate nominal value of not more than the sum of:

- 20% of the aggregate nominal value of our share capital in issue immediately following the completion of the [REDACTED] and the [REDACTED] (without taking into account any Shares to be issued pursuant to the exercise of the [REDACTED]); and
- the aggregate nominal value of our share capital repurchased by us (if any) under the general mandate to repurchase Shares referred to below.

This general mandate to issue Shares will remain in effect until the earliest of:

- the conclusion of our next annual general meeting, unless, by ordinary resolution passed at that meeting, the authority is renewed, either unconditionally or subject to condition;
- the expiration of the period within which our next annual general meeting is required to be held under any applicable law of the Cayman Islands or our Articles of Association; or

## SHARE CAPITAL

- the passing of an ordinary resolution of our Shareholders in general meeting revoking or varying the authority.

Particulars of this general mandate to allot, issue and deal with Shares are set out under "Statutory and General Information — Further Information About Us — Written Resolutions of our Shareholders" in this document.

### GENERAL MANDATE TO REPURCHASE SHARES

Conditional on the [REDACTED] becoming unconditional, our Directors have been granted a general unconditional mandate to exercise all our powers to repurchase Shares with an aggregate nominal value of not more than 10% of the aggregate nominal value of the Shares in issue immediately following the [REDACTED] (but excluding any Shares which may be issued pursuant to the exercise of the [REDACTED]).

This mandate only relates to repurchases made on the Stock Exchange, or on any other stock exchange on which the Shares are listed (and which is recognised by the SFC and the Stock Exchange for this purpose), and made in accordance with all applicable laws and the requirements of the Listing Rules or any other stock exchange as amended from time to time.

The general mandate to repurchase Shares will remain in effect until the earliest of:

- the conclusion of our next annual general meeting, unless, by ordinary resolution passed at that meeting, the authority is renewed, either unconditionally or subject to condition;
- the expiration of the period within which our next annual general meeting is required to be held under any applicable law of the Cayman Islands or our Articles of Association; or
- the passing of an ordinary resolution of our Shareholders in general meeting revoking or varying the authority.

### CIRCUMSTANCES UNDER WHICH GENERAL MEETING AND CLASS MEETING ARE REQUIRED

Our Company has only one class of shares, namely ordinary shares, each of which carries the same rights as the other shares.

Pursuant to the Cayman Companies Act and the terms of the Memorandum of Association and the Articles of Association, our Company may from time to time by its Shareholders passing ordinary resolution (i) increase its capital, (ii) consolidate and divide its capital into shares of larger amount, (iii) divide its shares into classes, (iv) subdivide its shares into shares of smaller amount and (v) cancel any shares which have not been taken. In addition, our Company may, subject to the provisions of the Cayman Companies Act, reduce its share capital or capital redemption reserve by its Shareholders passing special resolution. For more details, see "Appendix IV — Summary of the Constitution of the Company and Cayman Islands Company Law" to this document.

**SUBSTANTIAL SHAREHOLDERS**

So far as our Directors are aware, the following persons will, immediately following completion of the [REDACTED] and the [REDACTED] (without taking into account of: (i) any Shares which may be issued upon the exercise of the [REDACTED]; and (ii) any change in the shareholding of FEC between the Latest Practicable Date and the [REDACTED]), assuming the [REDACTED] under the [REDACTED] are fully taken up by [REDACTED], have interests or short positions in our Shares or underlying Shares which would be required to be disclosed to us and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who is, directly or indirectly, interested in 10% or more of the issued voting shares of any other member of our Group:

Name of Shareholder	Capacity/ Nature of interest	Shares held immediately prior to the completion of the [REDACTED] and the [REDACTED]		Shares held immediately following the completion of the [REDACTED] and the [REDACTED] <sup>(Note 11)</sup>	
		Number of Shares	Approximate percentage	Number of Shares	Approximate percentage
Ample Bonus	Beneficial owner <sup>(Note 1)</sup>	9,000	90%	[REDACTED]	[REDACTED]
FEC	Interest of controlled corporation <sup>(Note 2)</sup>	9,000	90%	[REDACTED]	[REDACTED]
Sumptuous Assets Limited	Interest of controlled corporation and beneficial owner <sup>(Note 3)</sup>	9,000	90%	[REDACTED]	[REDACTED]
Far East Organization (International) Limited	Interest of controlled corporation <sup>(Note 4)</sup>	9,000	90%	[REDACTED]	[REDACTED]
Tan Sri Dato' David CHIU	Interest of controlled corporations, beneficial owner and interest of spouse <sup>(Note 5)</sup>	9,000	90%	[REDACTED]	[REDACTED]
Mrs. Nancy CHIU NG	Beneficial owner and interest of spouse <sup>(Note 5)</sup>	9,000	90%	[REDACTED]	[REDACTED]
Dateplum	Beneficial owner <sup>(Note 6)</sup>	1,000	10%	[REDACTED]	[REDACTED]
Blossom Industrial Investment Limited	Interest of controlled corporation <sup>(Note 7)</sup>	1,000	10%	[REDACTED]	[REDACTED]
Blossom Investment Consultant Limited	Interest of controlled corporation <sup>(Note 8)</sup>	1,000	10%	[REDACTED]	[REDACTED]

## SUBSTANTIAL SHAREHOLDERS

Name of Shareholder	Capacity/ Nature of interest	Shares held immediately prior to the completion of the [REDACTED] and the [REDACTED]		Shares held immediately following the completion of the [REDACTED] and the [REDACTED] <sup>(Note 11)</sup>	
		Number of Shares	Approximate percentage	Number of Shares	Approximate percentage
Blossom International Investment Holdings Limited	Interest of controlled corporation <sup>(Note 9)</sup>	1,000	10% [REDACTED]	[REDACTED]	[REDACTED]
Yang Fang	Interest of controlled corporation <sup>(Note 10)</sup>	1,000	10% [REDACTED]	[REDACTED]	[REDACTED]

*Notes:*

- 1 Ample Bonus is a company incorporated in the BVI.
- 2 Ample Bonus is wholly-owned by FEC. Under the SFO, FEC is deemed to be interested in the Shares held through Ample Bonus.
- 3 Sumptuous Assets Limited is a company incorporated in the BVI. As at the Latest Practicable Date, Sumptuous Assets Limited was interested in 50.19% of the total number of issued shares of FEC. Assuming Sumptuous Assets Limited remains interested in the same number of shares of FEC on the [REDACTED] and Sumptuous Assets Limited will fully take up its [REDACTED] to the [REDACTED] under the [REDACTED], under the SFO, Sumptuous Assets Limited will be interested in [REDACTED] Shares, representing approximately [REDACTED] of the total number of issued Shares, immediately following the completion of the [REDACTED] and the [REDACTED].
- 4 Sumptuous Assets Limited is wholly-owned by Far East Organization (International) Limited, which is a company incorporated in the BVI. Under the SFO, Far East Organization (International) Limited is deemed to be interested in the Shares in which Sumptuous Assets Limited is interested.
- 5 As at the Latest Practicable Date, Tan Sri Dato' David CHIU, as a beneficial owner and through his controlled corporations and his spouse, Mrs. Nancy CHIU NG (the "**David Chiu Group**"), was interested in 1,404,267,021 shares of FEC, representing approximately 51.90% of the existing issued share capital of FEC. Assuming the David Chiu Group remains interested in the same number of shares of FEC on the [REDACTED] and the David Chiu Group will fully take up its [REDACTED] to the [REDACTED] under the [REDACTED], under the SFO, Tan Sri Dato' David CHIU and Mrs. Nancy CHIU NG will be interested in [REDACTED] Shares, representing approximately [REDACTED] of the total number of issued Shares, immediately following the completion of the [REDACTED] and the [REDACTED].
- 6 Dateplum is a company incorporated in the BVI.
- 7 Dateplum is wholly-owned by Blossom Industrial Investment Limited, which is a company incorporated in the BVI. Under the SFO, Blossom Industrial Investment Limited is deemed to be interested in the Shares held through Dateplum.
- 8 Blossom Industrial Investment Limited is wholly-owned by Blossom Investment Consultant Limited, which is a company incorporated in the BVI. Under the SFO, Blossom Investment Consultant Limited is deemed to be interested in the Shares in which Blossom Industrial Investment Limited is interested.

## SUBSTANTIAL SHAREHOLDERS

- 9 Blossom Investment Consultant Limited is wholly-owned by Blossom International Investment Holdings Limited, which is a company incorporated in the BVI. Under the SFO, Blossom International Investment Holdings Limited is deemed to be interested in the Shares in which Blossom Investment Consultant Limited is interested.
- 10 Blossom International Investment Holdings Limited is wholly-owned by Yang Fang. Under the SFO, Yang Fang is deemed to be interested in the Shares in which Blossom International Investment Holdings Limited is interested.
- 11 The relevant percentages have been calculated by reference only to the aggregate number of Shares expected to be in issue on the [REDACTED]. We have therefore assumed that no Shares will be issued pursuant to the Share Option Scheme or the [REDACTED] and that 800,000,000 Shares will be in issue on the [REDACTED].

Save as disclosed above, our Directors are not aware of any person who will, immediately following completion of the [REDACTED] and the [REDACTED] (without taking into account of: (i) any Shares which may be issued upon the exercise of the [REDACTED]; and (ii) any change in the shareholding of FEC between the Latest Practicable Date and the [REDACTED]), assuming the [REDACTED] under the [REDACTED] are fully taken up by [REDACTED], have beneficial interests or short positions in any Shares or underlying Shares, which would be required to be disclosed to us and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who is, directly or indirectly interested in 10% or more of the issued voting shares of any member of our Group. Our Directors are not aware of any arrangement which may at a subsequent date result in a change of control of our Company.

## INTERNAL CONTROLS AND ANTI-MONEY LAUNDERING

### INTERNAL CONTROLS

Our Group has established and adopted internal control policies and procedures for the management of its gaming operations, which are designed by referencing to the internal control requirements set forth in the Czech Gambling Act, the Czech AML Act and any other applicable laws and regulations in the Czech Republic. During the Track Record Period and up to the Latest Practicable Date, we confirm that our Group was, and currently is, in compliance with relevant internal control regulations applicable to our Group and has not received any notification from the relevant Czech authorities for any material non-compliance with such regulations.

Our internal control measures on the gaming operations include but are not limited to the following:

- slot operations management, including slot drops and counts procedure, jackpot payout procedure and statistic monitoring;
- table game operations management, including table opening and closing procedures, table fills and credits procedures, chip and cash exchange procedures, winning payout procedures, and table drop and count procedures;
- cage and count management, including cage opening and closing procedures, chip and cash exchange and other exchange procedures, and main safe management;
- daily closing and accounting include regular balance checks and reporting management to monitor and record the daily operation of our casinos;
- intelligent system access controls to monitor the operation of our intelligent systems and control the access rights to the CMS;
- security and surveillance system management, including to control accesses to sensitive areas and monitor such areas with CCTV cameras, control the access to surveillance room, protect physical transfer of excessive cash and monitor and report of suspicious activities;
- gaming equipment and tools management, including slot machines management and gaming chips management;
- loyalty program management to record and manage the loyalty points granted and redeemed, and detect any abnormal loyalty point allocation;
- staff roster and shift change procedures to maintain adequate staffing levels throughout different shifts smoothly and efficiently and to prevent potential internal fraud in our casinos; and



## INTERNAL CONTROLS AND ANTI-MONEY LAUNDERING

- anti-money laundering procedures, including procedures on detecting and reporting on large sum transactions, criminal activities and other suspicious transactions, customer due diligence measures and staff AML training. Please refer to the paragraph headed "Anti-Money Laundering" of this section.

### Slot Operations Management

Customers are required to insert their PACs into the slot machines to play slot games. Customers can play slot games by using cash notes inserted directly into the slot machines, gaming credits loaded onto their PACs or loyalty points accumulated in their PACs. Each slot machine has the built-in software that automatically calculates and records all betting transactions. The software of the slot machine tracks and updates the customer's player account in the CMS.

Our Group has established and adopted the internal control policies and procedures to govern slot machines operations, including, among other things, slot drop and count procedures, jackpot payout procedures and statistic monitoring.

#### *Slot Drop and Count Procedures*

The collection and counting of slot machine funds (the "slot drop") are performed around 25 times every month. The process involves several steps to ensure accurate counting and verification of cash collected from slot machines, which are monitored by surveillance team. The count is performed in a count room with restricted access. A counting dealer empties the cash onto a count table, counts the drop amounts for each slot machine under the observation of the count manager. A cash-on-floor report is generated as per the records of the CMS. The slot count team signs off on the machine count report, which is also reviewed and signed by the count manager. The cashier then collects the drop amounts, together with the machine count report, and performs another independent count against the report. In addition, a full count of slot machines is performed on a monthly basis, with the same count procedures.

#### *Jackpot Payout Procedures*

Jackpot pool and winning is automatically run by slot machines according to machine setting by the suppliers of machines. Manual interference is not allowed. When a customer wins a jackpot at a slot machine, the slot machine will be frozen. The cashier team checks against the record in the CMS to verify the jackpot payout amount. The jackpot is only credited to the customer's PAC after both approvals from pit boss and cashier are obtained in the CMS.

## INTERNAL CONTROLS AND ANTI-MONEY LAUNDERING

### *Statistic Monitoring*

Slot machine manager is responsible for slot statistics monitoring and has read-only access to slot machine data in the CMS. On a monthly basis, the slot machine manager prepares monthly slot statistics report and has monthly meetings with casino management to review the monthly report on the slot machines operations. The audit team also performs comparison among mechanic metering record, electronic metering record and the CMS record on a monthly basis to ensure slot machine metering is accurate.

### **Table Game Operations Management**

Our Group has established and adopted the internal control policies and procedures to govern table game operations, including, among other things, table opening and closing procedure, table fills and credits procedures, chip and cash exchange procedures, winning payout procedures, and table drop and count procedures.

#### *Table Opening and Closing Procedures*

For the procedure of opening of a gaming table, the opening manager, who is a pit boss or a management with higher level, checks the chip amounts at the table comparing to the table opener slip, which is printed out from the CMS containing information such as transaction number, quantity and total value by chip denomination of that table, signs off and drops the table opener slip into the table drop box. For the procedure of closing of a gaming table, the chip amounts at the table are counted by the dealer under the observation by the closing manager, who is a pit boss or a management with higher level. A table closer slip, which is printed out from the CMS containing the same information as that in a table opener slip, is dually signed off by the dealer and the closing manager and dropped into the table drop box.

#### *Table Fills and Credits Procedures*

When additional gaming chips are required from the cage at a table, a table fill procedure is followed. The duty manager submits a fill request in the CMS, upon which the cash desk prepares the requested chips. The duty manager verifies the chip amounts and transfers the chips in a transparent box called a birdcage to the gaming table, where the dealer checks the chip amounts. On the contrary, when there are excessive gaming chips at table, a table credit procedure is performed. The duty manager submits a table credit request in the CMS, upon which the cash desk prepares a birdcage. The duty manager collects the birdcage from the cage to the gaming table. The dealer prepares the credit chips and counts the chip amounts under the observation by the duty manager. The duty manager then puts the credit chips into the birdcage and transfers to cash desk. Both the table fill and table credit procedures are recorded by the relevant slips with details such as date, time, quantity and total value.

The whole process of all table fills and credits procedures are monitored by the surveillance team.

## INTERNAL CONTROLS AND ANTI-MONEY LAUNDERING

### *Chip and Cash Exchange Procedures*

Customers can change cash for gaming chips at the gaming tables. The dealer verifies the authenticity of cash notes with money detector machine and cash notes are then dropped into the table drop box. Authenticity of gaming chips used by customers at table games are also verified by dealers based on their experience. All chip and cash exchange transactions are recorded in the CMS under customers' player accounts.

### *Winning Payout Procedures*

Winning payout is done by the dealer. If a customer wins, gaming chips are distributed to customer by the dealer according to table gaming rules. On the contrary, gaming chips from customer are collected by the dealer if the customer loses. A pit supervisor is also assigned to monitor the winning payout procedures. CCTV cameras are installed to monitor each gaming table and the winning payout procedures are also monitored by the surveillance team.

### *Table Drop and Count Procedures*

Table tip and drop collection and count procedures are performed on a daily basis. The process involves several steps to ensure accurate counting and verification of cash collected from table games, which are monitored by surveillance team. The counts are performed in a count room with restricted access.

Table tip counts are performed first, followed by table drop counts. To conduct table tip counts, a counting dealer empties the gaming chips from the tip box onto a count table, counts the tip amounts for each table under the observation of the count manager. Similarly, to conduct table drop counts, a counting dealer empties the cash and slips from the drop box onto a count table, counts the drop amounts for each table under the observation of the count manager. The count manager checks the counted amounts and the slips for completeness. Both the counted tip amount and drop amount are updated into the CMS by the count manager. After these procedures, the table count team signs off the table count and table daily results report printed out from the CMS, upon which, cashier collects the tip and drop amounts, together with the report and relevant table slips, to perform another independent count against the report.

Drop boxes along with tip boxes are locked. The drop boxes are placed into the locked outer boxes at the gaming table. There are three types of keys, including tip box key, drop box key and outer box key. All keys to the outer boxes, tip and drop boxes are sealed in key pouches. Tip box and drop box keys are only used for tip and drop counts inside the count room. Outer box key is only used when removing and replacing drop boxes. Only pit boss or those management with higher level are authorised to obtain these key pouches for tip and drop counts procedures.

### **Cage and Count Management**

Our Group has established and adopted the internal controls over the cage and count operations, including, among other things, cage opening and closing, chip and cash exchange and other exchange, main safe management.

## INTERNAL CONTROLS AND ANTI-MONEY LAUNDERING

### *Cage Opening and Closing Procedures*

Cage is closed on a daily basis at around 8:00 a.m., where a daily cash count is performed as part of the cage balance process. The cash count of both cash and chips at cage is performed by cashier under the observation by a pit boss. Counted cash and chips amounts are updated in the CMS to balance the transactions during the gaming day. Regular cage balance controls are also carried out during the gaming day. The cage is opened for a new gaming day upon the cash count and when the cage balance process is completed.

### *Chip and Cash Exchange and Other Exchange Procedures*

Customers can exchange chips and cash at cash desk of the cage. The cashier is required to sign in the customer into the CMS with his/her PAC before any chip and cash exchange transaction can be conducted. The cashier verifies the authenticity of gaming chips by experience and cash notes by money detector machines. Customers are able to cash out from their player accounts at cash desk, limited to Euro 10,000 every day under the Czech laws. Alternatively, customers can redeem their credits by asking the casino to transfer to their bank accounts. Besides cash, gaming chips can be purchased with debit or credit cards. Customers are also able to exchange foreign currencies at cash desk. Cheques cashing or wire transfers are not available at cash desk.

Except for foreign exchanges transactions, the above transactions are recorded in the CMS under customers' player accounts. Foreign exchanges transactions are recorded in the exchange application, which is approved by the Czech National Bank and can only be used for this purpose.

### *Main Safe Management*

Main safe is located at the back of the cage. Passcode is required to unlock the main safe door where a portion of the passcode is kept by casino management and another portion of the passcode is kept by cashier team. Only cashier team is able to access to the cage with their staff cards, which is managed within the door access control program for casinos. Also, only cashier team is granted the system user access right to the cash desk management module in the CMS. CCTV cameras are installed both at the cage and inside the main safe for monitoring.

### **Daily Revenue Recording and Reporting Management**

To monitor and record the daily operation of our casinos, a daily summary report is printed out by the cashier team from the CMS on a daily basis, which includes information such as opening and closing cash and chips balances, cash and chips transactions, and slot count amount for the gaming day. The daily summary report is also reviewed by pit boss. Reviewed daily summary report, together with relevant supporting reports and documents, are sent to the accounting team for revenue booking. In addition, consolidated daily revenue report is prepared by the audit manager, which included daily revenue for all casinos, and shared with the casino assistant manager or the management with higher level for review.

## INTERNAL CONTROLS AND ANTI-MONEY LAUNDERING

### **Intelligent System Access Controls**

Our Group employs policies and procedures to monitor the operation of the intelligent system and control the access rights to the CMS. All slot machine transaction data is automatically recorded in the CMS and not editable. Only slot machine manager and pit boss or those management with higher level have the read-only access to slot machine data in the CMS. A table tablet is located at each gaming table. The table tablet is linked to the CMS system and used for daily gaming table operations and recording. Only pit boss is entitled to log in to access to CMS with the table tablet. After logging in by the pit boss, dealers use the tablet to enter cash and gaming chips exchange transactions for record.

A computer is located at the pit boss desk, which is linked to the CMS system and used for monitoring of slot machines and table gaming activities on a real-time basis. Only pit boss or those management with higher level have the user accounts to log into the CMS with the computer, where user access rights are granted based on corresponding roles and responsibilities.

### **Security and Surveillance System Management**

Our Group has established and adopted the internal control policies and procedures to govern the security and surveillance system.

Accesses to sensitive areas, such as cage, main safe, count room and surveillance room, are restricted to respective teams. All gaming areas are installed with CCTV cameras and under 24-hour surveillance to ensure 100% coverage of gaming areas, the recordings of which are kept in two tape copies for two years, which are requirements under the Czech Gambling Act. Only surveillance team has the access right to the surveillance room with their staff cards. The surveillance room is with surveillance staff on duty all day. Security officer is on duty at the reception of each casino.

Cash level is kept at different maximum amounts at each casino that are approved by senior management at cage, which is the amount covered by insurance. Any excessive cash is transferred to bank on a weekly basis, which is sealed with an untransparent bag and passed to external security company for transfer. Surveillance team is informed of the weekly cash transfer to bank and monitors the whole process.

Surveillance team is also responsible for monitoring and reporting of suspicious activities. Surveillance daily report is prepared on a daily basis and reviewed by the surveillance operations manager, director of audit and compliance and the casino management, who will handle any identified suspicious activities. Any potential AML risk identified is also reported to AML contact person for handling. Please refer to the paragraph headed "Anti-Money Laundering" of this section.

### **Gaming Equipment and Tools Management**

Our Group has employed internal control measures on the management of the gaming equipment and tools. Slot machines are located on the gaming floor, which is

## INTERNAL CONTROLS AND ANTI-MONEY LAUNDERING

under 24-hour surveillance covering all slot machines. Gaming chips are certified by the Ministry of Finance in the Czech Republic, and are kept at gaming tables, cash desk and main safe. Playing cards are securely stored at each gaming table. The gaming tables, cage and main safe are under 24-hour surveillance.

### **Loyalty Program Management**

There are internal policies and procedures that apply to our loyalty program. Under our loyalty program, 100 loyalty points equalled to Euro 1, which can be consumed 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. For slot machines and table games, loyalty points are automatically credited to the players' user accounts based on the system pre-set calculation. Loyalty points are also granted to the players by the casino management based on their gaming activities, according to established rules for our loyalty programs.

A loyal points summary report, which included all automatically and manually granted loyalty points, is prepared by the audit manager on a monthly basis and shared with the casino assistant manager or above for review. A monthly assessment of manual loyalty allocation is performed by the audit manager. Any abnormal loyalty point allocation is followed up by the casino management.

### **Staff Roster and Shift Change Procedures**

To maintain adequate staffing levels throughout different shifts smoothly and efficiently and to prevent potential internal fraud in our casinos, we implement plans of roster and shift change for our casino employees. Roster plan for gaming table team is planned on a monthly basis, with each shift ranging from eight to ten hours, which is approved by the casino management. In addition, dealer at each gaming table is rotated every 20 minutes. Roster plan for cashier team is planned every one to two months, which is approved by the casino management. Upon shift change, cash and chips count is performed by both the incoming and outgoing cashiers. Roster plan for surveillance team is planned on a monthly basis, with each 12-hour shift, which is approved by the surveillance operations manager and the director of audit and compliance. The rotation plans are prepared and updated in the CMS by the pit boss.

## ANTI-MONEY LAUNDERING

### **Regulatory Regime**

Our Group has established and adopted the policies and procedures for the AML management, which are approved by Financial Analytical Office ("FAU"). The AML policy and procedures of our Group are designed to meet the internal control requirements set forth in the Czech Gambling Act, the Czech AML Act, and any other applicable laws and regulations in the Czech Republic. For regulatory regime on AML measures that are applicable to our Group, please refer to "Regulatory Overview — Overview of Regulatory Framework of Gaming Operations in the Czech Republic — Anti-money Laundering Regulations in the Czech Republic."

## INTERNAL CONTROLS AND ANTI-MONEY LAUNDERING

### Anti-Money Laundering Controls

Our Group has put in place controls designed to detect and prevent money laundering in our casinos and gaming operations. The management of our Group is, and will continue to be, solely responsible for designing, implementing and maintaining appropriate systems, internal controls, processes for AML including, without limitation, systems designed to assure compliance with policies, procedures, and applicable laws and regulations.

Our Group continuously updates its AML policies in order to ensure compliance with any relevant new laws and regulations of the Czech Republic. Various departments and functional teams of our Group, including gaming operations, surveillance, security and internal audit departments, are involved in and contribute to ensuring compliance with AML policies. During the Track Record Period and as of the Latest Practicable Date, we believe that our Group was in compliance with all AML regulations applicable to our Group and has not received any notification from the relevant Czech authorities for any material non-compliance with such regulations.

The AML policies of our Group require:

- compliance with all AML legal and regulatory requirements in the Czech Republic;
- periodic assessment of the risk level and changes in our Group's operations and indicators of suspicious activity;
- a system of procedures and controls designed to detect and report suspicious activities in gaming operations through cage, gaming operations, security and surveillance;
- background due diligence through our screen system, in which, among others, suspicious activities are identified, and further diligence is conducted to identify suspected violators, blacklisted persons, money launderers, terrorists and other sanctioned individuals and organisations; and
- comprehensive training of all relevant staff prior to the commencement of their work and on annual basis thereafter, concerning our Group's AML mission, policy, procedures and controls and job-specific information to help identify indicators of suspicious activity.

We have implemented the following key measures to help detect and mitigate money laundering risks in our casinos:

- procedures on identification of indicators of money laundering risk and suspicious activity, which mainly include, without limitation:
  - customers are required to provide their source of fund at registration. The Czech customers are required to register once while the overseas

## INTERNAL CONTROLS AND ANTI-MONEY LAUNDERING

customers are required to re-register every 90 days. The customers have the obligation to inform us on any change of source of fund. Customers are automatically classified into four categories. Each customer category has its monthly normal trigger limit, which are also updated in the CMS when the source of fund changed.

- customers are required to provide their nationality and permanent residence at registration. Customers coming from a country on the list of countries at risk maintained in the CMS are automatically classified as high-risk customers. When such customers enter our casinos, automatic notification emails are sent to the casino management, surveillance team and pit boss for increased monitoring.
- customer due diligence measures including Know Your Customer (KYC) procedures. This process mainly includes, without limitation:
  - new customers are required to register a player account at casino reception before entering casinos, including completion of registration form, scanning of identity documents, recording of customer's information in the CMS, politically exposed person check and international sanction check. A customer's information, including scanned registration form, identity documents and transaction records, is retained in the CMS for ten years since his/her last transaction with our casinos.
  - a list of persons subject to international sanctions is maintained in the CMS. Any persons subject to national or international sanctions are automatically notified in the CMS and not allowed to enter into our casinos. In addition, a list of countries at risk is maintained in the CMS. Customers coming from a country at risk are classified as high-risk customers. When they enter our casinos, automatic notification emails will be sent to the casino management, surveillance team and pit boss for increased monitoring. Both lists are updated upon any change in sanctions list.
  - database of blacklisted individuals is maintained in the intelligence database in the CMS. Any updates of the blacklist database are approved by the regional casino operations manager. Blacklisted individuals are not allowed to enter into our casinos.
- procedures on identifying, recording and reporting large sum transactions, criminal activities and other suspicious transactions. These procedures mainly includes, without limitation:
  - all customers have a monthly normal trigger limit under their player accounts in the CMS. Any transactions exceeding the monthly normal trigger limit are notified in the CMS where the pit boss is required to obtain additional information and assess if there are any suspicious activities. The assessment result and additional information are also recorded in the CMS.



## INTERNAL CONTROLS AND ANTI-MONEY LAUNDERING

- any suspicious activities, including potential criminal activities, identified by the CCTV cameras are recorded in surveillance daily report by surveillance team and handled by the surveillance operations manager, director of audit and compliance or the casino management.
- any other suspicious activities, potential criminal activities and behaviours observed by gaming team are reported to the casino management for handling. Surveillance team is informed of the suspicious activities for monitoring. Additional investigation may be conducted based on the judgement of the casino management or higher management.
- any potential AML risk identified is reported by the casino management to AML contact person for handling. After collecting relevant information, the reported case is assessed by AML contact person based on features of suspicious transactions stipulated in AML policies, as well as his experience and knowledge. Based on the assessment result, AML contact person may file a notification of suspicious (the "OPO") trade to FAU, if necessary, for its instruction. The OPO includes information such as identification data of the suspicious trade notifier, identification details of the person concerned by the notification, a detailed description of the subject matter and material circumstances of the suspicious transaction, a notice where the notification also relates to property subject to international sanctions, whether and when the trade is carried out or postponed, or the reason why the trade is or is not carried out, and contact information.
- procedures on monitoring large cash transactions in the exchange counters, which mainly includes, without limitation:
  - any chip and cash exchange transactions exceeding the monthly normal trigger limit are notified in the CMS where the pit boss is required to obtain additional information and assess if there are any suspicious activities.
  - for any foreign exchange transactions over Euro 1,000, the cashier is required to register a customer profile in foreign exchange application for record.
  - customers are only able to cash out from their player accounts and exchange foreign currencies up to Euro 10,000 every day under the Czech laws.

## FINANCIAL INFORMATION

*You should read the following discussion and analysis of our Group's financial condition and results of operations in conjunction with our audited combined financial statements as at and for the three years ended 31 March 2023, including notes thereto set forth in the Accountants' Report included as Appendix I to this document (the "Combined Financial Information"). Our Combined Financial Information have been prepared in accordance with the HKFRS. You should read the whole Accountants' Report and not merely rely on the information contained in this section.*

*The following discussion and analysis contain certain forward-looking statements that involve risks and uncertainties. These statements are based on assumptions and analysis made by us in light of our experience and perception of historic trends, current conditions and expect future developments, as well as other factors we believe are appropriate under the circumstances. However, whether actual outcomes and developments will meet our expectations and predictions depends on a number of risks and uncertainties over which we do not have control. For further information, you should refer to the section "Risk Factors" and "Forward-Looking Statements" in this document.*

### 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, primarily offering slot machines and table games and (ii) three hotels in Germany and one hotel in Austria that offer accommodation, catering, conference and leisure services.

During the Track Record Period, 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, which has resulted in a temporary decline in the visits to our casinos and hotels. Notwithstanding the above, due to the easing of lockdown protocols and the gradual recovery of the global economy since the latter half of 2020, our revenue has grown steadily 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 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.

For further details of our business and operations, please refer to the section headed "Business" in this document.

### BASIS OF PRESENTATION OF FINANCIAL INFORMATION

Our Company was incorporated in the Cayman Islands as an exempted company with limited liability on 6 July 2023. Upon completion of the Reorganisation before the

## FINANCIAL INFORMATION

[REDACTED], our Group comprising our Company and its subsidiaries resulting from the Reorganisation have always been under the control of Ample Bonus and is regarded as a continuing entity. For further details of our Reorganisation, please refer to the section headed "History, Reorganisation and Corporate Structure" in this document.

Our historical financial information has been prepared and presented as a continuation of our business, with the assets and liabilities of our Group recognised and measured at the carrying amount of our business upon the completion of the Reorganisation (except for the non-controlling interest held by Dateplum) had been in existence throughout the years ended 31 March 2021, 31 March 2022 and 31 March 2023, or since their respective dates of incorporation where this is a shorter period.

Our historical financial information has been prepared under the historical cost basis except for certain financial instruments that are measured at fair value at the end of each reporting period, and in accordance with accounting policies which conform with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). In addition, our combined financial statements have included the applicable disclosures requirements under the Listing Rules and the Companies Ordinance. For further details on the basis of presentation of the financial information included in this section, please refer to "Accountants' Report — Notes to the Historical Financial Information of Palasino Holdings Limited — 1. General, Group Reorganisation and Basis of Preparation and Presentation of Historical Financial Information" in Appendix I to this document.

We have consistently applied the accounting policies which conform with HKFRSs issued by the HKICPA that are effective for our Group's financial year beginning 1 April 2022 and throughout the Track Record Period, for the purpose of preparing and presenting our historical financial information for the Track Record Period.

### MAJOR FACTORS AFFECTING OUR RESULTS OF OPERATIONS AND FINANCIAL CONDITION

The results of operations and financial condition of our Group have been and will continue to be, affected by a number of factors, including those discussed below and under the section headed "Risk Factors" in this document.

#### Gaming regulations and tax in the Czech Republic

Gaming is a highly regulated industry in the Czech Republic. The continuation of our gaming operations in the Czech Republic is contingent upon our maintaining all necessary regulatory licences, permits, approvals, registrations, orders and authorisations pursuant to laws and regulations in the Czech Republic. In addition, our gaming operation is subject to scrutiny and approval by various government authorities, including the Ministry of Finance in the Czech Republic, which holds the authority to issue our gaming licences. For more information, please refer to "Regulatory Overview — Overview of Regulatory Framework of Gaming Operations in the Czech Republic" and "Risk Factors — 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" in this document.

## FINANCIAL INFORMATION

During the Track Record Period and up to the Latest Practicable Date, the tax rate for gambling in the Czech Republic has been set at 23% of GGR of live games, and at 35% of GGR of slot machines. There have been discussions within the parliament of the Czech Republic about (i) the increase in corporate income tax rate from 19% to 21%; (ii) the increase in live games tax rate from 23% to 30%; and (iii) the increase in value-added tax on specified categories of goods and services (e.g. hotel accommodation) from 10% to 12%, which are proposed to take effect on 1 January 2024. If the government of the Czech Republic decides to raise tax rates, modify existing tax laws, regulations and policies that apply to our operation, we may face significantly higher income tax expenses and gaming tax expenses, which could materially and adversely affect our business, financial condition and results of operations.

Current laws and regulations, such as licensing requirements, tax rates and other regulatory obligations, could change or become more stringent. These potential changes could have a significant impact on our business and may require us to adapt to new requirements and standards to ensure our continued operations and compliance with the law. For instance, the government of the Czech Republic is presently contemplating amending the Czech Gambling Act. These potential changes may include new licensing and deposit requirements and measures to better protect players. As the amendment process unfolds, it could lead to new regulatory requirements and compliance obligations for gaming operators like us. Staying abreast of these developments and adjusting our operations accordingly will be essential to maintain our gaming licences and continue our business activities in the Czech Republic. Please refer to the paragraph headed "Risk factors — Our business operation, financial results and our cashflow may be adversely affected if we have not adopted adequate action or measures to comply with the new Czech Gambling Act when it is implemented in the Czech Republic" and the paragraph headed "Business — The New Czech Gambling Act" in this document.

### **Outbreak of infectious diseases including but not limited to the COVID-19 pandemic**

The outbreak of COVID-19 pandemic had posed challenging circumstances to our gaming and hotel operations during the Track Record Period. As most of our patrons travel to reach our casinos and hotels, the strength and profitability of our business depends on the ability of our patrons to travel. During the most severe period of the COVID-19 pandemic, the governments of the Czech Republic, Germany and Austria have ordered the mandatory closure of businesses. For the years ended 31 March 2021 and 31 March 2022, our three casinos had to remain closed for seven months and two months respectively, while our four hotels were ordered to shut down for five months and one month respectively during the same period. Despite these setbacks caused by the COVID-19 pandemic, we demonstrated remarkable resilience, and our revenue increased from HK\$145.8 million for the year ended 31 March 2021 to HK\$351.2 million in for the year ended 31 March 2022 and HK\$529.0 million in for the year ended 31 March 2023. We recorded profits of HK\$2.6 million, HK\$40.1 million and HK\$44.2 million for the years ended 31 March 2021, 2022 and 2023, respectively.

To the extent that the resurgence of COVID-19 disrupts our normal business operations, we may face disrupted market demand and operational challenges. We are closely monitoring the development of the pandemic and continuously evaluating any potential impact on our business, results of operations and financial condition. However, we cannot estimate with any degree of certainty the full impact of the COVID-19 pandemic on our financial condition and future results of operations. The ultimate impact

## FINANCIAL INFORMATION

of the COVID-19 pandemic will depend upon future developments, including the duration and severity of the COVID-19 pandemic; the negative impact it has on global and regional economies and economic activity, its short and longer-term impact on the demand for travel, transient and group business, and levels of consumer confidence; actions of governments, businesses and individuals take in response to the resurgence of variants of COVID-19 or any other infectious diseases, including limiting or banning travel and/or limiting or banning leisure, casino and entertainment activities.

### Competition

The gaming market in the Czech Republic, as well as the hotel industry in Germany and Austria, are rapidly evolving and increasingly competitive.

While our properties are strategically located to attract and cater to guests from neighbouring countries, any potential introduction of new casino establishments or hotel developments in close proximity could pose a risk to our customer base and have an adverse impact on our Group's business.

According to CIC, as at 31 December 2022, there were 37 companies licenced to operate land-based slot machines and 33 companies licenced to operate land-based live games. At the end of 2022, there were 472 casinos and 362 gaming halls in the Czech Republic. Our three casinos are located in (i) Hatě of the Znojmo District of the Czech Republic, which is close to the border of Austria; (ii) Dolní Dvořiště, the Czech Republic, which is close to the border of Austria; and (iii) Česká Kubice, the Czech Republic, which is close to the border of Germany, and there were 15, 10 and 15 casinos within one-hour driving distance from each of our respective casinos in 2022. According to CIC, the land-based casino industry is relatively fragmented in the Czech Republic with the top three casino operators having a market share of 35.4%, in terms of total number of slot machines in the casinos and the remaining casino operators each accounted for less than 5% of the market share. Accordingly, the competition is intense among those remaining casino operations. There are already established players in the industry with resources and/or strong brand recognition. It is also possible that there will be consolidation in the gaming industry amongst our competitors who may rapidly acquire significant market share.

There is no assurance that our Group will be able to uphold our competitive strengths. If we cannot effectively compete with our current or potential competitors, our business, results of operations, financial conditions and prospects may be materially and adversely affected. Please refer to the paragraph headed "Risk factor — We face intense competition in the gaming industry in the Czech Republic" in this document.

### Fluctuation of employee benefits expenses and inflation

According to CIC, the average inflation rate in the three countries where our hotels and casinos are located (the Czech Republic, Germany and Austria) was 3.3% and 10.8% for the years 2021 and 2022, respectively, and is expected to be 8.7% in 2023. Consequently and our employee benefits expenses have increased and led to higher costs on our operations, which significantly impacted our day-to-day operation expenses.

For the three years ended 31 March 2023, our employee benefits expenses increased from HK\$109.3 million, HK\$127.0 million, to HK\$170.2 million, respectively,

## FINANCIAL INFORMATION

demonstrating an increasing trend which is consistent with our business growth and the inflation rate during the same periods. Should inflation continue to rise, we anticipate facing further increases in employee benefits expenses, which could adversely affect our competitiveness and overall financial condition.

### *Sensitivity analysis*

For illustrative purpose only, the following sensitivity analysis illustrates the impact of hypothetical fluctuations of our employee benefits expenses on our profit before tax during the Track Record Period. Hypothetical fluctuations in our employee benefits expenses are assumed to be 5%, 10% and 15% while all other factors remain unchanged.

Increase/(decrease) in profit before tax	Decrease/increase in the employee benefits expenses		
	-/+ 5%	-/+ 10%	-/+ 15%
	HK\$'000	HK\$'000	HK\$'000
Year ended 31 March 2021	5,466/(5,466)	10,932/(10,932)	16,398/(16,398)
Year ended 31 March 2022	6,348/(6,348)	12,695/(12,695)	19,043/(19,043)
Year ended 31 March 2023	8,509/(8,509)	17,018/(17,018)	25,527/(25,527)

Prospective [REDACTED] should note that the above analysis on the historical financials is based on assumptions and is for reference only and should not be viewed as actual effect.

### **Exposure to foreign exchange fluctuations**

The majority of our revenue is denominated in EUR while our costs are largely denominated in EUR and CZK. Our net foreign exchange loss for the years ended 31 March 2021, 2022 and 2023 amounted to HK\$1.0 million, HK\$4.9 million and HK\$9.5 million, respectively. The value of the EUR against the CZK fluctuates depends to a large extent on domestic and international economic and political developments as well as supply and demand in the local market. It is difficult to predict how market forces or government policies may impact the exchange rate between the CZK and the EUR or other currencies in the future.

We receive foreign currency payments from our customers during our daily operations, and we have borrowing and loan balances in different currencies. The fluctuation in exchange rates may significantly reduce our revenue which is presented in HK\$ in our combined statements of profit or loss and other comprehensive income. As a result, we are subject to fluctuations in currency exchange rates which may cause volatility in our results of operations and may make it difficult or impossible to compare our results of operations from period to period. For more information, please refer to "Market Risk and Risk Management" in this section.

### **SIGNIFICANT ACCOUNTING POLICIES AND CRITICAL ESTIMATES AND JUDGEMENTS**

We have identified certain accounting policies that are significant to the preparation of our Group's financial statements. Some of our accounting policies involve subjective

## FINANCIAL INFORMATION

assumptions and estimates, as well as complex judgements relating to accounting items such as assets, liabilities, income and expenses. In each case, the determination of these items requires management estimates based on information and financial data that may change in future periods. When reviewing our financial statements, you should consider: (i) our selection of critical accounting policies; (ii) the estimates affecting the application of such policies; and (iii) the sensitivity of reported results to changes in conditions and assumptions. Our significant accounting policies, accounting judgements and estimates, which are important for an understanding of our financial condition and results of operations, are summarised below and the full text is set out in notes 3 and 4 to the Accountants' Report contained in Appendix I to this document for details. Our estimates are based on historical experience and other factors which our Directors believe to be reasonable under the circumstances. Results may differ under different assumptions and conditions.

### Significant Accounting Policies

#### *Revenue from contracts with customers*

Our Group's revenue contracts with customers consist of gaming, hotel rooms, food and beverage and other transactions.

Gaming revenue is the aggregate net difference between gaming wins and losses. Our Group accounts for gaming revenue on a portfolio basis given the similar characteristics of wagers by recognising net win per gaming day.

For gaming operations that our Group provides award points to customers under our loyalty programs, our Group allocates a portion of the gaming revenue to the loyalty programs liabilities based on its relative stand-alone selling price of such award points (less estimated breakage). Such allocated amount is deferred revenue and recognised as loyalty programs liabilities until customers redeem the award points for free services (such as cashable credit on any slot machine gaming and table games) or use them to purchase non-gaming products (such as key chains, T-shirts and hand sanitisers). Upon redemption, the deferred consideration of each good and service is allocated to the respective type of revenue. 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 section headed "Business — The new Czech Gambling Act — Major amendments to the Czech Gambling Act".

The transaction price of hotel rooms, food and beverage, and other transactions is the net amount collected from the customer for such goods and services. The transaction price for such transactions is recorded as revenue when the good or service is transferred or rendered to the customer during their stay at the hotel or when the delivery is made for the food and beverage and other services.

#### *Impairment losses on property and equipment, intangible assets and right-of-use assets*

At the end of each reporting period, our Group reviews the carrying amounts of its property and equipment, intangible assets and right-of-use assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the relevant asset is estimated in order to

## FINANCIAL INFORMATION

determine the extent of the impairment loss, if any. Intangible asset not yet available for use are tested for impairment at least annually, and whenever there is an indication that they may be impaired.

The recoverable amount of property and equipment, intangible assets and right-of-use assets, are estimated individually. When it is not possible to estimate the recoverable amount individually, our Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

In testing a cash-generating unit for impairment, corporate assets are allocated to the relevant cash-generating unit when a reasonable and consistent basis of allocation can be established, or otherwise they are allocated to the smallest group of cash generating units for which a reasonable and consistent allocation basis can be established. The recoverable amount is determined for the cash-generating unit or group of cash-generating units to which the corporate asset belongs, and is compared with the carrying amount of the relevant cash-generating unit or group of cash-generating units.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset (or a cash-generating unit) for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or a cash-generating unit) is reduced to its recoverable amount. For corporate assets or portion of corporate assets which cannot be allocated on a reasonable and consistent basis to a cash-generating unit, our Group compares the carrying amount of a group of cash-generating units, including the carrying amounts of the corporate assets or portion of corporate assets allocated to that group of cash-generating units, with the recoverable amount of our Group of cash-generating units. In allocating the impairment loss, the impairment loss is allocated first to reduce the carrying amount of any goodwill (if applicable) and then to the other assets on a pro-rata basis based on the carrying amount of each asset in the unit or our Group of cash-generating units. The carrying amount of an asset is not reduced below the highest of its fair value less costs of disposal (if measurable), its value in use (if determinable) and zero. The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other assets of the unit or our Group of cash-generating units. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit or a group of cash-generating units) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or a cash-generating unit or a group of cash-generating units) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.



## FINANCIAL INFORMATION

### Critical Estimates

#### *Impairment assessment of the property and equipment and right-of-use assets related to Trans World Austria*

In determining whether impairment loss of property and equipment and right-of-use assets related to Trans World Austria should be recognised or reversed, our management has to make estimation on the recoverable amounts of the property and equipment and right-of-use assets related to Trans World Austria. Changes in the key assumptions, including the pre-tax discount rate, terminal growth rate and expected changes in revenues and costs in the discounted cash flow projections, could materially affect the recoverable amounts.

Our management considered there was indication (i.e. operating loss) for impairment for these property and equipment and right-of-use assets for the years ended 31 March 2021, 2022 and 2023 and prepared discounted cash flow projections for Trans World Austria based on the financial budget approved by the management of our Group and engaged an independent professional valuer to conduct impairment assessment on their recoverable amount of property and equipment and right-of-use assets. As at 31 March 2021, 2022 and 2023, the carrying amounts of the property and equipment related to Trans World Austria were HK\$32.8 million, HK\$11.5 million and HK\$28.1 million after taking into account the accumulated impairment of HK\$53.2 million, HK\$16.1 million and HK\$54.7 million, respectively, and the carrying amount of right-of-use assets related to Trans World Austria were HK\$11.5 million, HK\$24.4 million and HK\$16.8 million after taking into account the impairment of HK\$16.5 million, HK\$54.7 million and HK\$16.5 million, respectively. We estimated the recoverable amount of the property and equipment and right-of-use assets related to Trans World Austria based on value in use and concluded that the carrying amount of these assets does not materially differ from their recoverable amount. Accordingly, no impairment loss or reversal was recognised during the Track Record Period.

#### *Deferred tax asset*

As at 31 March 2021, 2022 and 2023, no deferred tax asset has been recognised on the tax losses of HK\$121.8 million, HK\$129.8 million and HK\$134.7 million, respectively, and deductible temporary difference of HK\$66.0 million, HK\$65.6 million and HK\$61.9 million due to the unpredictability of future profit streams. The realisability of the deferred tax asset mainly depends on whether sufficient future profits will be available in the future, which is a key source of estimation uncertainty especially the uncertainty on the economic condition in Europe. In cases where the actual future taxable profits generated are more than expected, or change in facts and circumstances which result in revision of future taxable profits estimation, a material recognition of deferred tax assets may arise, which would be recognised in profit or loss for the period in which such a reversal or further recognition takes place.

## FINANCIAL INFORMATION

### SUMMARY OF RESULTS OF OPERATIONS

The following table sets out the summary of our Group's combined results for the Track Record Period, which are derived from, and should be read in conjunction with the combined financial information contained in the Accountants' Report set out in Appendix I to this document:

	<b>For the year ended 31 March</b>		
	<b>2021</b>	<b>2022</b>	<b>2023</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Gaming revenue	107,914	278,458	390,403
Hotel, catering and related services revenue	<u>37,857</u>	<u>72,738</u>	<u>138,618</u>
Gaming, hotel, catering and related services revenues	145,771	351,196	529,021
Gaming tax	(36,964)	(94,965)	(133,097)
Inventories consumed	(4,919)	(13,090)	(25,076)
Other income	76,413	42,235	5,172
Other gains and losses	4,048	(6,605)	(12,192)
Depreciation	(24,974)	(24,493)	(23,180)
Employee benefits expenses	(109,322)	(126,951)	(170,182)
Other operating expenses	(42,883)	(74,788)	(105,274)
Finance costs	<u>(3,651)</u>	<u>(3,489)</u>	<u>(3,576)</u>
<b>PROFIT BEFORE TAXATION</b>	<b>3,519</b>	<b>49,050</b>	<b>61,616</b>
Income tax expense	<u>(962)</u>	<u>(8,967)</u>	<u>(17,462)</u>
<b>PROFIT FOR THE YEAR</b>	<b>2,557</b>	<b>40,083</b>	<b>44,154</b>
<b>Other comprehensive income (expense)</b>			
<i>Item that will not be reclassified to profit or loss:</i>			
Exchange difference arising from translation of functional currency to presentation currency	<u>37,640</u>	<u>(7,296)</u>	<u>(9,275)</u>
<i>Item that may be reclassified subsequently to profit or loss:</i>			
Exchange differences arising on translation of foreign operations	<u>4,571</u>	<u>8,259</u>	<u>4,638</u>
<b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR</b>	<b><u>44,768</u></b>	<b><u>41,046</u></b>	<b><u>39,517</u></b>
<b>Attributable to:</b>			
Owners of the Company	<u>44,768</u>	<u>41,046</u>	<u>39,517</u>

**FINANCIAL INFORMATION**

**DESCRIPTION OF SELECTED ITEMS OF COMBINED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME**

**Gaming, hotel, catering and related services revenues**

For the three years ended 31 March 2023, we recorded revenue of HK\$145.8 million, HK\$351.2 million and HK\$529.0 million respectively, which was principally generated from our gaming operations and hotel and catering operations.

The following table sets out a breakdown of our revenue by operating segment and its percentage in terms of our total revenue during the Track Record Period:

	<b>For the year ended 31 March</b>					
	<b>2021</b>		<b>2022</b>		<b>2023</b>	
	<i>HK\$'000</i>	%	<i>HK\$'000</i>	%	<i>HK\$'000</i>	%
Gaming revenue	107,914	74.0	278,458	79.3	390,403	73.8
Hotel, catering and related service revenue	<u>37,857</u>	<u>26.0</u>	<u>72,738</u>	<u>20.7</u>	<u>138,618</u>	<u>26.2</u>
<b>Total</b>	<b><u>145,771</u></b>	<b><u>100.0</u></b>	<b><u>351,196</u></b>	<b><u>100.0</u></b>	<b><u>529,021</u></b>	<b><u>100.0</u></b>

For details on how we generate our revenue from our business models, please refer to "Business — Our Gaming Operations" and "Business — Our Hotels and catering operations".

***Gaming revenue***

We generated gaming revenue from our three casinos in the Czech Republic, which mainly offer slot machines and table games. For the three years ended 31 March 2023, we recorded gaming revenue of HK\$107.9 million, HK\$278.5 million and HK\$390.4 million, representing 74.0%, 79.3% and 73.8%, respectively, of our total revenue for the same periods. Among which, our revenue generated from slot machines operation amounted to HK\$81.6 million, HK\$212.9 million and HK\$300.1 million, representing 75.6%, 76.5% and 76.9%, respectively, of our total gaming revenue for the three years ended 31 March 2023.

## FINANCIAL INFORMATION

The following table sets out information about our gaming revenue by type of games during the Track Record Period:

	For the year ended 31 March					
	2021		2022		2023	
	HK\$'000	%	HK\$'000	%	HK\$'000	%
Slot machines	81,611	75.6	212,943	76.5	300,124	76.9
Table games	26,303	24.4	65,515	23.5	90,279	23.1
<b>Total</b>	<b>107,914</b>	<b>100.0</b>	<b>278,458</b>	<b>100.0</b>	<b>390,403</b>	<b>100.0</b>

### *Hotel, catering and related service revenue*

We generate hotel, catering and related services revenue primarily from (i) *Hotel Savannah* in the Czech Republic, (ii) *Hotel Columbus*, *Hotel Auefeld*, *Hotel Kranichhöhe* in Germany, and (iii) *Hotel Donauwelle* in Austria. For the three years ended 31 March 2023, we recorded revenue from hotel, catering and related services of HK\$37.9 million, HK\$72.7 million and HK\$138.6 million, representing 26.0%, 20.7% and 26.2%, respectively, of our total revenue for the same periods.

The following table sets out a breakdown of our hotel, catering and related service revenue by service type during the Track Record Period:

	For the year ended 31 March					
	2021		2022		2023	
	HK\$'000	%	HK\$'000	%	HK\$'000	%
Hotel operation	23,583	62.3	41,667	57.3	76,238	55.0
Catering operation	14,274	37.7	31,071	42.7	62,380	45.0
<b>Total</b>	<b>37,857</b>	<b>100.0</b>	<b>72,738</b>	<b>100.0</b>	<b>138,618</b>	<b>100.0</b>

For further details on the operating statistics of our hotels such as the occupancy rate, average room rate and RevPAR, please refer to "Business — Our Hotels — Selected Operating Statistics of the Hotels".

## FINANCIAL INFORMATION

### *Revenue by geographic location*

Our casinos are situated in the Czech Republic, while our hotels are located in the Czech Republic, Germany and Austria. During the Track Record Period, our revenue was mainly generated from the Czech Republic. Our revenue generated from the Czech Republic for the three years ended 31 March 2023 amounted to HK\$117.0 million, HK\$302.6 million and HK\$431.0 million, representing 80.3%, 86.2% and 81.5%, respectively, of our total revenue for the same periods.

The following table sets out information about our revenue by geographical location of our operation during the Track Record Period:

	<b>For the year ended 31 March</b>					
	<b>2021</b>		<b>2022</b>		<b>2023</b>	
	<i>HK\$'000</i>	%	<i>HK\$'000</i>	%	<i>HK\$'000</i>	%
The Czech Republic	116,991	80.3	302,574	86.2	430,966	81.5
Germany	23,263	15.9	36,060	10.2	71,845	13.6
Austria	5,517	3.8	12,562	3.6	26,210	4.9
<b>Total</b>	<b><u>145,771</u></b>	<b><u>100.0</u></b>	<b><u>351,196</u></b>	<b><u>100.0</u></b>	<b><u>529,021</u></b>	<b><u>100.0</u></b>

### **Gaming tax**

The gaming tax under the relevant Czech laws is calculated based on 35% and 23% of the GGR of slot machines and tables games, respectively, whereas the revenue from gaming operations is recognised after deducting a portion of revenue to the loyalty programs liabilities based on its relative stand-alone selling price of such award point based on the relevant accounting policy.

Our gaming tax for the three years ended 31 March 2023 amounted to HK\$37.0 million, HK\$95.0 million and HK\$133.1 million, representing 34.3%, 34.1% and 34.1% of our gaming revenue, respectively.

## FINANCIAL INFORMATION

### Inventories consumed

Our inventories consumed consisted mainly of our cost of food and beverage for our catering operation. For the three years ended 31 March 2023, our cost of inventories consumed amounted to HK\$4.9 million, HK\$13.1 million and HK\$25.1 million, respectively.

### Other income

Our other income primarily consisted of (i) government grants; (ii) interest income from related parties; and (iii) bank interest income. We recorded other income of HK\$76.4 million, HK\$42.2 million and HK\$5.2 million for the three years ended 31 March 2023, respectively.

The following table sets out our other income during the Track Record Period:

	<b>For the year ended 31 March</b>		
	<b>2021</b>	<b>2022</b>	<b>2023</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Government grants	76,413	42,183	2,215
Interest income			
from related parties	–	–	2,296
Bank interest income	–	52	661
	–	52	661
<b>Total</b>	<b>76,413</b>	<b>42,235</b>	<b>5,172</b>

During the Track Record Period, our Group received government grants from the governments of the Czech Republic, Germany and Austria in order to subsidise the business operations of our respective entities incorporated in these countries as a result of the COVID-19 impact. During the Track Record Period, all government grants recognised in our combined statements of profit or loss and other comprehensive income by our Group are unconditional.

For interest income from related parties, please refer to "Related party transactions — Advances to related parties" in this section for details.

### Other gains and losses

Our other gains and losses mainly consist of (i) fair value change on financial assets at fair value through profit or loss ("FVTPL"), (ii) net foreign exchange loss, (iii) gain or loss on disposal of property and equipment, and (iv) net impairment loss reversed or recognised under expected credit loss model. We recorded other gains of HK\$4.0 million for the year ended 31 March 2021 and other losses of HK\$6.6 million and HK\$12.2 million for the two years ended 31 March 2022 and 2023, respectively.

## FINANCIAL INFORMATION

The following table sets out the breakdown of our other gains and losses during the Track Record Period:

	<b>For the year ended 31 March</b>		
	<b>2021</b>	<b>2022</b>	<b>2023</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Fair value change on financial assets at FVTPL <i>(note 1)</i>	4,518	(1,533)	(3,107)
Foreign exchange loss, net <i>(note 2)</i>	(1,044)	(4,891)	(9,523)
(Loss) gain on disposal of property and equipment	(38)	143	107
Impairment losses reversed (recognised) under expected credit loss model, net	612	(324)	331
<b>Total</b>	<b><u>4,048</u></b>	<b><u>(6,605)</u></b>	<b><u>(12,192)</u></b>

*Notes:*

- (1) The fair value change on financial assets at FVTPL represents the change in the fair value of our investment administered by Singford, a fellow subsidiary of our Group. For details, please refer to the paragraph headed "Current assets and current liabilities — Financial assets at FVTPL" in this section.
- (2) The majority of our revenue is denominated in EUR while our costs are largely denominated in EUR and CZK. The increase in net foreign exchange loss during the Track Record Period was due to the depreciation of EUR against CZK for the same periods. As at the Latest Practicable Date, we have not entered into any agreements to hedge our exchange rate exposure relating to any foreign currencies.

### Depreciation

Our depreciation primarily consisted of (i) depreciation of property and equipment, and (ii) depreciation of right-of-use assets. For the three years ended 31 March 2023, our depreciation amounted to HK\$25.0 million, HK\$24.5 million and HK\$23.2 million.

The following table sets out the breakdown of our depreciation during the Track Record Period:

	<b>For the year ended 31 March</b>					
	<b>2021</b>	<b>2022</b>		<b>2023</b>		
	<i>HK\$'000</i>	<i>%</i>	<i>HK\$'000</i>	<i>%</i>	<i>HK\$'000</i>	<i>%</i>
Depreciation of property and equipment	24,593	98.5	24,083	98.3	22,181	95.7
Depreciation of right-of-use assets	381	1.5	410	1.7	999	4.3
<b>Total</b>	<b><u>24,974</u></b>	<b><u>100.0</u></b>	<b><u>24,493</u></b>	<b><u>100.0</u></b>	<b><u>23,180</u></b>	<b><u>100.0</u></b>

## FINANCIAL INFORMATION

For details of our property and equipment and right-of-use assets, please refer to the paragraph headed "Property and equipment" and "Right-of-use assets".

### Employee benefits expenses

Our employee benefits expenses primarily consisted of (i) directors' remuneration, (ii) salaries, allowances and other benefits and (iii) pension schemes contributions. For the three years ended 31 March 2023, our employee benefits expenses amounted to HK\$109.3 million, HK\$127.0 million and HK\$170.2 million.

The following table sets out the breakdown of our employee benefits expenses during the Track Record Period:

	<b>Year ended 31 March</b>					
	<b>2021</b>	<b>2022</b>		<b>2023</b>		
	<i>HK\$'000</i>	<i>%</i>	<i>HK\$'000</i>	<i>%</i>	<i>HK\$'000</i>	<i>%</i>
Directors' remuneration	2,046	1.9	2,054	1.6	2,434	1.4
Other staff costs (excluding the directors' remuneration)						
– Salaries, allowances and other benefits	107,199	98.0	124,800	98.3	167,665	98.5
– Pension schemes contributions	77	0.1	97	0.1	83	0.1
<b>Total</b>	<b>109,322</b>	<b>100.0</b>	<b>126,951</b>	<b>100.0</b>	<b>170,182</b>	<b>100.0</b>

For the three years ended 31 March 2023, we had 446, 469 and 496 employees respectively in the Czech Republic, where the majority of our employees were based.

### Other operating expenses

Our other operating expenses primarily consisted of expenses related to gaming operation and hotel and catering operation. For the three years ended 31 March 2023, our other operating expenses amounted to HK\$42.9 million, HK\$74.8 million and HK\$105.3 million, representing 29.4%, 21.3% and 19.9%, respectively, of our total revenue for the same periods.



## FINANCIAL INFORMATION

The following table sets out the breakdown of our other operating expenses during the Track Record Period:

	Year ended 31 March					
	2021	2022		2023		
	HK\$'000	%	HK\$'000	%	HK\$'000	%
Hotel and catering operating expenses (note 1)	10,997	25.7	16,184	21.6	25,710	24.4
Gaming operating expenses (note 2)	4,940	11.5	9,978	13.3	12,137	11.5
Rental expenses of slot machines	5,843	13.6	13,216	17.7	19,128	18.2
Utilities	3,578	8.3	11,064	14.8	14,981	14.2
Office expenses	1,236	2.9	2,713	3.6	2,551	2.4
Management fee (note 3)	2,582	6.0	–	0.0	–	0.0
Audit and professional fee	4,397	10.3	8,194	11.0	10,742	10.2
Repair and maintenance	3,990	9.3	4,991	6.7	7,010	6.7
Insurance	1,430	3.3	1,472	2.0	1,623	1.6
Bank charges	622	1.5	1,458	1.9	2,341	2.2
Others (note 4)	3,268	7.6	5,518	7.4	9,051	8.6
	<b>42,883</b>	<b>100.0</b>	<b>74,788</b>	<b>100.0</b>	<b>105,274</b>	<b>100.0</b>

*Notes:*

1. Our hotel and catering operating expenses include laundry services, commission fees paid to booking agencies, cleaning services providers etc.
2. Our gaming operating expenses include expenses incurred for daily gaming operation, including cleaning, storage cost of the surveillance records, service fees paid to CMS provider etc.
3. For details of the management fee, please refer to "Related Party Transactions — Management fee paid" in this section.
4. Our other expenses include various miscellaneous expenses that were incurred during our daily operating activities.

### Finance costs

Our finance costs mainly represented interest on our lease liabilities and bank and other borrowings. Our finance costs for the three years ended 31 March 2023 remained stable at HK\$3.7 million, HK\$3.5 million and HK\$3.6 million, respectively.

## FINANCIAL INFORMATION

### Income tax expense

Income tax consists of current tax expense and deferred tax expenses. The following table sets forth the breakdown of income tax expenses for the years indicated:

	Year ended 31 March		
	2021	2022	2023
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Current tax:			
– The Czech Republic corporation tax	560	9,869	17,731
– Austria corporation tax	15	15	15
	575	9,884	17,746
Deferred tax	387	(917)	(284)
<b>Income tax expense</b>	<b>962</b>	<b>8,967</b>	<b>17,462</b>

For the three years ended 31 March 2023, our income tax expense amounted to HK\$1.0 million, HK\$9.0 million and HK\$17.5 million, respectively. Our Group's overall effective tax rates which were calculated by dividing income tax expense with our profit before income tax were 27.3%, 18.3% and 28.3% during the Track Record Period, respectively. Our effective tax rate remained relatively stable for the years ended 31 March 2021 and 2023, except that of 31 March 2022, which was primarily due to the improvement of the financial performance of Trans World Austria which led to a higher profit before tax during the same period. The slight increase in effective tax rate from 27.3% for the year ended 31 March 2021 to 28.3% for the year ended 31 March 2023 was primarily due to the effect of the initial set up cost incurred by Palasino Malta on the profit before tax for the year ended 31 March 2023.

During the Track Record Period and up to the Latest Practicable Date, we have paid all relevant taxes when due and we are not aware of any disputes or unresolved tax issues with any tax authorities.

We are subject to various rates of income tax under different jurisdictions. The following summarises major factors affecting our applicable tax rates in the Cayman Islands, the Czech Republic, Hong Kong, Germany and Austria.

#### *Cayman Islands*

We are incorporated in the Cayman Islands. Under the current law of the Cayman Islands, we are not subject to income or capital gains tax. In addition, dividend payments are not subject to withholding tax in the Cayman Islands.

## FINANCIAL INFORMATION

### *The Czech Republic*

During the Track Record Period, we were subject to the Czech Republic corporation tax, which was calculated at a rate of 19% on the estimated assessable profits. Withholding tax of 15% is imposed on dividends declared in respect of profits earned by the subsidiary incorporated in the Czech Republic.

### *Hong Kong*

No provision for Hong Kong profits tax was made as we did not generate any assessable income subject to Hong Kong profits tax during the Track Record Period.

### *Germany*

No provision for Germany corporation tax for the Track Record Period as our Group either incurred tax loss or utilised tax loss for offsetting the income tax payable.

### *Austria*

No provision for Austria corporation tax was made during the Track Record Period as our Group incurred tax loss. However, entities in a tax loss position were required to pay a minimum Austria corporation tax of EUR437.5 for each quarter throughout the Track Record Period.

### **Non-GAAP Financial Data**

In evaluating our business, we consider and use EBITDA, which is a non-GAAP measure, as supplemental measures to review and assess our operating performance.

We provide a reconciliation of EBITDA to profit for the year, our most directly comparable financial performance calculated and presented in accordance with HKFRS. EBITDA refers to earnings before interest income, finance costs, income tax and depreciation and amortisation. Even though it is not a standardised measure under HKFRS, according to CIC, EBITDA is a widely used financial indicator to assess the financial performance of casinos and hotels. We have included EBITDA because we believe it is a useful information to demonstrate our ability to generate cash flow from our operations. However, the term of EBITDA is not defined under HKFRS nor a measure of net income, operating income, operating performance or liquidity presented in accordance with HKFRS. Therefore, EBITDA should not be considered in isolation or construed as alternatives to loss/profit from operations or any other measure of performance or as an indicator of our operating performance or profitability. Our presentation of EBITDA should not be construed as an implication that our future results will be unaffected by unusual or non-recurring items. The presentation of EBITDA should not be construed as an indication that our future results will be unaffected by other charges and gains we consider to be outside the ordinary course of our business.

## FINANCIAL INFORMATION

Our EBITDA may not be comparable to similarly titled measures of another company because it does not have a standardised meaning and all companies may not calculate EBITDA in the same manner. The following table presents a reconciliation of EBITDA to loss/profit for each of the years indicated:

	<b>For the year ended 31 March</b>		
	<b>2021</b>	<b>2022</b>	<b>2023</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Profit before taxation	3,519	49,050	61,616
Add:			
Depreciation	24,974	24,493	23,180
Finance costs	3,651	3,489	3,576
Less:			
Bank interest income	–	52	661
Interest income from related parties	–	–	2,296
	–	–	2,296
<b>EBITDA</b>	<b>32,144</b>	<b>76,980</b>	<b>85,415</b>

### REVIEW OF HISTORICAL RESULTS OF OPERATION

#### Year ended 31 March 2023 as compared to year ended 31 March 2022

##### *Gaming, hotel, catering and related services revenues*

Our gaming, hotel, catering and related services revenues increased by HK\$177.8 million or 50.6% from HK\$351.2 million for the year ended 31 March 2022 to HK\$529.0 million for the year ended 31 March 2023, mainly due to the increase in revenue from both our gaming operation and hotel and catering operations during the same period, details of which are as follows.

##### *Gaming revenue*

Our gaming revenue increased by HK\$111.9 million or 40.2% from HK\$278.5 million for the year ended 31 March 2022 to HK\$390.4 million for the year ended 31 March 2023, mainly due to an increase of slot machine drop as a result of the increase in the number of patrons brought by the complete lifting of mandatory closure restrictions that were previously imposed due to the COVID-19 pandemic for the year ended 31 March 2023, in response to which we have also increased the number of slot machines in our casinos to meet the pent-up demand. The mandatory closure of our casinos initiated by the government were two months for the year ended 31 March 2022 while our casinos remained fully opened for the year ended 31 March 2023. The relaxation of these restrictions allowed our three casinos to operate continuously throughout the year ended 31 March 2023, resulting in an increase in the number of patrons to our casinos. Due to the

## FINANCIAL INFORMATION

pent-up demand for entertainment and social experiences during the COVID-19 pandemic, gaming appetite and spending of our patrons also increased upon the ease of restrictions and continuous opening of our casinos. As a result, we recorded an increase in slot machine drop for the year ended 31 March 2023.

### *Hotel, catering and related services revenue*

Our hotel, catering and related services revenue significantly increased by HK\$65.9 million or 90.6% from HK\$72.7 million for the year ended 31 March 2022 to HK\$138.6 million for the year ended 31 March 2023, mainly due to (i) the improvement of our average occupancy rate mainly driven by the complete uplifting of opening restrictions during the COVID-19 pandemic for the year ended 31 March 2023; and (ii) the increase in average room rate.

### *Gaming tax*

Our gaming tax increased by HK\$38.1 million or 40.1% from HK\$95.0 million for the year ended 31 March 2022 to HK\$133.1 million for the year ended 31 March 2023 which is consistent with the growth of our GGR for the same period.

### *Inventories consumed*

Our inventories consumed increased significantly by HK\$12.0 million or 91.6% from HK\$13.1 million for the year ended 31 March 2022 to HK\$25.1 million for the year ended 31 March 2023, which followed the trend of the increase in our sales from catering operation from HK\$31.1 million for the year ended 31 March 2022 to HK\$62.4 million for the year ended 31 March 2023.

### *Other income*

Our other income decreased significantly by HK\$37.0 million or 87.7% from HK\$42.2 million for the year ended 31 March 2022 to HK\$5.2 million for the year ended 31 March 2023. The decrease was primarily due to the significant decrease in government grants to our subsidiaries, which was reduced by HK\$40.0 million or 94.8% from HK\$42.2 million for the year ended 31 March 2022 to HK\$2.2 million for the year ended 31 March 2023, due to the ease of the severity of the COVID-19 pandemic and the gradual resumption to normal business operations for the year ended 31 March 2023. The decrease was partially offset by the interest income from related parties at the amount of HK\$2.3 million for the year ended 31 March 2023, as a result of advances to related parties. For details, please refer to the paragraph headed "Related Party Transactions — Advances to related parties" in this section.

## FINANCIAL INFORMATION

### *Other gains and losses*

Our other losses increased significantly by HK\$5.6 million or 84.8% from HK\$6.6 million for the year ended 31 March 2022 to HK\$12.2 million for the year ended 31 March 2023. The increase was primarily due to (i) the substantial increase in net foreign exchange loss by HK\$4.6 million or 93.9% from HK\$4.9 million for the year ended 31 March 2022 to HK\$9.5 million for the year ended 31 March 2023 as a result of the depreciation of EUR against CZK; and (ii) the increase in the fair value of our investment administered by Singford by HK\$1.6 million from HK\$1.5 million for the year ended 31 March 2022 to HK\$3.1 million for the year ended 31 March 2023, a fellow subsidiary of our Group.

### *Depreciation*

Our depreciation expenses decreased slightly by HK\$1.3 million or 5.3% from HK\$24.5 million for the year ended 31 March 2022 to HK\$23.2 million for the year ended 31 March 2023, which was mainly due to the reduction in depreciation of property and equipment as a result of the disposal of gaming equipment in the amount of HK\$4.9 million in the year ended 31 March 2022.

### *Employee benefits expenses*

Our employee benefits expenses increased significantly by HK\$43.1 million or 33.9% from HK\$127.0 million for the year ended 31 March 2022 to HK\$170.2 million for the year ended 31 March 2023, which was primarily attributable to (i) the increase in number of employees in order to support our operations in view of the recovery of business from the impact of the COVID-19 pandemic, which is consistent with the post-pandemic business growth and an increased number of visitors to our hotels and casinos, and (ii) the increase in the salary expenses of our staff due to the impact of inflation.

### *Other operating expenses*

Our other operating expenses increased by HK\$30.5 million or 40.8% from HK\$74.8 million for the year ended 31 March 2022 to HK\$105.3 million for the year ended 31 March 2023, which was primarily attributable to (i) the increase in operating expenses of our gaming, hotel and catering operations from an aggregate amount of HK\$26.2 million to HK\$37.8 million as a result of the gradual resumption of our business operation in view of the ease of the impact from the COVID-19 pandemic; (ii) the increase in rental expenses of slot machines by HK\$5.9 million because the arrangement of waiving our rental charges of slot machines during the COVID-19 pandemic ceased; and (iii) the increase in utilities expenses by HK\$3.9 million.

### *Finance costs*

Our finance costs remained relatively stable at HK\$3.5 million and HK\$3.6 million for the two years ended 31 March 2023.

## FINANCIAL INFORMATION

### *Profit before taxation*

As a result of the foregoing, we recorded profit before tax of HK\$49.1 million for the year ended 31 March 2022 and HK\$61.6 million for the year ended 31 March 2023.

### *Income tax expense*

Our income tax expenses increased significantly by HK\$8.5 million or 94.4% from HK\$9.0 million for the year ended 31 March 2022 to HK\$17.5 million for the year ended 31 March 2023. The increase in our income tax expense was mainly due to the increase in taxable income arising from casino operations.

Our effective tax rate increased from 18.3% for the year ended 31 March 2022 to 28.3% for year ended 31 March 2023. The increase in effective tax rate was mainly attributable to certain non-tax-deductible items under the relevant tax law in the Czech Republic, including (i) the employee welfare related expenses such as meals and medical benefits provided to our employees and (ii) initial set up cost incurred by Palasino Malta, which have not commenced operation as at the Latest Practicable Date.

### *Profit for the year*

As a result of the cumulative effect of the above factors, our profit for the year increased by HK\$4.1 million or 10.2% from HK\$40.1 million for the year ended 31 March 2022 to HK\$44.2 million for the year ended 31 March 2023.

### **Year ended 31 March 2022 as compared to year ended 31 March 2021**

#### *Gaming, hotel, catering and related services revenues*

Our gaming, hotel, catering and related services revenues increased significantly by HK\$205.4 million or 140.9% from HK\$145.8 million for the year ended 31 March 2021 to HK\$351.2 million for the year ended 31 March 2022, mainly due to the increase in revenue from both gaming operation and hotel and catering operation during the same period, details of which are as follows.

#### *Gaming revenue*

Our gaming revenue increased significantly by HK\$170.6 million or 158.1% from HK\$107.9 million for the year ended 31 March 2021 to HK\$278.5 million for the year ended 31 March 2022, mainly due to an increase of slot machine drop as a result of the increase in the number of patrons brought by the relaxation of mandatory closure restrictions that were imposed due to the COVID-19 pandemic during the year ended 31 March 2022, in response to which we have increased the number of slot machines in our casinos to meet the pent-up demand. The mandatory closure of our casinos initiated by the government decreased from seven months for the year ended 31 March 2021 to two months for the year ended 31 March 2022. The easing of these pandemic measures resulted in a significant surge in the number of patrons visiting our casinos and an increase in gaming appetite and spending of our patrons which resulted in an increase in slot machine drop.

## FINANCIAL INFORMATION

### *Hotel, catering and related services revenue*

Our hotel, catering and related services revenue significantly increased by HK\$34.8 million or 91.8% from HK\$37.9 million for the year ended 31 March 2021 to HK\$72.7 million for the year ended 31 March 2022, mainly due to (i) the improvement in our average occupancy rate with the decrease in the number of closing days, (ii) the increase in average room rate; and (iii) the increased number of diners as a result of recovery from the COVID-19 pandemic.

### *Gaming tax*

Our gaming tax increased by HK\$58.0 million or 156.8% from HK\$37.0 million for the year ended 31 March 2021 to HK\$95.0 million for the year ended 31 March 2022, which followed the same trend of the growth of our GGR.

### *Inventories consumed*

Our inventories consumed increased significantly by HK\$8.2 million or 167.3% from HK\$4.9 million for the year ended 31 March 2021 to HK\$13.1 million for the year ended 31 March 2022, which was consistent with the increase in our sales from catering operation from HK\$14.3 million for the year ended 31 March 2021 to HK\$31.1 million for the year ended 31 March 2022.

### *Other income*

Our other income decreased by HK\$34.2 million or 44.8% from HK\$76.4 million for the year ended 31 March 2021 to HK\$42.2 million for the year ended 31 March 2022. The decrease was primarily due to the significant reduction in government grants which was provided to our subsidiaries to subsidise our business operations as a result of the impact of the COVID-19 pandemic by HK\$34.2 million or 44.8% from HK\$76.4 million for the year ended 31 March 2021 to HK\$42.2 million for the year ended 31 March 2022, due to the ease of the severity of the COVID-19 pandemic in the year ended 31 March 2022.

### *Other gains and losses*

We recorded other losses of HK\$6.6 million for the year ended 31 March 2022 as compared to other gains of HK\$4.0 million for the year ended 31 March 2021 primarily due to (i) the decrease in the fair value of our investment administered by Singford of HK\$6.0 million or 133.3% from HK\$4.5 million for the year ended 31 March 2021 to a loss of HK\$1.5 million for the year ended 31 March 2022; and (ii) the increase in net foreign exchange loss from HK\$1.0 million for the year ended 31 March 2021 to HK\$4.9 million for the year ended 31 March 2022 due to the depreciation of EUR against CZK.

### *Depreciation*

Our depreciation expenses decreased slightly by HK\$0.5 million or 2.0% from HK\$25.0 million for the year ended 31 March 2021 to HK\$24.5 million for the year ended 31 March 2022, which was primarily attributable to the reduction in depreciation of property and equipment by HK\$0.5 million.



## FINANCIAL INFORMATION

### *Employee benefits expenses*

Our employee benefits expenses increased by HK\$17.7 million or 16.2% from HK\$109.3 million for the year ended 31 March 2021 to HK\$127.0 million for the year ended 31 March 2022, which was primarily attributable to the increase in the salary expenses of our staff due to the impact of inflation.

### *Other operating expenses*

Our other operating expenses increased considerably by HK\$31.9 million or 74.4% from HK\$42.9 million for the year ended 31 March 2021 to HK\$74.8 million for the year ended 31 March 2022, which was primarily attributable to (i) the increase in operating expenses of our gaming, hotel and catering operations from an aggregate amount of HK\$15.9 million to HK\$26.2 million as a result of the gradual resumption of our business operation in view of the ease of the impact from the COVID-19 pandemic; and (ii) the increase in rental expenses of slot machines by HK\$7.4 million because some of our slot machines suppliers waived their rental charges during the COVID-19 pandemic in 2021.

### *Finance costs*

Our finance costs remained relatively stable at HK\$3.7 million and HK\$3.5 million for the two years ended 31 March 2022.

### *Profit before taxation*

As a result of the foregoing, we recorded profit before tax of HK\$3.5 million for the year ended 31 March 2021 and HK\$49.1 million for the year ended 31 March 2022.

### *Income tax expense*

Our income tax expenses increased significantly by HK\$8.0 million or 800.0% from HK\$1.0 million for the year ended 31 March 2021 to HK\$9.0 million for the year ended 31 March 2022. Our income tax expense increased mainly due to the increase in our taxable income arising from casino operations.

Our effective tax rate decreased from 27.3% for the year ended 31 March 2021 to 18.3% for the year ended 31 March 2022. The effective tax rate for the year ended 31 March 2021 was higher primarily because we recorded loss mainly from our hotel operations in Austria and the decrease in effective tax rate for the year ended 31 March 2022 was primarily due to the improvement of the financial performance of Trans World Austria which led to a higher profits before tax during the same period.

### *Profit for the year*

As a result of the cumulative effect of the above factors, our profit for the year increased by HK\$37.5 million from HK\$2.6 million for the year ended 31 March 2021 to HK\$40.1 million for the year ended 31 March 2022.

## FINANCIAL INFORMATION

### DESCRIPTION OF SELECTED ITEMS OF COMBINED STATEMENTS OF FINANCIAL POSITION

The table below sets out selected information from our combined statements of financial position as of the dates indicated:

	<b>As at 31 March</b>		
	<b>2021</b> <i>HK\$'000</i>	<b>2022</b> <i>HK\$'000</i>	<b>2023</b> <i>HK\$'000</i>
<b>Non-current assets</b>			
Property and equipment	399,514	378,596	365,500
Deposits for acquisition of equipment	–	1,883	2,696
Deposits for gaming licence	10,500	10,800	10,800
Intangible assets	–	870	4,046
Right-of-use assets	19,022	21,149	25,853
Loan to a related party	–	–	39,165
Pledged bank deposits	6,002	4,212	4,059
	435,038	417,510	452,119
<b>Current assets</b>			
Inventories	1,358	1,805	2,277
Financial assets at FVTPL	26,984	41,047	21,089
Trade receivables	916	4,876	7,058
Other receivables, deposits and prepayments	25,790	17,382	13,175
Amount due from a fellow subsidiary	–	–	35,013
Cash and cash equivalents	31,349	94,537	86,084
	86,397	159,647	164,696

**FINANCIAL INFORMATION**

	<b>As at 31 March</b>		
	<b>2021</b>	<b>2022</b>	<b>2023</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
<b>Current liabilities</b>			
Trade payables	5,770	7,024	6,294
Other payables	41,271	58,390	66,646
Income tax payable	347	7,768	9,255
Contract liabilities	300	1,642	1,955
Lease liabilities	869	1,312	1,446
Bank and other borrowings	8,757	8,575	31,191
	<u>57,314</u>	<u>84,711</u>	<u>116,787</u>
<b>Net current assets</b>	<u>29,083</u>	<u>74,936</u>	<u>47,909</u>
<b>Total assets less current liabilities</b>	<u>464,121</u>	<u>492,446</u>	<u>500,028</u>
<b>Non-current liabilities</b>			
Bank and other borrowings	84,781	72,835	38,998
Lease liabilities	56,580	58,884	63,420
Other payables	8,732	6,388	4,038
Deferred tax liabilities	6,829	6,094	5,810
	<u>156,922</u>	<u>144,201</u>	<u>112,266</u>
<b>Net assets</b>	<u><b>307,199</b></u>	<u><b>348,245</b></u>	<u><b>387,762</b></u>
<b>Capital and reserves</b>			
Share capital	37,000	37,000	37,000
Reserves	270,199	311,245	311,986
Equity attributable to owners of the Company	307,199	348,245	348,986
Non-controlling interests	<u>–</u>	<u>–</u>	<u>38,776</u>
<b>Total equity</b>	<u><b>307,199</b></u>	<u><b>348,245</b></u>	<u><b>387,762</b></u>

## FINANCIAL INFORMATION

### Property and equipment

Our property and equipment consisted of freehold land, buildings under freehold land, buildings under leasehold land, office furniture, fixtures and equipment, motor vehicle and gaming equipments. As at 31 March 2021, 2022 and 2023, the carrying amount of our property and equipment amounted to HK\$399.5 million, HK\$378.6 million and HK\$365.5 million respectively. The decrease in our property and equipment from 31 March 2021 to 31 March 2022 of HK\$20.9 million was primarily due to disposals of office furniture, fixtures and equipment, motor vehicle and gaming equipment including slot machines and gaming tables during the year ended 31 March 2022. The decrease in property and equipment from 31 March 2022 to 31 March 2023 of HK\$13.1 million was primarily due to exchange adjustments arising from the depreciation of Euro and CZK against HK dollars, partially offset by the additions of office furniture, fixtures and equipment, motor vehicles and gaming equipment during the year ended 31 March 2023.

### Deposits for acquisition of equipment

Our deposits for acquisition of equipment represented our deposits paid for gaming-related equipment, construction materials and environmental-friendly equipment. Our deposits for acquisition of equipment amounted to nil, HK\$1.9 million and HK\$2.7 million as at 31 March 2021, 2022 and 2023, respectively. The deposits for acquisition of equipments for the two years ended 31 March 2022 and 2023 were attributable to the deposits paid to suppliers for (i) purchase of vehicles and gaming tables and (ii) reconstruction of casino facilities and (iii) purchase of environmental-friendly equipment, respectively.

### Deposits for gaming licence

Our deposits for gaming licence represented the security deposit placed on a special account of the Ministry of Finance in the Czech Republic for the casino operations in accordance with the Czech Gambling Act. The amount is refundable upon the conclusive withdrawal or cessation of the gaming licence. As the amount will not be realised within 12 months from the end of the Track Record Period, the amount is classified as non-current assets.

Our deposits for gaming licence remained stable at HK\$10.5 million, HK\$10.8 million and HK\$10.8 million as at 31 March 2021, 2022 and 2023, respectively. For further details of our gaming licence, please refer to the paragraph headed "Business — Licences, Permits and Approvals" in this document.

### Intangible assets

Our intangible assets represented our development cost incurred for the SEO platform, which amounted to nil, HK\$0.9 million and HK\$4.0 million as at 31 March 2021, 2022 and 2023, respectively. We have been actively optimising our website since the year ended 31 March 2022. We carefully select relevant keywords and improve technical aspects of the website to enhance search engine indexing and increase organic visibility. Our SEO strategy focuses on attracting organic traffic to our website. The development cost will start to amortise from the date when the platform is available for use.

## FINANCIAL INFORMATION

### Right-of-use assets

Our right-of-use assets represented our leased office premises and pieces of land of hotel buildings used in our operation. Our right-of-use assets amounted to HK\$19.0 million, HK\$21.1 million and HK\$25.9 million as at 31 March 2021, 2022 and 2023, respectively.

Our right-of-use assets remained stable as at 31 March 2021 and as at 31 March 2022. Our right-of-use assets increased from HK\$21.1 million as at 31 March 2022 to HK\$25.9 million as at 31 March 2023 due to the increase in rental payment of *Hotel Donauwelle* in Austria as a result of inflation.

### Loan to a related party

Our loan to a related party represented the loan advanced to BC Mortgage, being a joint venture of our Controlling Shareholder. Our loan to a related party amounted to nil, nil and HK\$39.2 million as at 31 March 2021, 2022 and 2023, respectively.

The balance is non-trade in nature, interest bearing at 5.95% plus Sterling Overnight Index Average, secured by the property of the borrower and with maturity on 30 June 2025. Our loan to a related party as at 31 March 2023 has been settled by way of novation and distribution of dividend as at 8 September 2023. For further details, please refer to the paragraph headed "Related Party Transactions" in this section.

### Pledged bank deposits

Our pledged bank deposits represented our bank deposits pledged to banks to secure long-term bank borrowings granted to our Group. As at 31 March 2021, 2022 and 2023, our pledged bank deposits amounted to HK\$6.0 million, HK\$4.2 million and HK\$4.1 million, respectively. Our pledged bank deposits carry fixed interest rate of 0.5%, 0.5% and 0.5% as at 31 March 2021, 2022 and 2023, respectively.

Apart from above pledged assets, our Group also pledged the entire shareholding of Trans World Austria for the bank borrowings as at 31 March 2021, 2022 and 2023.

The following table sets out the carrying amount of our bank borrowings and consideration payable which had been secured by the pledge of our assets:

	2021	2022	2023
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Pledged bank deposits	6,002	4,212	4,059
Property and equipment ( <i>Note (i)</i> )	197,081	183,938	169,988
	203,083	188,150	174,047

*Note:*

- (i) This includes our self-owned land parcel no. 6 and 7 as disclosed in the paragraph headed "Business — Properties and Facilities"

## FINANCIAL INFORMATION

### CURRENT ASSETS AND CURRENT LIABILITIES

The table below sets out a summary of our current assets and current liabilities as at the dates indicated:

	As at 31 March			As at 31 July
	2021 HK\$'000	2022 HK\$'000	2023 HK\$'000	2023 HK\$'000
				(unaudited)
<b>Current assets</b>				
Inventories	1,358	1,805	2,277	2,144
Financial assets at FVTPL	26,984	41,047	21,089	21,597
Trade receivables	916	4,876	7,058	3,526
Other receivables, deposits and prepayments	25,790	17,382	13,175	11,186
Amount due from a fellow subsidiary	–	–	35,013	53,120
Cash and cash equivalents	31,349	94,537	86,084	55,844
<b>Total current assets</b>	<b>86,397</b>	<b>159,647</b>	<b>164,696</b>	<b>147,417</b>
<b>Current liabilities</b>				
Trade payables	5,770	7,024	6,294	4,539
Other payables	41,271	58,390	66,646	43,518
Income tax payable	347	7,768	9,255	9,248
Contract liabilities	300	1,642	1,955	1,955
Lease Liabilities	869	1,312	1,446	1,462
Bank and other borrowings	8,757	8,575	31,191	8,612
Amount due to FEC	–	–	–	2,710
<b>Total current liabilities</b>	<b>57,314</b>	<b>84,711</b>	<b>116,787</b>	<b>72,044</b>
<b>Net current assets</b>	<b>29,083</b>	<b>74,936</b>	<b>47,909</b>	<b>75,373</b>

Our total current assets as at 31 March 2021, 2022 and 2023 amounted to HK\$86.4 million, HK\$159.6 million and HK\$164.7 million, respectively, which consisted of inventories, financial assets at FVTPL, trade receivables, other receivables, deposits and prepayments, amount due from a fellow subsidiary and cash and cash equivalents. Our total current liabilities as at 31 March 2021, 2022 and 2023 amounted to HK\$57.3 million, HK\$84.7 million and HK\$116.8 million, respectively, which consisted of trade payables, other payables, income tax payable, contract liabilities, lease liabilities and bank and other borrowings.

## FINANCIAL INFORMATION

Our Group recorded an increase in our net current assets from HK\$29.1 million as at 31 March 2021 to HK\$75.0 million as at 31 March 2022, which was primarily attributable to (i) the increase in cash and cash equivalents mainly generated from our gaming operations due to the recovery from the COVID-19 pandemic; and (ii) the receipt of government grant in the amount of HK\$42.2 million to subsidise our business which was affected by the COVID-19 pandemic.

Our Group recorded a decrease in our net current assets from HK\$75.0 million as at 31 March 2022 to HK\$47.9 million as at 31 March 2023, which was primarily attributable to (i) the loan to BC Mortgage, being a joint venture of our Controlling Shareholder and our related party, which was accounted for non-current assets; (ii) the reclassification of Trans World Austria's bank borrowing from non-current liabilities to current liabilities due to its breach of the term of a bank borrowing, which primarily related to debt service cover ratio. After the Track Record Period, the bank has subsequently waived its rights to demand immediate payment. For details, please refer to Note 27 to the Accountants' Report.

Our Group recorded an increase in our net current asset from HK\$47.9 million to HK\$75.4 million as at 31 July 2023, primarily attributable to the decrease in bank and other borrowings from HK\$31.2 million as at 31 March 2023 to HK\$8.6 million as at 31 July 2023 due to the reclassification of Trans World Austria's bank borrowing from current liabilities to non-current liabilities after obtaining waiver from the bank of its rights to demand immediate payment.

### **Inventories**

Our inventories consisted mainly of food and beverage held for sale.

As at 31 March 2021, 2022 and 2023, our inventories increased from HK\$1.4 million as at 31 March 2021 to HK\$1.8 million as at 31 March 2022 and further to HK\$2.3 million as at 31 March 2023, which was consistent with the growth of our catering operation.

We monitor our inventory level including the purchase of food and beverage throughout the periods according to our internal inventory management policy, which is based on the consumption schedule.

## FINANCIAL INFORMATION

### Financial assets at FVTPL

During the Track Record Period, our financial assets at FVTPL comprised our investment administered by Singford, a fellow subsidiary of our Group.

The balance of our financial assets at FVTPL was HK\$27.0 million, HK\$41.0 million and HK\$21.1 million as at 31 March 2021, 2022 and 2023, respectively. It is expected that the balance will be realised before [REDACTED].

Going forward, we will designate personnel with relevant financial background to review and approve our investment decisions after due and careful consideration of a number of factors, including but not limited to the expected profit, risks involved, the investment costs etc.

### Trade receivables

Trade receivables represent outstanding amounts due from our customers for hotel and catering services performed in the ordinary course of business. Our trade receivables increased from HK\$0.9 million as at 31 March 2021 to HK\$4.9 million as at 31 March 2022, and further to HK\$7.1 million as at 31 March 2023, primarily due to the increase in our hotel revenue during the respective periods.

The following table sets out our trade receivables as at the dates indicated:

	<b>As at 31 March</b>		
	<b>2021</b>	<b>2022</b>	<b>2023</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Trade receivables	1,006	5,290	7,141
Less: allowance for credit losses	(90)	(414)	(83)
<b>Total</b>	<b>916</b>	<b>4,876</b>	<b>7,058</b>



**FINANCIAL INFORMATION**

Our trade receivables are entirely arising from hotel and catering operations. Our Group generally grants credit terms ranging from 30 days to 60 days to its corporate customers from the date of invoices. Other than that, transactions with patrons and individual customers are settled by cash or credit cards through payment gateways, which will generally settle the amounts with our Group within 2 days after the sales were made. An ageing analysis of the trade receivables, net of allowance for impairment losses, presented based on the invoice dates at the end of each reporting period are as follows:

	<b>As at 31 March</b>					
	<b>2021</b>		<b>2022</b>		<b>2023</b>	
	<i>HK\$'000</i>	%	<i>HK\$'000</i>	%	<i>HK\$'000</i>	%
Within 30 days	637	69.5	3,097	63.5	5,913	83.8
31 days to 60 days	–	–	286	5.9	413	5.8
Over 60 days	279	30.5	1,493	30.6	732	10.4
	<u>916</u>	<u>100.0</u>	<u>4,876</u>	<u>100.0</u>	<u>7,058</u>	<u>100.0</u>

We recorded a faster pace to collect our trade receivables during the Track Record Period. The percentage of our trade receivables over 60 days in our total trade receivable remained stable at 30.5% as at 31 March 2021 and at 30.6% as at 31 March 2022 and decreased to 10.4% as at 31 March 2023 due to the fact that we have strengthened our credit control policy with the appointment of designated staff to monitor customers' credit terms. Our trade receivables as at 31 March 2023 amounted to approximately HK\$6.8 million, or 95.8% had been settled as at 31 July 2023.

## FINANCIAL INFORMATION

### Other receivables, deposits and prepayments

Other receivables, deposits and prepayments consist of (i) rental and utilities deposits, (ii) deposits for acquisition of equipment, (iii) deposits for gaming licence, (iv) government grants receivables and (v) other miscellaneous prepayments. The following table sets out the breakdown of our other receivables, deposits and prepayments as of the dates indicated:

	<b>As at 31 March</b>		
	<b>2021</b>	<b>2022</b>	<b>2023</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Rental and utilities deposits	41	93	362
Deposits for acquisition of equipment	–	1,883	2,696
Deposits for gaming licence	10,500	10,800	10,800
Government grants receivables <i>(Note (i))</i>	21,264	10,680	6,638
Other miscellaneous prepayments <i>(Note (ii))</i>	4,485	6,609	6,175
	<hr/>	<hr/>	<hr/>
<b>Total</b>	<b>36,290</b>	<b>30,065</b>	<b>26,671</b>
	<hr style="border-top: 3px double black;"/>	<hr style="border-top: 3px double black;"/>	<hr style="border-top: 3px double black;"/>

*Notes:*

- (i) The balance mainly represents the grants receivables from the governments of the Czech Republic, Germany and Austria for reimbursing our Group's staff costs as at 31 March 2021, 2022 and 2023.
- (ii) Other miscellaneous prepayments primarily represent prepayments for insurance and IT-related services.

### Amount due from a fellow subsidiary

As at 31 March 2021, 2022 and 2023, our amount due from a fellow subsidiary, namely Singford, was nil, nil and HK\$35.0 million, respectively. The amount is non-trade in nature, unsecured, interest bearing at 4.5% per annum and recoverable on demand as at 31 March 2023. Such amount has been settled by way of novation and distribution of dividend by our Group declared on 8 September 2023. For further details, please refer to "Related Party Transactions — Advances to related parties — Amount due from a fellow subsidiary" for further details.

## FINANCIAL INFORMATION

### Cash and cash equivalent

Our cash and cash equivalents comprise cash held by our Group, bank balances and short-term bank deposits for the purpose of meeting our Group's short-term cash commitments.

As at 31 March 2021, 2022 and 2023, the amount of our cash and cash equivalent was HK\$31.3 million, HK\$94.5 million and HK\$86.1 million, respectively. The substantial increase of HK\$63.2 million in our cash and cash equivalent from HK\$31.3 million as at 31 March 2021 to HK\$94.5 million as at 31 March 2022 was mainly due to the increase in revenue from both our gaming operation and hotel and catering operation during the same period.

### Trade payables

Our trade payables represent liabilities for products and services provided to us prior to the end of each financial year which are unpaid.

Our trade payables increased from HK\$5.8 million as at 31 March 2021 to HK\$7.0 million as at 31 March 2022, primarily which was consistent with our business growth during the same period.

Our trade payables decreased from HK\$7.0 million at 31 March 2021 to HK\$6.3 million as at 31 March 2023, primarily due to earlier settlement.

The credit period granted by our suppliers ranged from 0 to 90 days from the invoice date. The ageing analysis of the trade payables of our Group presented based on the invoice dates at the end of each reporting period is as follows:

	2021		As at 31 March 2022		2023	
	HK\$'000	%	HK\$'000	%	HK\$'000	%
Within 60 days	2,441	42.3	7,024	100	6,133	97.4
61 days to 90 days	3,329	57.7	–	–	161	2.6
	<b>5,770</b>	<b>100.0</b>	<b>7,024</b>	<b>100.0</b>	<b>6,294</b>	<b>100.0</b>

Our trade payables which were aged over 60 days amounted to HK\$3.3 million, nil, and HK\$0.2 million as at 31 March 2021, 2022 and 2023, represented 57.7%, nil and 2.6% of our total trade payables as at the same dates, respectively.

Our trade payables as at 31 March 2023 amounted to HK\$6.3 million, all of which had been settled as at 31 July 2023.

## FINANCIAL INFORMATION

### Other payables

Our other payables primarily consist of (i) chips in circulation, (ii) other payables and accruals, (iii) refundable government subsidy, (iv) deferred income, (v) other tax payables, (vi) salaries payables and (vii) consideration payable. As at 31 March 2021, 2022 and 2023, the amount of our other payables was HK\$41.3 million, HK\$58.4 million and HK\$66.6 million, respectively. The table below sets out the breakdown of our other payables as at the dates indicated:

	As at 31 March		
	2021 HK\$'000	2022 HK\$'000	2023 HK\$'000
Chips in circulation	571	1,358	1,405
Other payables and accruals	1,940	4,161	7,355
Government subsidy ( <i>Note (i)</i> )	140	2,687	2,520
Deferred income ( <i>Note (ii)</i> )	1,702	1,719	1,601
Other tax payables	29,154	34,797	37,602
Salaries payables	7,325	13,271	15,662
Consideration payable ( <i>Note (iii)</i> )	9,171	6,785	4,539
	50,003	64,778	70,684
Less: Non-current portion of consideration payable	(7,073)	(4,712)	(2,480)
Non-current portion of deferred income	(1,659)	(1,676)	(1,558)
	<b>41,271</b>	<b>58,390</b>	<b>66,646</b>

*Notes:*

- (i) During the Track Record Period, we received government grants from the German government to subsidise our business operations which were affected by the COVID-19 pandemic which was calculated at the estimated financial performance. The government subsidy represents the amount of grant which is refundable to the government after taking into account the difference between the estimated and actual financial performance of Trans World Germany.
- (ii) Trans World Austria was granted by the Austrian government for subsidising the construction cost of hotel building at amount of EUR0.2 million (equivalent to HK\$1.8 million). The government grant will be amortised over the useful life of the hotel building.
- (iii) The balance represents the consideration payable arising from the acquisition of a hotel building in 2015, the amount is repayable on a monthly basis from year 2015 to 2025, interest bearing at 3% per annum and secured by the property held by our Group.

Our total other payables increased by HK\$17.1 million or 41.4% from HK\$41.3 million as at 31 March 2021 to HK\$58.4 million as at 31 March 2022, which was mainly attributable to (i) the increase in salaries payables of HK\$5.9 million which was due to the increase of salary of staff mainly as a result of inflation; (ii) the increase in other tax payables of HK\$5.6 million; and (iii) the increase in government subsidy of HK\$2.5 million, which were partially offset by the settlement of consideration payable of HK\$2.4 million.

## FINANCIAL INFORMATION

Our total other payables increased by HK\$8.2 million, or 14.0% from HK\$58.4 million as at 31 March 2022 to HK\$66.6 million as at 31 March 2023, which was mainly attributable to (i) the increase in other payables and accruals of HK\$3.2 million which is consistent with our growth of business; (ii) the increase in salaries payables of HK\$2.4 million which was due to the increase of the salary of staff mainly as a result of inflation; and (iii) the increase in other tax payables of HK\$2.8 million, which were partially offset by the decrease of consideration payable of HK\$2.2 million because the payment was settled on a monthly basis.

### **Income tax payable**

As at 31 March 2021, 2022 and 2023, the amount of our income tax payable was HK\$0.3 million, HK\$7.8 million and HK\$9.3 million, respectively. The substantial increase of HK\$7.5 million of the income tax payable from HK\$0.3 million as at 31 March 2021 to HK\$7.8 million as at 31 March 2022 was mainly due to the increase in taxable income arising from casino operations.

### **Contract liabilities**

Our contract liabilities comprised (i) advances received in relation to the service of hotel accommodation; and (ii) our customer loyalty programme. Contract liabilities in relation to the service of hotel accommodation represented the advance payments received from the customers upon ordering and before provision of services, until the services are rendered and revenue are recognised.

For the advances received in relation to the service of hotel accommodation, we receive the advance payments when customers book our hotel accommodation services through traditional travel agencies, online travel agencies or our own websites, prior to the actual delivery of the accommodation services. These payments as revenue is recognised when the services of the hotel accommodation are actually rendered to the customers.

For the customer loyalty programme, our Group offers customer loyalty programme in our gaming operations. Our customers can earn points from slot machines and table games and use them as cashable credit on any slot machines, table games or to purchase non-gaming products such as key chains, T-shirts and hand sanitisers. All award points can be accumulated and will expire in the following six months since the last game. The expiry date of the award points will be automatically extended if the customer places a new bet during the six-month period. Contract liabilities in relation to customer loyalty programme represented the aggregate amount of the transaction price allocated to the performance obligations that are unsatisfied as of the end of the Track Record Period. Our Group expects the transaction price allocated to the unsatisfied performance obligations will be recognised as revenue when the award points are redeemed. 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 section headed "Business — The new Czech Gambling Act — Major amendments to the Czech Gambling Act".

## FINANCIAL INFORMATION

As at 31 March 2021, 2022 and 2023, our contract liabilities amounted to HK\$0.3 million, HK\$1.6 million and HK\$2.0 million, which was consistent with the growth of our business during the respective periods following the relaxation of the COVID-19 related operation restrictions. For the contract liabilities as at 31 March 2021, 2022 and 2023, most of the balances were/will be recognised as revenue during the years ended/ending 31 March 2021, 2022, 2023 and 2024, respectively.

### LIQUIDITY AND CAPITAL RESOURCES

Our principal use of cash has been, and is expected to continue to be, able to meet the costs associated with our business operations. Our main source of liquidity has been generated mainly from cash flow from operations and bank and other borrowings. In the foreseeable future, we expect cash flow from operations to continue to be our principal source of liquidity and we may use a portion of the [REDACTED] from the [REDACTED] to finance some of our capital requirements.

Our Directors are not aware of any other factors that would have a material impact on our liquidity. Details of the funds necessary to meet our existing operations and to finance our future plans are set out in the section headed "Future Plans and Use of [REDACTED]" in this Document.

### Cash Flow

The following table sets out selected cash flows data from our combined statements of cash flows for the year indicated:

	<b>For the year ended 31 March</b>		
	<b>2021</b>	<b>2022</b>	<b>2023</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Cash and cash equivalents			
at beginning of the year	37,189	31,349	94,537
Net cash from operating activities	19,827	101,264	91,468
Net cash used in			
investing activities	(11,840)	(17,211)	(81,470)
Net cash used in			
financing activities	(18,697)	(21,772)	(18,076)
Net (decrease) increase in cash			
and cash equivalents	(10,710)	62,281	(8,078)
Effect of foreign exchange			
rate changes	4,870	907	(375)
Cash and cash equivalents			
at end of the year	<u>31,349</u>	<u>94,537</u>	<u>86,084</u>

## FINANCIAL INFORMATION

### **Net cash from operating activities**

For the year ended 31 March 2021, we recorded net cash from operating activities of HK\$19.8 million. The aforesaid net cash generated was principally derived from profit before tax of HK\$3.5 million which was affected by the mandatory closure restrictions that were imposed due to the COVID-19 pandemic during the year ended 31 March 2021.

For the year ended 31 March 2022, we recorded net cash from operating activities of HK\$101.3 million. The aforesaid net cash generated was derived from profit before tax of HK\$49.1 million, which is primarily driven by the increase in segment results of our gaming operations from HK\$17.1 million for the year ended 31 March 2021 to HK\$73.1 million for the year ended 31 March 2022 as a result of the recovery from the COVID-19 pandemic.

For the year ended 31 March 2023, we recorded net cash from operating activities of HK\$91.5 million. The aforesaid net cash generated was principally derived from profit before tax of HK\$61.6 million, primarily driven by the further increase in our segment results of our gaming operations from HK\$73.1 million for the year ended 31 March 2022 to HK\$102.7 million for the year ended 31 March 2023, partially offset by the decrease in government grants receivables for the year ended 31 March 2023 due to the ease of seriousness of the impact of the COVID-19 pandemic.

### **Net cash used in investing activities**

For the year ended 31 March 2021, we recorded net cash used in investing activities of HK\$11.8 million, which was primarily attributable to the purchase of property and equipment in the amount of HK\$13.6 million primarily for the addition of office furniture, fixtures and gaming equipment.

For the year ended 31 March 2022, we recorded net cash used in investing activities of HK\$17.2 million, which was primarily attributable to our additional investment administered by Singford in the amount of HK\$19.1 million.

For the year ended 31 March 2023, we recorded net cash used in investing activities of HK\$81.5 million, which was primarily attributable to (i) advances to BC Mortgage in the amount of HK\$39.2 million and (ii) advances to Singford in the amount of HK\$24.3 million. For details of the advances to related parties, please refer to the paragraph headed "Related Party Transactions" in this section.

## FINANCIAL INFORMATION

### Net cash used in financing activities

For the three years ended 31 March 2023, our net cash used in financing activities amounted to HK\$18.7 million, HK\$21.8 million and HK\$18.1 million, respectively. Our net cash outflow was primarily attributable to the repayment of bank and other borrowings.

### Working capital

Taking into account the financial resources available to us, including our cash flows generated from our operating activities, cash and cash equivalents on hand and the estimated net [REDACTED] from the [REDACTED], our Directors are of the view that we have sufficient working capital to meet our present requirements and for the next 12 months from the date of this document. From time to time, we may require further funding through public or private [REDACTED], debt financings or other funding sources. Any fluctuation in the funding for our operations will impact our cash flow and our results of operation.

Details of the funds necessary to meet our existing operations and to fund our future plans are set out in the paragraph headed "Future Plans and Use of [REDACTED]" in this document.



**FINANCIAL INFORMATION**

**INDEBTEDNESS AND CONTINGENT LIABILITIES**

The following table sets out our total debts as at the dates indicated:

	2021 HK\$'000	As at 31 March		As at
		2022 HK\$'000	2023 HK\$'000	31 July 2023 HK\$'000 (Unaudited)
Bank borrowings	91,984	80,250	69,465	68,289
Other borrowings	1,554	1,160	724	591
Consideration payable	9,171	6,785	4,539	3,933
Lease liabilities	57,449	60,196	64,866	64,771
Amount due to FEC	–	–	–	2,710
<b>Total</b>	<b>160,158</b>	<b>146,391</b>	<b>139,594</b>	<b>140,294</b>

Our amount due to FEC are non-trade in nature and repayable on demand.

**Bank and other borrowings**

The following tables set out the repayment schedules of our bank and other borrowings as at the dates indicated respectively:

*Bank borrowings*

	2021 HK\$'000	As at 31 March		As at
		2022 HK\$'000	2023 HK\$'000	31 July 2023 HK\$'000 (unaudited)
Within one year	8,331	8,139	7,987	8,191
Within a period of more than one year, but not exceeding two years	8,485	8,291	8,137	8,345
Within a period of more than two years, but not more than five years	26,419	25,824	25,351	26,002
Within a period of more than five years	48,749	37,996	27,990	25,751
<b>Total</b>	<b>91,984</b>	<b>80,250</b>	<b>69,465</b>	<b>68,289</b>

## FINANCIAL INFORMATION

### *Other borrowings*

	As at 31 March			As at 31 July
	2021 <i>HK\$'000</i>	2022 <i>HK\$'000</i>	2023 <i>HK\$'000</i>	2023 <i>HK\$'000</i> (unaudited)
Within one year	426	436	414	421
Within a period of more than one year, but not exceeding two year	424	414	310	170
Within a period of more than two years, but not more than five years	704	310	–	–
<b>Total</b>	<b>1,554</b>	<b>1,160</b>	<b>724</b>	<b>591</b>

The following table sets out the range of effective interest rate for our borrowings as at the dates indicated respectively:

	Year ended 31 March		
	2021	2022	2023
Effective interest rates:			
Bank borrowings	1.41% to 3.10%	1.49% to 3.10%	1.95% to 4.99%
Other borrowings	3.7%	3.7%	3.7%

As at the end of each of the Track Record Period, our bank borrowings are all denominated in EUR and other borrowings are all denominated in CZK.

As at 31 March 2021, 2022 and 2023, the carrying amount of our bank borrowings are subject to annual review and secured by our pledged bank deposits, property and equipment and pledged shares of Trans World Austria.

As at 31 July 2023, being the latest practicable date for determining our indebtedness, our Group's total indebtedness amounted to approximately HK\$140.3 million. As at the 31 July 2023, we had fully utilised our banking facility. There were no material covenants relating to these outstanding indebtedness. Our Directors confirm that there had been no material change in our indebtedness since 31 July 2023 up to the Latest Practicable Date.

There are no material covenants relating to our outstanding bank borrowings and other borrowings which would impact or restrict our ability to undertake additional debt or equity financing. Other than the technical reclassification of long-term bank loan

## FINANCIAL INFORMATION

amounted to HK\$22.8 million as at 31 March 2023 to current liabilities due to bank waiver letter (which waived the bank's right to demand immediate payment as a result of Trans World Austria's breach of the term of a bank borrowing, which primarily related to debt service cover ratio) only available after year end which is detailed in note 27 of the Accountants' Report in Appendix I, our Directors confirm that our Group had not had any material default with regard to our bank borrowings and other borrowings, and had not breached any covenants in our bank borrowings during the Track Record Period and up to the Latest Practicable Date. Our Directors also confirm that during the Track Record Period and up to the Latest Practicable Date, we had not experienced any difficulty in obtaining credit facilities or withdrawal of facilities, request for early repayment, default in payments or breach of financial covenants of bank borrowings.

### Lease liabilities

The following table sets forth the payment schedules of our lease liabilities as at 31 March 2021, 2022 and 2023 respectively:

	As at 31 March		
	2021 HK\$'000	2022 HK\$'000	2023 HK\$'000
Within one year	869	1,312	1,446
More than one year, but not more than two years	887	1,331	1,503
More than two years, but not more than five years	1,893	4,113	4,045
More than five years	53,800	53,440	57,872
<b>Total</b>	<b>57,449</b>	<b>60,196</b>	<b>64,866</b>

Our lease liabilities is remained stable at HK\$57.4 million and HK\$60.2 million as at 31 March 2021 and 2022, respectively. Our lease liabilities slightly increased from HK\$57.4 million as at 31 March 2021 to HK\$60.2 million as at 31 March 2022 due to the entering of office lease by Palasino Malta. Our lease liabilities increased from HK\$60.2 million as at 31 March 2022 to HK\$64.9 million as at 31 March 2023 due to the increase in rental payment of *Hotel Donauwelle* in Austria as a result of inflation.

The weighted average incremental borrowing rates applied to lease liabilities is 2.1%, 2.1% and 2.2% as at 31 March 2021, 2022 and 2023, respectively.

### Other outstanding indebtedness

Save as disclosed above, and apart from intra group liabilities, as at 31 July 2023, we did not have any other borrowings, mortgages, charges, debentures, or debt securities, issued or outstanding, or authorised or otherwise created but unissued, or other similar indebtedness, recognised lease liabilities, liabilities under acceptance, acceptance credits, hire purchase commitments, contingent liabilities or guarantees.

## FINANCIAL INFORMATION

### CAPITAL EXPENDITURE AND COMMITMENTS

Our Group's capital expenditure mainly consisted of expenditure on acquisition of property, equipment and intangible assets. During the Track Record Period, our Group incurred capital expenditures of HK\$13.6 million, HK\$3.1 million and HK\$29.4 million respectively for the three years ended 31 March 2023. Since 31 March 2023 and up to the Latest Practicable Date, our Group did not incur any material capital expenditure.

For the year ending 31 March 2024, we estimate that the capital expenditures will amount to HK\$30.4 million. The estimated capital expenditure for (i) the general renovation and maintenance of our hotels and casinos, (ii) the upgrade and replacement of property and equipment and (iii) purchase of IT-related services is estimated to be HK\$21.2 million, HK\$5.2 million and HK\$4.0 million, respectively. Such amount of capital expenditure is expected to be funded by cash generated from our operations and/or bank borrowings and/or the net [REDACTED] from the [REDACTED].

We expect to meet our contractual commitments and capital expenditure requirements through our cash and cash equivalents, cash generated from our operations as well as the net [REDACTED] from the [REDACTED]. We believe that these sources of funding will be sufficient to finance our contractual commitments and capital expenditure requirements for the next 12 months.

#### Capital commitments

We mainly have capital commitments with respect to capital expenditure for the acquisition of property and equipment contracted for but not provided in the combined financial statements. Our capital commitments as at 31 March 2023 represented the amount we have committed to our supplier for the purchase of slot machines.

Significant capital expenditure contracted for but not recognised as liabilities amounted to nil, nil and HK\$5.9 million as at 31 March 2021, 2022 and 2023, respectively.

**FINANCIAL INFORMATION**

**RELATED PARTY TRANSACTIONS**

**Advances from related parties**

During the Track Record Period, our Group obtained no advance from related parties.

**Advances to related parties**

The table below sets out our advances to related parties during the Track Record Period:

	<b>Year ended 31 March</b>		
	<b>2021</b>	<b>2022</b>	<b>2023</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
<b>Loan to a related party</b>			
BC Mortgage	–	–	39,165
<b>Amount due from a fellow subsidiary</b>			
Singford	–	–	35,013
	<hr/>	<hr/>	<hr/>
<b>Total</b>	–	–	<b>74,178</b>
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

The interest income from the advances to related parties as at 31 March 2023 is set out below:

	<b>Year ended 31 March</b>		
	<b>2021</b>	<b>2022</b>	<b>2023</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
<b>Interest Income from:</b>			
BC Mortgage	–	–	2,188
Singford	–	–	108
	<hr/>	<hr/>	<hr/>
	–	–	<b>2,296</b>
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

Pursuant to the investment cooperation agreement entered into between our Group and Singford, Singford administrated our Group's investment without charging any service fee during the Track Record Period.

## FINANCIAL INFORMATION

### *Loan to a related party*

Our loan to a related party represented the loan advanced to BC Mortgage, being a joint venture of our Controlling Shareholder. Pursuant to the BC Agreement, FECL provided finance to BC Mortgage in respect of the Marlowes Shopping Centre in the UK.

On 16 August 2022, FECL, Palasino Group and BC Mortgage entered into BC Deed of Novation, pursuant to which FECL transferred all its rights, benefits and obligations in respect of the BC Agreement to Palasino Group. As at 31 March 2023, the outstanding balance under the BC Agreement was HK\$39.2 million.

The balance is non-trade in nature, interest bearing at 5.95% plus Sterling Overnight Index Average, secured by the property of the borrower and with maturity on 30 June 2025.

Our loan to a related party as at 31 March 2023 has been settled by way of novation from Palasino Group to FECL and distribution of dividend from our Group to FEC UK, which is our Company's immediate holding company as at the Latest Practicable Date, which has declared on 8 September 2023. For details, please refer to "History, Reorganisation and Corporate Structure — Corporate Development — Reorganisation" in this document.

### *Amount due from a fellow subsidiary*

Our amount due from a fellow subsidiary represents the advance made to Singford. The amount is non-trade in nature, unsecured, interest bearing at 4.5% per annum and recoverable on demand as at 31 March 2023.

As at 31 March 2023, the outstanding amount due from Singford was HK\$35.0 million. Such amount has been settled by way of novation from our Group to FEC UK and distribution of dividend by Palasino Group to FEC UK which has declared on 8 September 2023. For details, please refer to "History, Reorganisation and Corporate Structure — Corporate Development — Reorganisation" and "Statutory and General Information — Further information about our business — Summary of material contracts" in this document.

## FINANCIAL INFORMATION

### Management fee paid

For the year ended 31 March 2021, we paid a management fee in the sum of HK\$2.6 million to TWG International U.S. Corporation ("TWGUS"), which was a fellow subsidiary of Palasino Group before its dissolution on 5 May 2021. Pursuant to the agreement signed between our Group and TWC, TWC and/or TWGUS as services provider(s) shall provide services including administrative, tax and legal services to Group. The management fee represented the fee paid by our Group to TWGUS in consideration of the services TWC and/or TWGUS provided and is of non-trade nature.

Our Directors confirm that our transactions with the related parties during the Track Record Period were conducted on an arm's length basis, and they did not distort our results of operations or make our historical results not reflective of our future performance.

### KEY FINANCIAL RATIOS

The following table sets forth our key financial ratios as of each of the dates indicated:

	<b>For the year ended/As at 31 March</b>		
	<b>2021</b>	<b>2022</b>	<b>2023</b>
<b>Liquidity ratios</b>			
Current ratio <sup>(1)</sup>	1.5	1.9	1.4
Quick ratio <sup>(2)</sup>	1.5	1.9	1.4
<b>Capital adequacy ratios</b>			
Gearing ratio <sup>(3)</sup> (%)	30.5	23.4	18.1
Debt to equity ratio <sup>(4)</sup> (%)	20.2	N/A	N/A
Interest coverage <sup>(5)</sup>	2.0	15.1	18.2
<b>Profitability ratios</b>			
Return on total assets <sup>(6)</sup> (%)	0.5	7.3	7.4
Return on equity <sup>(7)</sup> (%)	0.8	12.2	12.0
Net profit margin <sup>(8)</sup> (%)	1.8	11.4	8.4

*Notes:*

1. Current ratio is calculated based on the total current assets divided by the total current liabilities as at the end of each reporting period during the Track Record Period.
2. Quick ratio is calculated based on total current assets less inventories divided by total current liabilities as at the end of each reporting period during the Track Record Period.
3. Gearing ratio is calculated based on the total borrowings divided by the total equity as at the end of each reporting period and multiplied by 100%.

## FINANCIAL INFORMATION

4. Debt to equity ratio is calculated based on the net debt (all borrowings net of cash and cash equivalents) divided by the total equity as at the end of each reporting period and multiplied by 100%.
5. Interest coverage is calculated based on the profit before finance cost and tax divided by the finance cost of each reporting period during the Track Record Period.
6. Return on total assets is calculated based on the profit for the year for each year divided by the total assets as at the end of the respective years and multiplied by 100%.
7. Return on equity is calculated based on the profit for the year for each year divided by the total equity as at the end of the respective years and multiplied by 100%.
8. Net profit margin is calculated based on the profit for the year for each reporting period divided by the revenue for each reporting period and multiplied by 100%.

### Current ratio

As at 31 March 2021, 2022 and 2023, our current ratio was 1.5 times, 1.9 times and 1.4 times, respectively.

The increase in our current ratio from 1.5 times as at 31 March 2021 to 1.9 times as at 31 March 2022 was primarily as a result of the increase in financial assets at FVTPL and cash and cash equivalents. Our current ratio decreased from 1.9 times as at 31 March 2022 to 1.4 times as at 31 March 2023 mainly due to the reclassification of Trans World Austria's bank borrowing from non-current liabilities to current liabilities due to its breach of term. After the Track Record Period, the bank has subsequently waived its rights to demand immediate payment.

### Quick ratio

As at 31 March 2021, 2022 and 2023, our quick ratio was 1.5 times, 1.9 times and 1.4 times, respectively.

The increase in our quick ratio from 1.5 times as at 31 March 2021 to 1.9 times as at 31 March 2022, and decrease to 1.4 times as at 31 March 2023 was consistent with the trend of the current ratio as explained above.

### Gearing ratio

As at 31 March 2021, 2022 and 2023, our gearing ratio was 30.5%, 23.4% and 18.1%, respectively.

Our gearing ratio decreased from 30.5% as at 31 March 2021 to 23.4% as at 31 March 2022 mainly due to (i) the decrease in total bank and other borrowings from HK\$93.5 million as at 31 March 2021 to HK\$81.4 million as at 31 March 2022 and (ii) the increase in total equity from HK\$307.2 million as at 31 March 2021 to HK\$348.2 million as at 31 March 2022. Our gearing ratio further decreased from 23.4% as at 31 March 2022 to 18.1% as at 31 March 2023 mainly due to (i) the decrease in total bank and other borrowings from



## FINANCIAL INFORMATION

HK\$81.4 million as at 31 March 2022 to HK\$70.2 million as at 31 March 2023 and (ii) the increase in total equity from HK\$348.2 million as at 31 March 2022 to HK\$387.8 million as at 31 March 2023.

### Debt to equity ratio

As at 31 March 2021, 2022 and 2023, our debt to equity ratio was 20.2%, N/A and N/A, respectively.

Our debt to equity ratio was N/A and N/A as at 31 March 2022 and 2023 due to our net cash position which was attributable to the combined effect of the decrease of all borrowings and the increase of cash and cash equivalent.

### Interest coverage

For the three years ended 31 March 2023, our interest coverage was 2.0, 15.1 and 18.2 times respectively.

Our interest coverage increased significantly from 2.0 times for the year ended 31 March 2021 to 15.1 times for the year ended 31 March 2022 which was principally attributable to the significant increase in profit before interest and tax for the year ended 31 March 2022. Our interest coverage further increased to 18.2 times for the year ended 31 March 2023, which is consistent with our further increase in profit before interest and tax for the year ended 31 March 2023 and our finance cost remain stable for the 3 years ended 31 March 2023.

### Return on total assets

For the three years ended 31 March 2023, our return on total assets was 0.5%, 7.3% and 7.4% respectively.

The significant increase in return on total assets from 0.5% for the year ended 31 March 2021 to 7.3% for the year ended 31 March 2022 was mainly due to the combined effect of the significant increase in the profit for the year from HK\$2.1 million for the year ended 31 March 2021 to HK\$39.5 million for the year ended 31 March 2022 and the slight increase in total assets from HK\$538.2 million for the year ended 31 March 2021 to HK\$591.9 million for the year ended 31 March 2022.

Our return on total assets remained stable for the two years ended 31 March 2023.

### Return on equity

For the three years ended 31 March 2023, our return on equity was 0.8%, 12.2% and 12.0% respectively.

## FINANCIAL INFORMATION

Our return on equity increased significantly from 0.8% for the year ended 31 March 2021 to 12.2% for the year ended 31 March 2022, which was mainly due to the increase in our profit for the year outweighed the increase in our total equity. Our return on equity remained relatively stable from the year ended 31 March 2022 to the year ended 31 March 2023.

### **Net profit margin**

For the three years ended 31 March 2023, our net profit margin was 1.8%, 11.4% and 8.4% respectively. Our net profit margin increased significantly from 1.8% for the year ended 31 March 2021 to 11.4% for the year ended 31 March 2022 due to the increase in the gaming, hotel, catering and related services revenues as a result of an increase of slot machine drop as a result of the increase in the number of patrons brought by the relaxation of mandatory closure restrictions that were imposed due to the COVID-19 pandemic during the year ended 31 March 2022, in response to which we have increased the number of slot machines in our casinos to meet the pent-up demand.

Our net profit margin decreased from 11.4% for the year ended 31 March 2022 to 8.4% for the year ended 31 March 2023, primarily due to (i) the increase in employee benefits expenses which is consistent with our business growth and the inflation rate during the same period and (ii) the decrease in other income resulting from the significant decrease in government grants as the severity of the COVID-19 pandemic eased and normal business operation resumed for the year ended 31 March 2023.

### **MARKET RISK AND RISK MANAGEMENT**

We are exposed to various types of market risks in our ordinary course of business, primarily including currency risk, interest rate risk, credit risk and liquidity risk. The management of our Group manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner. For further details regarding our financial risks, please also refer to note 33 to the Accountants' Report in Appendix I to this document.

#### **Currency risk**

Our Group has foreign currency risk exposures, which arises from transactions denominated in foreign currencies for its casino and hotel operations. During the Track Record Period, all of our Group's receipt of its casino operations are denominated in EUR other than the functional currency of the group entities.

We currently do not have a foreign currency hedging policy to hedge against our exposure to currency risk. However, management of our Group manages our foreign currency risk by closely monitoring the movement of foreign currency rates and will consider hedging significant foreign currency exposure should the need arise.

## FINANCIAL INFORMATION

### Interest rate risk

Our Group is exposed to cash flow interest rate risk due to the fluctuation of the prevailing market interest rate on bank deposits and variable-rate bank borrowings as at 31 March 2021, 2022 and 2023 and loan to a related party as at 31 March 2023.

Our Group's cash flow interest rate risk is mainly concentrated on the fluctuations of the Czech Republic deposit rate arising from the Group's bank balances.

We currently do not have interest rate risk hedging policy. However, our management closely monitors our exposure to future cashflow interest rate risk as a result of change on market interest rate and will consider hedging changes in market interest rates should the need arise.

### Credit risk

Our Group's credit risk is primarily attributable to its trade receivables, other receivables and deposits, amount due from a related company, loan to a related company, pledged bank deposits and bank balances.

Our Group's maximum exposure to credit risk which will cause a financial loss to our Group due to failure to discharge obligations by the counterparties is arising from the carrying amount of the respective recognised financial assets as stated in our combined statements of financial position. Except for the loan from a related company, our Group does not hold any collateral or other credit enhancements to cover its credit risks associated with its financial assets.

### Liquidity risk

In management of the liquidity risk, our Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance our Group's operations and mitigate the effects of fluctuations in cash flows.

### DIVIDEND

Our Company had not declared any dividends during the Track Record Period. On 8 September 2023 our Company declared a dividend of CZK227.2 million (equivalent to approximately HK\$79.0 million, net of withholding tax of CZK40.1 million (equivalent to HK\$13.9 million to FEC UK, the amount of which was offset by the amount due from FEC UK amounting to HK\$79.0 million).

After completion of the [REDACTED], our Directors, may at its discretion, declare dividends to our Shareholders in the future after taking into account our results of operations, earnings, financial condition, cash requirements and availability, contractual arrangements and other factors as it may deem relevant at such time. We do not have any specific dividend policy nor any pre-determined dividend payout ratio. Any final dividend for a financial year will be subject to Shareholders' approval. The past dividend distribution record may not be used as a reference or basis to determine the level of dividends that may be declared or paid by our Company in the future.

## FINANCIAL INFORMATION

### PROPERTY INTERESTS AND VALUATION OF PROPERTIES

Roma Appraisals Limited, an independent qualified professional valuer, valued our property interests as at 31 July 2023 at HK\$475.2 million. Details of the valuation are summarised in Appendix III to this document.

The following table sets out the reconciliation between the net book value of the relevant properties as at 31 March 2023 as extracted from the Accountants' Report in Appendix I to this document and the property valuation report as set forth in Appendix III to this document as at 31 July 2023:

	<i>HK\$'000</i>
Net carrying amount of our Group's property interests as at 31 March 2023	284,121
Less: depreciation in relation to our property, plant and equipment during the period from 1 April 2023 to 31 July 2023	<div style="border-top: 1px solid black; display: inline-block; width: 100%;">(8,404)</div>
Net book value of our Group's property interests as at 31 July 2023	275,717
Net valuation surplus	<div style="border-top: 1px solid black; display: inline-block; width: 100%;">199,483</div>
Valuation of properties owned by our Group as of 31 July 2023 as set out in the property valuation report in Appendix III	<div style="border-top: 1px solid black; border-bottom: 3px double black; display: inline-block; width: 100%;">475,200</div>

### OFF BALANCE SHEET ARRANGEMENTS

During the Track Record Period and as at the Latest Practicable Date, we did not have any material off-balance sheet arrangements.

[REDACTED]

The total amount of [REDACTED] in connection with the [REDACTED], including [REDACTED], is estimated to be HK\$[REDACTED] (based on the midpoint of the indicative [REDACTED] range and assuming the [REDACTED] is not exercised) of which, HK\$[REDACTED] will be borne by our Group and HK\$[REDACTED] will be borne by the FEC Group. Among the HK\$[REDACTED] to be borne by us, (i) HK\$[REDACTED] will be charged to our combined statement of profit or loss in the year ending 31 March 2024; and (ii) HK\$[REDACTED] is expected to be accounted for as a deduction from equity upon the [REDACTED]. The amount of the [REDACTED] is expected to account for [REDACTED] of the gross [REDACTED] from the [REDACTED]. The professional fees and/or other expenses related to the preparation of the [REDACTED] are currently in estimates for reference only and the actual amount to be recognised is subject to adjustment based on audit and the then changes in variables and assumptions.

## FINANCIAL INFORMATION

### DISCLOSURE UNDER RULES 13.13 TO 13.19 OF THE LISTING RULES

Our Directors confirm that, except as otherwise disclosed in this document, as at the Latest Practicable Date, there was no circumstance that would give rise to a disclosure requirement under Rules 13.13 to 13.19 of the Listing Rules.

### DISTRIBUTABLE RESERVES

Our Company was incorporated under the laws of the Cayman Islands on 6 July 2023 as an exempted company with limited liability. There were no reserves available for distribution to the Shareholders as at the Latest Practicable Date.

### [REDACTED] FINANCIAL INFORMATION

Please refer to Appendix II to this document for the [REDACTED] adjusted net tangible assets.

### SUBSEQUENT EVENTS AFTER TRACK RECORD PERIOD

Save as disclosed in note 38 of the Accountants' Report, there is no other significant event took place subsequent to 31 March 2023. For the details of subsequent events, please refer to note 38 of the Accountants' Report contained in Appendix I to this document.

### NO MATERIAL ADVERSE CHANGE

Save as disclosed in (i) note 38 "Subsequent Events" in the Accountants' Report and (ii) "Recent Developments" of the section headed "Summary", to the best knowledge, information and belief of our Directors, having made all reasonable enquiries, our Directors confirm that there has been no material adverse change in our financial, operational or trading positions or prospects since 31 March 2023, being the date of our combined financial statements as set out in the Accountants' Report contained in Appendix I to this document.

## FUTURE PLANS AND USE OF [REDACTED]

### FUTURE PLANS AND PROSPECTS

Please refer to "Business — Strategies" in this document for a detailed description of our future plans.

We estimate that we will receive [REDACTED] of approximately HK\$[REDACTED] from the [REDACTED], after deduction of [REDACTED] fees and commissions and estimated expenses payable by us in connection with the [REDACTED], assuming that (i) the [REDACTED] is not exercised and (ii) assuming an [REDACTED] of HK\$[REDACTED] per Share (being the mid-point of the [REDACTED]). We intend to use such [REDACTED] from the [REDACTED] for the purposes and in the amounts set forth below:

- (1) HK\$[REDACTED] (representing [REDACTED]% of the [REDACTED]) will be used to maintain and further consolidate our market presence in the gaming industry in the Czech Republic through asset rejuvenation, including,
  - (i) HK\$[REDACTED] (representing [REDACTED]% of the [REDACTED]) will be used to finance our asset rejuvenation plan at *Palasino Savannah Resort*;
  - (ii) HK\$[REDACTED] (representing [REDACTED]% of the [REDACTED]) will be used to finance our asset rejuvenation plan at *Palasino Wulowitz*;
- (2) HK\$[REDACTED] (representing [REDACTED]% of the [REDACTED]) will be used to 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; and
- (3) the remaining balance of HK\$[REDACTED] (representing [REDACTED]% of the [REDACTED]) will be used for additional working capital and other general corporate purposes.

**FUTURE PLANS AND USE OF [REDACTED]**

**IMPLEMENTATION PLAN**

The following table sets our approximate amount, sources of funding, key milestones and timeframe for each strategic plan. Our actual course of business may vary from the business strategies set forth in this document due to unforeseeable events, and there can be no assurance that we will accomplish our business strategies in a timely manner, or at all.

Major Categories	% of [REDACTED]	Approximate Amount (HK\$ in millions)	Specific Plans	% of [REDACTED]	Intended Timeframe and Approximate Amount (HK\$ in millions)				Total	
					Year 1 after [REDACTED]	Year 2 after [REDACTED]	Year 3 after [REDACTED]	Post-Year 3 after [REDACTED]		
Maintain and further consolidate our market presence in the gaming industry in the Czech Republic through asset rejuvenation	[REDACTED]	[REDACTED]	<i>Palasino Savannah Resort</i>							
			(i)	Overhaul the gaming area facilities, back-of-house areas and other hospitality offering	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
			(ii)	Procure slot machines	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
			<i>Palasino Wulowitz</i>							
			(i)	Overhaul the gaming area facilities, back-of-house areas, guest rooms and other hospitality offering	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
			(ii)	Procure slot machines	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
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	[REDACTED]	[REDACTED]	-	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	

**Basis and Assumptions**

Our future plans and business strategies are based on the following general assumptions:

- there will be no material change in the funding requirement for each of our future plans described in this document from the amount as estimated by our Directors;

## FUTURE PLANS AND USE OF [REDACTED]

- we will have sufficient financial resources to meet the planned capital expenditures and business development requirements during the period to which our future plans relate;
- the [REDACTED] will be completed in accordance with and as described in "Structure of the [REDACTED]" in this document;
- there will be no material changes in existing accounting policies from those stated in the audited combined financial statements of our Group for the Track Record Period;
- our operations including our future plans will not be interrupted by any *force majeure*, unforeseeable factors, extraordinary items or economic changes in respect of inflation, interest rate and tax rate in the Czech Republic and other jurisdictions where we have operations;
- there will be no material changes in the bases or rates of taxation applicable to our activities;
- we will not be materially affected by the risk factors as set out in "Risk Factors" in this document;
- we will continue with our operation including but not limited to retaining our key management and staff and maintaining our customers and suppliers in the same manner as we did during the Track Record Period;
- there will be no material change in existing laws and regulations, or other governmental policies relating to our Group and our business, or in the political or market conditions in which we operate; and
- there will be no epidemic or disasters, natural, political or otherwise, which would materially disrupt our businesses or operations.

If the [REDACTED] is fixed at HK\$[REDACTED] per [REDACTED] (being the high-end of the [REDACTED] range stated in this document and assuming the [REDACTED] is not exercised), the [REDACTED] we receive will be approximately HK\$[REDACTED], after deduction of [REDACTED] fees and commissions and estimated expenses payable by us in connection with the [REDACTED]. The estimated [REDACTED] we will receive will be increased by approximately HK\$[REDACTED] (i.e. increase from HK\$[REDACTED] to HK\$[REDACTED]).

If the [REDACTED] is fixed at HK\$[REDACTED] per [REDACTED] (being the low-end of the [REDACTED] range stated in this document and assuming the [REDACTED] is not exercised), the [REDACTED] we receive will be approximately HK\$[REDACTED], after deduction of [REDACTED] fees and commissions and estimated expenses payable by us in connection with the [REDACTED]. The estimated



**FUTURE PLANS AND USE OF [REDACTED]**

[REDACTED] we will receive will be reduced by approximately HK\$[REDACTED] (i.e. decrease from HK\$[REDACTED] to HK\$[REDACTED]).

To the extent our [REDACTED] are either more or less than expected, we will adjust the above [REDACTED] of the [REDACTED] from the [REDACTED] on a pro rata basis.

In the event that the [REDACTED] is exercised in full, we will receive additional [REDACTED] ranging from approximately HK\$[REDACTED] (assuming an [REDACTED] of HK\$[REDACTED] per [REDACTED], being the low-end of the proposed [REDACTED] range) to HK\$[REDACTED] (assuming an [REDACTED] of HK\$[REDACTED] per [REDACTED], being the high-end of the proposed [REDACTED] Range), after deduction of [REDACTED] fees and commissions and estimated expenses payable by us in connection with the [REDACTED].

To the extent that the [REDACTED] are not immediately applied to the above purposes and to the extent permitted by applicable law and regulations, we will hold such funds in short-term deposits with licenced banks or authorised financial institutions as defined under the SFO or the applicable laws in the relevant jurisdiction for non-Hong Kong based deposits. We will make an appropriate announcement if there is any change to the above proposed use of [REDACTED] or if any amount of the [REDACTED] will be used for general corporate purpose.

[REDACTED]

We estimate the [REDACTED] to the [REDACTED] from the sale of [REDACTED] pursuant to the [REDACTED], assuming the [REDACTED] is not exercised, to be HK\$[REDACTED] (assuming an [REDACTED] of HK\$[REDACTED] per [REDACTED], being the mid-point of the proposed [REDACTED] range), after deducting the [REDACTED] commission and estimated related expenses payable by the [REDACTED]. We will not receive [REDACTED] from the sale of [REDACTED] pursuant to the [REDACTED], whether or not the [REDACTED] is exercised.

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]



[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

**STRUCTURE OF THE [REDACTED]**

[REDACTED]

**STRUCTURE OF THE [REDACTED]**

[REDACTED]

**STRUCTURE OF THE [REDACTED]**

[REDACTED]



**STRUCTURE OF THE [REDACTED]**

[REDACTED]

**STRUCTURE OF THE [REDACTED]**

[REDACTED]

**STRUCTURE OF THE [REDACTED]**

[REDACTED]

**STRUCTURE OF THE [REDACTED]**

[REDACTED]

**STRUCTURE OF THE [REDACTED]**

[REDACTED]

**STRUCTURE OF THE [REDACTED]**

[REDACTED]

**STRUCTURE OF THE [REDACTED]**

[REDACTED]

**STRUCTURE OF THE [REDACTED]**

[REDACTED]



**STRUCTURE OF THE [REDACTED]**

[REDACTED]

**STRUCTURE OF THE [REDACTED]**

[REDACTED]

**STRUCTURE OF THE [REDACTED]**

[REDACTED]

**STRUCTURE OF THE [REDACTED]**

[REDACTED]

**STRUCTURE OF THE [REDACTED]**

[REDACTED]

**STRUCTURE OF THE [REDACTED]**

[REDACTED]

**HOW TO APPLY FOR [REDACTED] AND [REDACTED]**

[REDACTED]

**HOW TO APPLY FOR [REDACTED] AND [REDACTED]**

[REDACTED]



**HOW TO APPLY FOR [REDACTED] AND [REDACTED]**

[REDACTED]

**HOW TO APPLY FOR [REDACTED] AND [REDACTED]**

[REDACTED]

**HOW TO APPLY FOR [REDACTED] AND [REDACTED]**

[REDACTED]

**HOW TO APPLY FOR [REDACTED] AND [REDACTED]**

[REDACTED]

**HOW TO APPLY FOR [REDACTED] AND [REDACTED]**

[REDACTED]

**HOW TO APPLY FOR [REDACTED] AND [REDACTED]**

[REDACTED]

**HOW TO APPLY FOR [REDACTED] AND [REDACTED]**

[REDACTED]

**HOW TO APPLY FOR [REDACTED] AND [REDACTED]**

[REDACTED]



**HOW TO APPLY FOR [REDACTED] AND [REDACTED]**

[REDACTED]

**HOW TO APPLY FOR [REDACTED] AND [REDACTED]**

[REDACTED]

**HOW TO APPLY FOR [REDACTED] AND [REDACTED]**

[REDACTED]

**HOW TO APPLY FOR [REDACTED] AND [REDACTED]**

[REDACTED]

**HOW TO APPLY FOR [REDACTED] AND [REDACTED]**

[REDACTED]

**HOW TO APPLY FOR [REDACTED] AND [REDACTED]**

[REDACTED]

**HOW TO APPLY FOR [REDACTED] AND [REDACTED]**

[REDACTED]

**HOW TO APPLY FOR [REDACTED] AND [REDACTED]**

[REDACTED]



**HOW TO APPLY FOR [REDACTED] AND [REDACTED]**

[REDACTED]

**HOW TO APPLY FOR [REDACTED] AND [REDACTED]**

[REDACTED]

**HOW TO APPLY FOR [REDACTED] AND [REDACTED]**

[REDACTED]

**HOW TO APPLY FOR [REDACTED] AND [REDACTED]**

[REDACTED]

**HOW TO APPLY FOR [REDACTED] AND [REDACTED]**

[REDACTED]

**HOW TO APPLY FOR [REDACTED] AND [REDACTED]**

[REDACTED]

**HOW TO APPLY FOR [REDACTED] AND [REDACTED]**

[REDACTED]

**HOW TO APPLY FOR [REDACTED] AND [REDACTED]**

[REDACTED]



**HOW TO APPLY FOR [REDACTED] AND [REDACTED]**

[REDACTED]

**HOW TO APPLY FOR [REDACTED] AND [REDACTED]**

[REDACTED]

**HOW TO APPLY FOR [REDACTED] AND [REDACTED]**

[REDACTED]

**HOW TO APPLY FOR [REDACTED] AND [REDACTED]**

[REDACTED]

*The following is the text of a report set out on pages I-[1] to I-[55], received from the Company's reporting accountants, Deloitte Touche Tohmatsu, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this document.*

**Deloitte.**

**德勤**

**ACCOUNTANTS' REPORT ON HISTORICAL FINANCIAL INFORMATION TO THE DIRECTORS OF PALASINO HOLDINGS LIMITED AND GUOTAI JUNAN CAPITAL LIMITED**

**Introduction**

We report on the historical financial information of Palasino Holdings Limited (the "**Company**") and its subsidiaries (together, the "**Group**") set out on pages I-[●] to I-[●], which comprise the combined statements of financial position of the Group as at 31 March 2021, 2022 and 2023, the combined statements of profit or loss and other comprehensive income, the combined statements of changes in equity and the combined statements of cash flows of the Group for each of the three years ended 31 March 2023 (the "**Track Record Period**") and [a summary of significant accounting policies] and other explanatory information (together, the "**Historical Financial Information**"). The Historical Financial Information set out on pages I-[●] to I-[●] forms an integral part of this report, which has been prepared for inclusion in the [REDACTED] of the Company dated [REDACTED] (the "**Document**") in connection with the initial [REDACTED] of shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**").

**Directors' responsibility for the Historical Financial Information**

The directors of the Company are responsible for the preparation of the Historical Financial Information that gives a true and fair view in accordance with the basis of preparation and presentation set out in note 1 to the Historical Financial Information, and for such internal control as the directors of the Company determine is necessary to enable the preparation of the Historical Financial Information that is free from material misstatement, whether due to fraud or error.

**Reporting accountants' responsibility**

Our responsibility is to express an opinion on the Historical Financial Information and to report our opinion to you. We conducted our work in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 200 "Accountants' Reports on Historical Financial Information in Investment Circulars" issued by the Hong Kong Institute of Certified Public Accountants (the "**HKICPA**"). This standard requires that we comply with ethical standards and plan and perform our work to obtain reasonable assurance about whether the Historical Financial Information is free from material misstatement.

**APPENDIX I**

**ACCOUNTANTS' REPORT**

Our work involved performing procedures to obtain evidence about the amounts and disclosures in the Historical Financial Information. The procedures selected depend on the reporting accountants' judgement, including the assessment of risks of material misstatement of the Historical Financial Information, whether due to fraud or error. In making those risk assessments, the reporting accountants consider internal control relevant to the entity's preparation of Historical Financial Information that gives a true and fair view in accordance with the basis of preparation and presentation set out in note 1 to the Historical Financial Information in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Our work also included evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors of the Company, as well as evaluating the overall presentation of the Historical Financial Information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

**Opinion**

In our opinion, the Historical Financial Information gives, for the purposes of the accountants' report, a true and fair view of the Group's financial position as at 31 March 2021, 2022 and 2023 and of the Group's financial performance and cash flows for the Track Record Period in accordance with the basis of preparation and presentation set out in note 1 to the Historical Financial Information.

**Report on matters under the Rules Governing the Listing of Securities on the Stock Exchange and the Companies (Winding Up and Miscellaneous Provisions) Ordinance**

*Adjustments*

In preparing the Historical Financial Information, no adjustments to the Underlying Financial Statements as defined on page I-[●] have been made.

*Dividends*

We refer to note 12 to the Historical Financial Information which states that no dividend has been declared or paid by the Company and group entities comprising the Group in respect of the Track Record Period.

*No historical financial statements for the Company*

No historical financial statements have been prepared for the Company since its date of incorporation.

**[Deloitte Touche Tohmatsu]**

*Certified Public Accountants*

Hong Kong

[Date]

## HISTORICAL FINANCIAL INFORMATION OF THE GROUP

### Preparation of Historical Financial Information

Set out below is the Historical Financial Information which forms an integral part of this accountants' report.

[The Historical Financial Information in this report was prepared based on the consolidated financial statements of Trans World Hotels & Entertainment, a.s. ("TWHE") and its subsidiaries for the Track Record Period (the "Underlying Financial Statements"). The Underlying Financial Statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and were audited by us in accordance with Hong Kong Standards on Auditing issued by the HKICPA.]

The Historical Financial Information is presented in Hong Kong dollars ("HK\$") and all values are rounded to the nearest thousand (HK\$'000) except when otherwise indicated.

APPENDIX I

ACCOUNTANTS' REPORT

COMBINED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	NOTES	Year ended 31 March		
		2021 HK\$'000	2022 HK\$'000	2023 HK\$'000
Gaming revenue		107,914	278,458	390,403
Hotel, catering and related services revenue		<u>37,857</u>	<u>72,738</u>	<u>138,618</u>
Gaming, hotel, catering and related services revenues	6	145,771	351,196	529,021
Gaming tax		(36,964)	(94,965)	(133,097)
Inventories consumed		(4,919)	(13,090)	(25,076)
Other income	7(a)	76,413	42,235	5,172
Other gains and losses	7(b)	4,048	(6,605)	(12,192)
Depreciation		(24,974)	(24,493)	(23,180)
Employee benefits expenses		(109,322)	(126,951)	(170,182)
Other operating expenses		(42,883)	(74,788)	(105,274)
Finance costs	8	<u>(3,651)</u>	<u>(3,489)</u>	<u>(3,576)</u>
Profit before taxation	10	3,519	49,050	61,616
Income tax expense	9	<u>(962)</u>	<u>(8,967)</u>	<u>(17,462)</u>
<b>Profit for the year</b>		2,557	40,083	44,154
<b>Other comprehensive income (expense)</b>				
<i>Item that will not be reclassified to profit or loss:</i>				
Exchange difference arising from translation of functional currency to presentation currency		<u>37,640</u>	<u>(7,296)</u>	<u>(9,275)</u>
<i>Item that may be reclassified subsequently to profit or loss:</i>				
Exchange differences arising on translation of foreign operations		<u>4,571</u>	<u>8,259</u>	<u>4,638</u>
<b>Total comprehensive income of the year</b>		<u><u>44,768</u></u>	<u><u>41,046</u></u>	<u><u>39,517</u></u>



**APPENDIX I**

**ACCOUNTANTS' REPORT**

	<b>Year ended 31 March</b>		
	<b>2021</b>	<b>2022</b>	<b>2023</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
<b>Profit for the year attributable to:</b>			
Owners of the Company	2,557	40,083	44,154
Non-controlling interests	—	—	—
	<u>2,557</u>	<u>40,083</u>	<u>44,154</u>
<b>Total comprehensive income for</b>			
<b>the year attributable to:</b>			
Owners of the Company	44,768	41,046	39,517
Non-controlling interests	—	—	—
	<u>44,768</u>	<u>41,046</u>	<u>39,517</u>

APPENDIX I

ACCOUNTANTS' REPORT

COMBINED STATEMENTS OF FINANCIAL POSITION

	NOTES	As at 31 March		
		2021 HK\$'000	2022 HK\$'000	2023 HK\$'000
<b>Non-current assets</b>				
Property and equipment	14	399,514	378,596	365,500
Deposits for acquisition of equipment	20	–	1,883	2,696
Deposits for gaming licence	20	10,500	10,800	10,800
Intangible assets	15	–	870	4,046
Right-of-use assets	16	19,022	21,149	25,853
Loan to a related party	21(b)	–	–	39,165
Pledged bank deposits	22	6,002	4,212	4,059
		<u>435,038</u>	<u>417,510</u>	<u>452,119</u>
<b>Current assets</b>				
Inventories	17	1,358	1,805	2,277
Financial assets at fair value through profit or loss	18	26,984	41,047	21,089
Trade receivables	19	916	4,876	7,058
Other receivables, deposits and prepayments	20	25,790	17,382	13,175
Amount due from a fellow subsidiary	21(a)	–	–	35,013
Cash and cash equivalents	22	31,349	94,537	86,084
		<u>86,397</u>	<u>159,647</u>	<u>164,696</u>
<b>Current liabilities</b>				
Trade payables	23	5,770	7,024	6,294
Other payables	24	41,271	58,390	66,646
Income tax payable		347	7,768	9,255
Contract liabilities	25	300	1,642	1,955
Lease liabilities	26	869	1,312	1,446
Bank and other borrowings	27	8,757	8,575	31,191
		<u>57,314</u>	<u>84,711</u>	<u>116,787</u>
<b>Net current assets</b>		<u>29,083</u>	<u>74,936</u>	<u>47,909</u>
<b>Total assets less current liabilities</b>		<u>464,121</u>	<u>492,446</u>	<u>500,028</u>

**APPENDIX I**

**ACCOUNTANTS' REPORT**

		<b>As at 31 March</b>		
		<b>2021</b>	<b>2022</b>	<b>2023</b>
	<i>NOTES</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
<b>Non-current liabilities</b>				
Bank and other borrowings	27	84,781	72,835	38,998
Lease liabilities	26	56,580	58,884	63,420
Other payables	24	8,732	6,388	4,038
Deferred tax liabilities	28	<u>6,829</u>	<u>6,094</u>	<u>5,810</u>
		<u>156,922</u>	<u>144,201</u>	<u>112,266</u>
<b>Net assets</b>		<u><u>307,199</u></u>	<u><u>348,245</u></u>	<u><u>387,762</u></u>
<b>Capital and reserves</b>				
Share capital	29	37,000	37,000	37,000
Reserves		<u>270,199</u>	<u>311,245</u>	<u>311,986</u>
Equity attributable to owners of the Company		307,199	348,245	348,986
Non-controlling interests		<u>–</u>	<u>–</u>	<u>38,776</u>
<b>Total equity</b>		<u><u>307,199</u></u>	<u><u>348,245</u></u>	<u><u>387,762</u></u>

APPENDIX I

ACCOUNTANTS' REPORT

COMBINED STATEMENTS OF CHANGES IN EQUITY

	Attributable to owners of the Company						Total HK\$'000
	Share capital HK\$'000 (note 29)	Foreign exchange reserve HK\$'000	Merger reserve HK\$'000	Other reserve HK\$'000	Retained profits HK\$'000	Non- controlling interests HK\$'000	
At 1 April 2020	37,000	(96,107)	-	-	399,519	-	340,412
Profit for the year	-	-	-	-	2,557	-	2,557
Exchange difference arising from translation of functional currency to presentation currency	-	37,640	-	-	-	-	37,640
Exchange differences arising on translation of foreign operations	-	4,571	-	-	-	-	4,571
Total comprehensive income for the year	-	42,211	-	-	2,557	-	44,768
Amalgamation with holding companies (note 1)	-	-	-	(77,981)	-	-	(77,981)
At 31 March 2021	37,000	(53,896)	-	(77,981)	402,076	-	307,199
Profit for the year	-	-	-	-	40,083	-	40,083
Exchange difference arising from translation of functional currency to presentation currency	-	(7,296)	-	-	-	-	(7,296)
Exchange differences arising on translation of foreign operations	-	8,259	-	-	-	-	8,259
Total comprehensive income for the year	-	963	-	-	40,083	-	41,046
At 31 March 2022	37,000	(52,933)	-	(77,981)	442,159	-	348,245
Profit for the year	-	-	-	-	44,154	-	44,154
Exchange difference arising from translation of functional currency to presentation currency	-	(9,275)	-	-	-	-	(9,275)
Exchange differences arising on translation of foreign operations	-	4,638	-	-	-	-	4,638
Total comprehensive (expense) income for the year	-	(4,637)	-	-	44,154	-	39,517
Group reorganisation (note 2)	-	-	(38,776)	-	-	38,776	-
At 31 March 2023	37,000	(57,570)	(38,776)	(77,981)	486,313	38,776	387,762

Notes:

- On 1 April 2020, the holding companies of TWHE, [a wholly-owned subsidiary of the Company], amalgamated with TWHE and they ceased to exist as separate entities after completion of the amalgamation ("Amalgamation"). TWHE became the surviving amalgamated company with HK\$77,981,000 recognised as a deemed distribution for net liabilities assumed from the holding companies.
- Pursuant to the Reorganisation as defined and set out in Note 1, 10% equity interest of Turbo Century Limited ("Turbo"), a company indirectly owned by Far East Consortium International Limited ("FEC") and indirectly owned 100% equity interest of TWHE, is acquired by Dateplum Harvest Limited ("Dateplum"), an independent third party, on 20 March 2023. Dateplum is accounted as the non-controlling interests of the Company and accordingly, 10% of net assets of the Group is attributable to non-controlling interests since 20 March 2023.

APPENDIX I

ACCOUNTANTS' REPORT

COMBINED STATEMENTS OF CASH FLOWS

	Year ended 31 March		
	2021	2022	2023
	HK\$'000	HK\$'000	HK\$'000
<b>OPERATING ACTIVITIES</b>			
Profit before taxation	3,519	49,050	61,616
Adjustments for:			
Finance costs	3,651	3,489	3,576
Interest income	–	(52)	(2,957)
Depreciation of property and equipment	24,593	24,083	22,181
Depreciation of right-of-use assets	381	410	999
Fair value change on financial assets at fair value through profit or loss	(4,518)	1,533	3,107
(Reversal of) impairment losses under credit loss model, net of reversal	(612)	324	(331)
Net loss (gain) on disposal of property and equipment	38	(143)	(107)
Net unrealised foreign exchange loss	6,642	2,270	10,035
	<u>33,694</u>	<u>80,964</u>	<u>98,119</u>
Operating cashflows before movements in working capital	33,694	80,964	98,119
Decrease (increase) in trade receivables	3,459	(4,185)	(1,863)
(Increase) decrease in other receivables, deposits and prepayments	(6,076)	8,198	4,207
Decrease (increase) in inventories	763	(408)	(472)
Increase (decrease) in trade payables	5,770	1,089	(730)
(Decrease) increase in other payables	(21,116)	16,759	8,152
(Decrease) increase in contract liabilities	(980)	1,333	313
	<u>15,514</u>	<u>103,750</u>	<u>107,726</u>
Cash generated from operations	15,514	103,750	107,726
Income taxes refund (paid)	4,313	(2,486)	(16,258)
	<u>19,827</u>	<u>101,264</u>	<u>91,468</u>
<b>NET CASH FROM OPERATING ACTIVITIES</b>	<u>19,827</u>	<u>101,264</u>	<u>91,468</u>

APPENDIX I

ACCOUNTANTS' REPORT

	Year ended 31 March		
	2021	2022	2023
	HK\$'000	HK\$'000	HK\$'000
INVESTING ACTIVITIES			
Interest received from banks	–	52	661
Interest received from related parties	–	–	2,296
Placement of deposits for acquisition of property and equipment	–	(1,883)	(2,696)
Purchase of property and equipment	(13,566)	(2,202)	(24,303)
Purchase of intangible assets	–	(870)	(3,176)
Advance to a related party	–	–	(39,165)
Proceed of disposals of property and equipment	–	2,185	4,374
Advance to a fellow subsidiary	–	–	(35,013)
Purchase of financial assets at fair value through profit or loss	(6,904)	(19,052)	(60,912)
Withdrawal of financial assets at fair value through profit or loss	8,630	2,598	76,464
Release of pledged bank deposits	–	1,961	–
NET CASH USED IN INVESTING ACTIVITIES	<u>(11,840)</u>	<u>(17,211)</u>	<u>(81,470)</u>
FINANCING ACTIVITIES			
Repayments of lease liabilities	(850)	(894)	(1,033)
Repayments of bank and other borrowings	(11,472)	(14,801)	(11,221)
Settlement of consideration payable	(2,724)	(2,588)	(2,246)
Interest paid	<u>(3,651)</u>	<u>(3,489)</u>	<u>(3,576)</u>
NET CASH USED IN FINANCING ACTIVITIES	<u>(18,697)</u>	<u>(21,772)</u>	<u>(18,076)</u>
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(10,710)	62,281	(8,078)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR	37,189	31,349	94,537
EFFECT OF FOREIGN RATE CHANGES	<u>4,870</u>	<u>907</u>	<u>(375)</u>
CASH AND CASH EQUIVALENTS AT END OF THE YEAR	<u>31,349</u>	<u>94,537</u>	<u>86,084</u>
Analysis of the balances of cash and cash equivalents, representing bank balances and cash	<u>31,349</u>	<u>94,537</u>	<u>86,084</u>

APPENDIX I

ACCOUNTANTS' REPORT

NOTES TO THE HISTORICAL FINANCIAL INFORMATION OF PALASINO HOLDINGS LIMITED

1. GENERAL, GROUP REORGANISATION AND BASIS OF PREPARATION AND PRESENTATION OF HISTORICAL FINANCIAL INFORMATION

The Company was incorporated and registered as an exempted company with limited liability in the Cayman Islands under the Companies Law Chapter 22 of the Cayman Islands on 6 July 2023. The addresses of the Company's registered office and the principal place of business are disclosed in the paragraph headed "Corporate Information" to the Document. The ultimate controlling shareholder of the Company is Tan Sri Dato' David CHIU, who controls the Company through the investment holding company incorporated in the Cayman Islands, namely FEC, which shares are listed on the Stock Exchange.

The Company acts as an investment holding company and the operating subsidiaries, as disclosed in Note 35, are principally engaged in the hospitality and gaming business in Germany, Austria and the Czech Republic (the "Business").

The Company's functional currency is Czech Koruna ("CZK"). The combined financial statements are presented in Hong Kong dollars ("HK\$") as the directors of the Company consider that the Hong Kong dollar is the most appropriate presentation currency in view of the Company's place of proposed [REDACTED].

The Historical Financial Information has been prepared based on the accounting policies set out in Note 3 which conform with HKFRSs issued by the HKICPA.

Prior to incorporation of the Company and the completion of the reorganisation as described below (the "Reorganisation"), the Business was mainly carried out by TWHE, a limited liability company incorporated in the Czech Republic and its subsidiaries (the "Operating Entities").

In preparation of the [REDACTED] of the Company's shares on the Stock Exchange (the "[REDACTED]"), the companies comprising the Group underwent Reorganisation to incorporate the Company as the holding Company of the companies which now comprise the Group to conduct the Business as described below.

- (a) On 6 July 2023, the Company was incorporated under the laws of the Cayman Islands as an exempted company with limited liability. Upon incorporation, one share was allotted and issued to the initial subscriber, who transferred the one share to Ample Bonus Limited ("Ample"), a company directly wholly-owned by FEC. Upon completion of such allotment, the Company was wholly-owned by Ample.
- (b) On 25 July 2023, Palasino (BVI) Limited ("Palasino BVI") was incorporated in the British Virgin Islands (the "BVI") with limited liability and one share was allotted and issued as fully paid to the Company on 27 July 2023. On [●], the entire issued share capital of TWHE was transferred by FEC Overseas Investment (UK) Limited ("FEC UK"), a company directly wholly-owned by Turbo and indirectly owned by FEC, to Palasino BVI in consideration of Palasino BVI issuing [99] shares to FEC UK, representing 99% of Palasino BVI's total share capital upon completion of the allotment and issuance of shares. As a result of this transfer, TWHE was wholly-owned by Palasino BVI.
- (c) On [●], the 99% shareholding interest in Palasino BVI held by FEC UK was transferred to Ample by FEC UK in consideration of approximately United States dollars ("USD") 42,000,000 (equivalent to approximately HK\$327,600,000). Upon completion of the share transfer, Palasino BVI was owned as to 99% by Ample and 1% by the Company.
- (d) On [●], the 10% shareholding interest in Palasino BVI held by Ample was transferred to Dateplum, an independent party not connected to FEC, by Ample in consideration of Dateplum transferring the 10% shareholding interest in Turbo held by Dateplum to Ample. Upon completion of the share transfers, Palasino BVI was owned as to 89% by Ample, 1% by the Company and 10% by Dateplum.

APPENDIX I

ACCOUNTANTS' REPORT

- (e) On [●], the 89% shareholding interest in Palasino BVI held by Ample was transferred to the Company by Ample, in consideration of the Company issuing 89 Shares to Ample, representing 89% of the Company's total share capital upon completion of the allotment and issuance of shares. On the same day, the 10% shareholding interest in Palasino BVI held by Dateplum was transferred to the Company by Dateplum, in consideration of the Company issuing 10 Shares to Dateplum, representing 10% of the Company's total share capital upon completion of the allotment and issuance of shares. After such issuances, the Company was owned as to 90% by Ample and 10% by Dateplum.

Upon the completion of the above steps, the Company became the holding company of the companies now comprising the Group. The Group comprising the Company and its subsidiaries resulting from the Reorganisation have always been under the control of Ample and is regarded as a continuing entity. Accordingly, the combined statements of profit or loss and other comprehensive income, combined statements of changes in equity and combined statements of cash flows for the years ended 31 March 2021, 31 March 2022 and 31 March 2023 have been prepared to include the results, changes in equity and cash flows of the companies now comprising the Group as if the group structure upon the completion of the Reorganisation (except for the non-controlling interest held by Dateplum) had been in existence throughout the years ended 31 March 2021, 31 March 2022 and 31 March 2023, or since their respective dates of incorporation where this is a shorter period.

The combined statements of financial position as at 31 March 2021, 2022 and 2023 have been prepared to present the carrying amounts of the assets and liabilities of the companies now comprising the Group as if the group structure upon the completion of the Reorganisation (except for the non-controlling interest held by Dateplum) had been in existence at those dates taking into account the respective dates of the incorporation, where applicable.

No statutory financial statements of the Company have been prepared since its date of incorporation as it is incorporated in the jurisdiction where there are no statutory audit requirements.

2. APPLICATION OF HKFRSs

For the purpose of preparing and presenting the Historical Financial Information for the Track Record Period, the Group has consistently applied the accounting policies which conform with HKFRSs issued by the HKICPA that are effective for the Group's financial year beginning 1 April 2022 and throughout the Track Record Period.

The Group has not early applied the following new and amendments to HKFRSs in issue which are not yet effective.

HKFRS 17 (including the October 2020 and February 2022 Amendments to HKFRS 17)	Insurance Contracts <sup>1</sup>
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture <sup>3</sup>
Amendments to HKFRS 16	Lease Liability in a Sale and Leaseback <sup>4</sup>
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020) <sup>4</sup>
Amendments to HKAS 1	Non-current Liabilities with Covenants <sup>4</sup>
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies <sup>1</sup>
Amendments to HKAS 7 and HKFRS 7	Supplier Finance Arrangements <sup>4</sup>
Amendments to HKAS 8	Definition of Accounting Estimates <sup>1</sup>
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction <sup>1</sup>
Amendments to HKAS 12	International Tax Reform – Pillar Two Model Rules <sup>2</sup>
Amendments to HKAS 21	Lack of Exchangeability <sup>5</sup>

<sup>1</sup> Effective for the Group's annual periods beginning on or after 1 April 2023

<sup>2</sup> Effective for annual periods beginning on or after 1 April 2023 (except for HKAS 12 paragraphs 4A and 88A which are immediately effective upon issue of the amendments)

<sup>3</sup> Effective for the Group's annual periods beginning on or after a date to be determined

<sup>4</sup> Effective for the Group's annual periods beginning on or after 1 April 2024

<sup>5</sup> Effective for the Group's annual periods beginning on or after 1 April 2025



## APPENDIX I

## ACCOUNTANTS' REPORT

Except for the amendments to HKFRSs mentioned below, the management of the Group anticipate that the application of all new and amendments to HKFRSs will have no material impact on the Group's financial position and financial performance in the foreseeable future.

### ***Amendments to HKAS 12 Deferred Tax related to Assets and Liabilities arising from a Single Transaction***

The amendments narrow the scope of the recognition exemption of deferred tax liabilities and deferred tax assets in paragraphs 15 and 24 of HKAS 12 Income Taxes so that it no longer applies to transactions that, on initial recognition, give rise to equal taxable and deductible temporary differences.

As disclosed in Note 3 to the combined financial statements, for leasing transactions in which the tax deductions are attributable to the lease liabilities, the Group applies HKAS 12 requirements to the relevant assets and liabilities separately. Temporary differences on initial recognition of the relevant assets and liabilities are not recognised due to the application of the initial recognition exemption.

Upon the application of the amendments, the Group will recognise a deferred tax asset (to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilised) and a deferred tax liability for all deductible and taxable temporary differences associated with the right-of-use assets and the lease liabilities.

The amendments are effective for the Group's annual reporting period beginning on 1 April 2023. As at 31 March 2023, the carrying amounts of right-of-use assets and lease liabilities which are subject to the amendments amounted to HK\$25,853,000 and HK\$64,866,000 respectively. The cumulative effect of initially applying the amendments will be recognised as an adjustment to the opening balance of retained profits (or other component of equity, as appropriate) at the beginning of the Track Record Period.

### **3. SIGNIFICANT ACCOUNTING POLICIES**

The Historical Financial Information has been prepared on the historical cost basis except for certain financial instruments that are measured at fair value at the end of each reporting period (as explained in the accounting policies below) and in accordance with the following accounting policies which conform with HKFRSs issued by the HKICPA. In addition, the Historical Financial Information includes the applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange and by the Hong Kong Companies Ordinance.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in this Historical Financial Information is determined on such a basis, except for leasing transactions that are within the scope of HKFRS 16 "Leases", and measurements that have some similarities to fair value but are not fair value, such as value in use in HKAS 36 "Impairment of assets".

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

## APPENDIX I

## ACCOUNTANTS' REPORT

The principal accounting policies adopted are set out below.

### **Basis of consolidation**

Non-controlling interests in subsidiaries are presented separately from the Group's equity therein, which represent present ownership interests entitling their holders to a proportionate share of net assets of the relevant subsidiaries upon liquidation.

### *Changes in the Group's interests in existing subsidiaries*

Changes in the Group's interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's relevant components of equity and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries, including re-attribution of relevant reserves between the Group and the non-controlling interests according to the Group's and the non-controlling interests' proportionate interests.

Any difference between the amount by which the non-controlling interests are adjusted, and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

### **Revenue from contracts with customers**

The Group recognises revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the goods or services underlying the particular performance obligation is transferred to the customer.

A performance obligation represents a good or service (or a bundle of goods or services) that is distinct or a series of distinct goods or services that are substantially the same.

Control is transferred overtime and revenue is recognised overtime by reference to the progress towards complete satisfaction of the relevant performance obligation if one of the following criteria is met:

- the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs;
- the Group's performance creates or enhances an asset that the customer controls as the Group performs; or
- the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

Otherwise, revenue is recognised at a point in time when the customer obtains control of the distinct good or service.

A receivable represents the Group's unconditional right to consideration, i.e. only the passage of time is required before payment of that consideration is due.

A contract liability represents the Group's obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer.

### *Contracts with multiple performance obligations (including allocation of transaction price)*

For contracts that contain more than one performance obligations including obligation to provide goods or services to patrons on complementary basis and patron's options to acquire additional goods or services for free or at a discount in future granted under customer relationship programs, the Group allocates the transaction price to each performance obligation on a relative stand-alone selling price basis.

## APPENDIX I

## ACCOUNTANTS' REPORT

The stand-alone selling price of the distinct good or service underlying each performance obligation is determined at contract inception. It represents the price at which the Group would sell a promised good or service separately to a customer. If a stand-alone selling price is not directly observable, the Group estimates it using appropriate techniques such that the transaction price ultimately allocated to any performance obligation reflects the amount of consideration to which the Group expects to be entitled in exchange for transferring the promised goods or services to the customer.

### *Revenue recognition*

The Group's revenue contracts with customers consist of gaming, hotel rooms, food and beverage and other transactions.

Gaming revenue is the aggregate net difference between gaming wins and losses. The Group accounts for gaming revenue on a portfolio basis given the similar characteristics of wagers by recognising net win per gaming day.

For gaming operations that the Group provides award points to customers under loyalty programs, the Group allocates a portion of the gaming revenue to the loyalty programs liabilities based on its relative stand-alone selling price of such award points (less estimated breakage). Such allocated amount is deferred revenue and recognised as loyalty programs liabilities until customers redeem the award points for free goods and services. Upon redemption, the deferred consideration of each good and service is allocated to the respective type of revenue.

The transaction price of hotel rooms, food and beverage, and other transactions is the net amount collected from the customer for such goods and services. The transaction price for such transactions is recorded as revenue when the good or service is transferred or rendered to the customer during their stay at the hotel or when the delivery is made for the food and beverage and other services.

### **Foreign currencies**

In preparing the financial statements of the each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recognised at the rates of exchanges prevailing on the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. When a fair value gain or loss on a non-monetary item is recognised in profit or loss, any exchange component of that gain or loss is also recognised in profit or loss. When a fair value gain or loss on a non-monetary item is recognised in other comprehensive income, any exchange component of that gain or loss is also recognised in other comprehensive income.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognised in profit or loss in the period in which they arise.

For the purposes of presenting the combined financial statements, the assets and liabilities of the Group's operations are translated into the presentation currency of the Group (i.e. HK\$) using exchange rates prevailing at the end of each reporting period. Income and expenses items are translated at the average exchange rates for the period, unless exchange rates fluctuate significantly during that period, in which case the exchange rates at the date of transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of foreign exchange reserve (attributed to non-controlling interests as appropriate).

Exchange differences relating to the retranslation of the Group's net assets in CZK to the Group's presentation currency (i.e. HK\$) are recognised directly in other comprehensive income and accumulated in foreign exchange reserve. Such exchange differences accumulated in the foreign exchange reserve are not reclassified to profit or loss subsequently.

### **Borrowing costs**

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets until such time as the assets are substantially ready for their intended use or sale.

## APPENDIX I

## ACCOUNTANTS' REPORT

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

### **Government grants**

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate. Specifically, government grants whose primary condition is that the Group should purchase, construct or otherwise acquire non-current assets are recognised as deferred income in the combined statement of financial position and transferred to profit or loss on a systematic and rational basis over the useful lives of the related assets.

Government grants related to income that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable. Such grants are represented under "other income".

### **Retirement benefits costs**

Payments to the pension insurance of the pension insurance of Austria (the "Austria Pension") are charged as an expense when employees have rendered service entitling them to the contributions.

### **Short-term employee benefits**

Short-term employee benefits are recognised at the undiscounted amount of the benefits expected to be paid as and when employees rendered the services. All short-term employee benefits are recognised as an expense unless another HKFRS requires or permits the inclusion of the benefit in the cost of an asset.

A liability is recognised for benefits accruing to employees (such as wages and salaries and annual leave) after deducting any amount already paid.

### **Cash and cash equivalents**

Cash and cash equivalents presented on the combined statements of financial position include cash, which comprises of cash on hand and demand deposits.

### **Taxation**

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from 'profit before taxation' as reported in the combined statements of profit or loss and other comprehensive income because of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of each reporting period.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the Historical Financial Information and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from the initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

## APPENDIX I

## ACCOUNTANTS' REPORT

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of each reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of each reporting period, to recover or settle the carrying amount of its assets and liabilities.

For the purposes of measuring deferred tax for leasing transactions in which the Group recognises the right-of-use assets and the related lease liabilities, the Group first determines whether the tax deductions are attributable to the right-of-use assets or the lease liabilities.

For leasing transactions in which the tax deductions are attributable to the lease liabilities, the Group applies HKAS 12 requirements to right-of-use assets and lease liabilities separately. Temporary differences on initial recognition of the relevant right-of-use assets and lease liabilities are not recognised due to application of the initial recognition exemption. Temporary differences arising from subsequent revision to the carrying amounts of right-of-use assets and lease liabilities, resulting from remeasurement of lease liabilities and lease modifications, that are not subject to initial recognition exemption are recognised on the date of remeasurement or modification.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied to the same taxable entity by the same taxation authority.

Current and deferred tax are recognised in profit or loss.

### **Property and equipment**

Property and equipment are tangible assets that are held for use in the production or supply of goods or services, or for administrative purposes (other than freehold lands as described below). Property and equipment are stated in the combined statements of financial position at cost less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

Freehold lands are not depreciated and are measured at cost less subsequent accumulated impairment losses.

When the Group makes payments for ownership interests of properties which includes both leasehold land and building elements, the entire consideration is allocated between the leasehold land and the building elements in proportion to the relative fair values at initial recognition. To the extent the allocation of the relevant payments can be made reliably, interest in leasehold land is presented as "right-of-use assets" in the combined statements of financial position. When the consideration cannot be allocated reliably between non-lease building element and undivided interest in the underlying leasehold land, the entire properties are classified as property and equipment.

Depreciation is recognised so as to write off the cost of assets less their residual values over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for a prospective basis.

## APPENDIX I

## ACCOUNTANTS' REPORT

An item of property and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

### **Intangible asset**

Intangible asset not yet available for use with finite useful life that is acquired separately is carried at cost less any accumulated impairment losses. Amortisation for intangible asset with finite useful life commences when the asset is available for use and is recognised on a straight line basis over its estimated useful life. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis. An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains and losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognised in profit or loss when the asset is derecognised.

### **Leases**

#### *Definition of a lease*

A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

The Group assesses whether a contract is or contains a lease at inception, modification date or business acquisition date. Such contract will not be reassessed unless the terms and conditions of the contract are subsequently changed.

#### *Short-term leases and leases of low-value assets*

The Group applies the short-term lease recognition exemption to leases of gaming equipment that have a lease term of 12 months or less from the commencement date and do not contain a purchase option. It also applies the recognition exemption for lease of low-value assets. Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis or another systematic basis over the lease term.

#### *The Group as lessee*

##### *Right-of-use assets*

The Group recognises right-of-use asset at the commencement date of the lease (i.e. the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities.

The cost of right-of-use asset includes:

- the amount of the initial measurement of the lease liability;
- any lease payments made at or before the commencement date, less any lease incentives received; and
- any initial direct costs incurred by the Group.

The Group presents right-of-use assets as a separate line item on the combined statements of financial position.

##### *Refundable rental deposits*

Refundable rental deposits paid are accounted under HKFRS 9 and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments and included in the cost of right-of-use assets.

## APPENDIX I

## ACCOUNTANTS' REPORT

### *Lease liabilities*

At the commencement date of a lease, the Group recognises and measures the lease liability at the present value of lease payments that are unpaid at that date. In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable.

The lease payments include:

- fixed payments (including in-substance fixed payments) less any lease incentives receivable; and
- variable lease payments that depend on an index or a rate.

After the commencement date, lease liabilities are adjusted by interest accretion and lease payments.

The Group remeasures lease liabilities (and makes a corresponding adjustment to the related right-of-use assets) whenever the lease payments change due to changes in an index or a rate, in which case the related lease liability is remeasured by discounting the revised lease payments using the initial discount rate.

The Group presents lease liabilities as a separate line item on the combined statements of financial position.

### **Impairment losses on property and equipment, intangible assets and right-of-use assets**

At the end of each reporting period, the Group reviews the carrying amounts of its property and equipment, intangible assets and right-of-use assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the relevant asset is estimated in order to determine the extent of the impairment loss, if any. Intangible asset not yet available for use are tested for impairment at least annually, and whenever there is an indication that they may be impaired.

The recoverable amount of property and equipment, intangible assets and right-of-use assets, are estimated individually. When it is not possible to estimate the recoverable amount individually, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

In testing a cash-generating unit for impairment, corporate assets are allocated to the relevant cash-generating unit when a reasonable and consistent basis of allocation can be established, or otherwise they are allocated to the smallest group of cash generating units for which a reasonable and consistent allocation basis can be established. The recoverable amount is determined for the cash-generating unit or group of cash-generating units to which the corporate asset belongs, and is compared with the carrying amount of the relevant cash-generating unit or group of cash-generating units.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset (or a cash-generating unit) for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or a cash-generating unit) is reduced to its recoverable amount. For corporate assets or portion of corporate assets which cannot be allocated on a reasonable and consistent basis to a cash-generating unit, the Group compares the carrying amount of a group of cash-generating units, including the carrying amounts of the corporate assets or portion of corporate assets allocated to that group of cash-generating units, with the recoverable amount of the group of cash-generating units. In allocating the impairment loss, the impairment loss is allocated first to reduce the carrying amount of any goodwill (if applicable) and then to the other assets on a pro-rata basis based on the carrying amount of each asset in the unit or the group of cash-generating units. The carrying amount of an asset is not reduced below the highest of its fair value less costs of disposal (if measurable), its value in use (if determinable) and zero. The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other assets of the unit or the group of cash-generating units. An impairment loss is recognised immediately in profit or loss.

## APPENDIX I

## ACCOUNTANTS' REPORT

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit or a group of cash-generating units) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or a cash-generating unit or a group of cash-generating units) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

### **Inventories**

Inventories, which mainly represent food and beverage held for sale, are stated at the lower of cost and net realisable value. Costs of inventories are determined on a weighted average method. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale. Costs necessary to make the sale include incremental costs directly attributable to the sale and non-incremental costs which the Group must incur to make the sale.

### **Financial instruments**

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instrument. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

Financial assets and financial liabilities are initially measured at fair value except for trade receivables arising from contracts with customers which are initially measured in accordance with HKFRS 15. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets or financial liabilities at fair value through profit or loss ("FVTPL")) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating interest income and interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts and payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset or financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

### ***Financial assets***

#### *Classification and subsequent measurement of financial assets*

Financial assets that meet the following conditions are subsequently measured at amortised cost:

- the financial asset is held within a business model whose objective is to collect contractual cash flows; and
- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

All other financial assets are subsequently measured at fair value.



## APPENDIX I

## ACCOUNTANTS' REPORT

### *Amortised cost and interest income*

Interest income is recognised using the effective interest method for debt instruments measured subsequently at amortised cost. Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired (see below). For financial assets that have subsequently become credit-impaired, interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset from the next reporting period. If the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset from the beginning of the reporting period following the determination that the asset is no longer credit-impaired.

### *Financial assets at FVTPL*

Financial assets that do not meet the criteria for being measured at amortised cost or fair value through other comprehensive income ("FVTOCI") designated as FVTOCI are measured at FVTPL.

Financial assets at FVTPL are measured at fair value at the end of each reporting period, with any fair value gains or losses recognised in profit or loss. The net gain or loss recognised in profit or loss includes any dividend or interest earned on the financial asset and is included in the "other gains and losses" line item.

### *Impairment of financial assets subject to impairment assessment under HKFRS 9*

The Group performs impairment assessment under expected credit loss ("ECL") model on financial assets (including trade receivables, other receivables and deposits, deposits for gaming licence, amount due from a fellow subsidiary, loan to a related party, pledged bank deposits and bank balances) which are subject to impairment assessment under HKFRS 9. The amount of ECL is updated at the end of each reporting date to reflect changes in credit risk since initial recognition.

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of the relevant instrument. In contrast, 12-month ECL represents the portion of lifetime ECL that is expected to result from default events that are possible within 12 months after the reporting date. Assessment are done based on the Group's historical credit loss experience, and factors that are specific to the debtors, general economic conditions and an assessment of both the current conditions at the reporting date as well as the forecast of future conditions.

The Group always assesses lifetime ECL for trade receivables.

For all other financial instruments, the Group assesses the loss allowance equal to 12-month ECL, unless when there has been a significant increase in credit risk since initial recognition, in which case the Group recognises lifetime ECL. The assessment of whether lifetime ECL should be recognised is based on significant increases in the likelihood or risk of a default occurring since initial recognition.

#### (i) Significant increase in credit risk

In assessing whether the credit risk has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as at the end of each reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

In particular, the following information is taken into account when assessing whether the credit risk has increased significantly:

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;
- significant deterioration in external market indicators of credit risk. e.g. a significant increase in the credit spread, the credit default swap prices for the debtor;

## APPENDIX I

## ACCOUNTANTS' REPORT

- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in debtor's ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor; and
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

Despite the foregoing, the Group assumes that the credit risk on a debt instrument has not increased significantly since initial recognition if the debt instrument is determined to have low credit risk at the reporting date. A debt instrument is determined to have low credit risk if (i) it has a low risk of default; (ii) the borrower has a strong capacity to meet its contractual cash flow obligations in the near term; and (iii) adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations.

The Group regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

### (ii) Definition of default

For internal credit risk management, the Group considers an event of default occurs when information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collaterals held by the Group).

Irrespective of the above, the Group considers that default has occurred when a financial asset is more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

### (iii) Credit-impaired financial assets

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

- significant financial difficulty of the issuer or the borrower;
- a breach of contract, such as a default or past due event;
- the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider; or
- it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation.

### (iv) Write-off policy

The Group writes off a financial asset when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, for example, when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings, or in the case of accounts receivable, when the amounts are over one year past due, whichever

## APPENDIX I

## ACCOUNTANTS' REPORT

occurs sooner. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. Any subsequent recoveries are recognised in profit or loss.

(v) Measurement and recognition of ECL

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data and forward-looking information. Estimation of ECL reflects an unbiased and probability-weighted amount that is determined with the respective risks of default occurring as the weights.

Generally, the ECL is the difference between all contractual cash flows that are due to the Group in accordance with the contract and the cash flows that the Group expects to receive, discounted at the effective interest rate determined at initial recognition.

Lifetime ECL for trade receivables are considered on a collective basis taking into consideration past due information and relevant credit information such as forward looking macroeconomic information.

For collective assessment, the Group takes into consideration the following characteristics when formulating the grouping:

- Nature of financial instruments;
- Past-due status; and
- Nature, size and industry of debtors.

The grouping is regularly reviewed by the management of the Group to ensure the constituents of each group continue to share similar credit risk characteristics.

Interest income is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit-impaired, in which case interest income is calculated based on amortised cost of the financial asset.

The Group recognises an impairment gain or loss in profit or loss for all financial instruments by adjusting their carrying amount with the exception of trade receivables where the correspondence adjustment is recognised through a loss allowance account.

### *Derecognition of financial assets*

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire.

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

### *Financial liabilities and equity*

#### *Classification as debt or equity*

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

#### *Equity instruments*

An equity instrument is any contract that evidences a residual interest in the assets of a group entity after deducting all of its liabilities. Equity instruments issued by the group entities are recognised at the proceeds received, net of direct issue costs.

## APPENDIX I

## ACCOUNTANTS' REPORT

### *Financial liabilities*

All financial liabilities are subsequently measured at amortised cost using the effective interest method.

### *Financial liabilities at amortised cost*

Financial liabilities (including trade payables, other payables and bank and other borrowings) are subsequently measured at amortised cost, using the effective interest method.

### *Derecognition of financial liabilities*

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

#### 4. KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in Note 3, the management of the Group is required to make estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an on-going basis. Revision to accounting estimate is recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of each reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next twelve months.

### *Impairment assessment of the property and equipment and right-of-use assets related to Trans World Hotels Austria GmbH ("TWA")*

In determining whether impairment loss of property and equipment and right-of-use assets related to TWA should be recognised or reversed, the management of the Group has to make estimation on the recoverable amounts of the property and equipment and right-of-use assets related to TWA. Changes in the key assumptions, including the pre-tax discount rate, terminal growth rate and expected changes in revenues and costs in the discounted cash flow projections, could materially affect the recoverable amounts.

The management of the Group considered there was indication (i.e. operating loss) for impairment for these property and equipment and right-of-use assets for the years ended 31 March 2021, 2022 and 2023 and prepared discounted cash flow projections for TWA based on the financial budget approved by the management of the Group and engaged an independent professional valuer to conduct impairment assessment on these property and equipment and right-of-use assets by estimating their recoverable amounts. At 31 March 2021, 2022 and 2023, the carrying amounts of the property and equipment and right-of-use assets related to TWA were approximately HK\$32,848,000 and HK\$11,475,000, HK\$28,068,000 and HK\$11,507,000, and HK\$24,405,000 and HK\$16,808,000, respectively, after taking into account the accumulated impairment of HK\$53,186,000 and HK\$16,087,796, HK\$54,706,000 and HK\$16,547,000 and HK\$54,706,000 and HK\$16,547,000 respectively. The Group estimated the recoverable amount of the property and equipment and right-of-use assets related to TWA based on value in use and concluded that the carrying amount of these assets does not materially differ from their recoverable amount. Accordingly, no impairment loss or reversal was recognised during the Track Record Period.

### *Deferred tax assets*

As at 31 March 2021, 2022 and 2023, no deferred tax asset has been recognised on the tax losses of HK\$121,759,000, HK\$129,787,000 and HK\$134,708,000 and deductible temporary difference of HK\$66,014,000, HK\$65,583,000 and HK\$61,861,000 due to the unpredictability of future profit streams. The realisability of the deferred tax asset mainly depends on whether sufficient future profits will be

APPENDIX I

ACCOUNTANTS' REPORT

available in the future, which is a key source of estimation uncertainty especially the uncertainty on how the economic condition in Europe. In cases where the actual future taxable profits generated are more than expected, or change in facts and circumstances which result in revision of future taxable profits estimation, a material recognition of deferred tax assets may arise, which would be recognised in profit or loss for the period in which such a recognition takes place.

5. SEGMENT INFORMATION

The Group is currently organised into two reportable segments – gaming operations, and hotel and catering operations. Principal activities of these two reportable segments are as follows:

- (i) Gaming operations – operation of casinos
- (ii) Hotel and catering operations – operation of hotel, catering and related services

Reportable segments are reported in a manner consistent with the internal reporting provided to the executive directors of the Company, being the chief operating decision maker (the "CODM"). CODM, who is responsible for allocating resources and assessing performance of the reportable segments, has been identified as a group of senior management that makes strategic decisions.

The CODM regularly analyses gaming operations in terms of table gaming operations and slot machine gaming operations for each casino, and the relevant revenues and operating results are reviewed as a whole for resources allocation and performance assessment. For hotel and catering operations, the CODM regularly reviews the performance on the basis of the individual hotel. For segment reporting under HKFRS 8 Operating Segments, financial information of the Group's hotels with similar economic characteristics has been aggregated into a single reportable segment named "hotel and catering operations".

Segment information about these businesses is presented below:

- (a) An analysis of the Group's revenue and results by reportable segments is as follows:

	Year ended 31 March		
	2021 HK\$'000	2022 HK\$'000	2023 HK\$'000
<b>Segment revenue</b>			
Gaming operations: recognised at a point in time	107,914	278,458	390,403
Hotel and catering operations:			
Catering operations:			
recognised at a point in time	14,274	31,071	62,380
Hotel operations:			
recognised over time	23,583	41,667	76,238
	<u>122,188</u>	<u>309,529</u>	<u>452,783</u>
Revenue from contracts with customers:			
recognised at a point in time	122,188	309,529	452,783
recognised over time	23,583	41,667	76,238
	<u>145,771</u>	<u>351,196</u>	<u>529,021</u>
<b>Segment results</b>			
Gaming operations	17,097	73,087	102,691
Hotel and catering operations	2,208	6,899	4,317
Unallocated corporate income	4,518	195	3,064
Unallocated corporate expenses	(20,304)	(31,131)	(48,456)
	<u>3,519</u>	<u>49,050</u>	<u>61,616</u>
Profit before taxation	<u>3,519</u>	<u>49,050</u>	<u>61,616</u>

**APPENDIX I**

**ACCOUNTANTS' REPORT**

The accounting policies of the reportable segments are the same as the Group's accounting policies described in Note 3. Segment results represent the profit before taxation from each segment without allocation of certain finance costs and corporate income and expenses. This is the measure reported to the CODM for the purposes of resources allocation and performance assessment.

- (b) An analysis of the Group's assets and liabilities by reportable segments is as follows:

	As at 31 March		
	2021 HK\$'000	2022 HK\$'000	2023 HK\$'000
<b>ASSETS</b>			
Segment assets:			
– gaming operations	139,920	133,874	124,269
– hotel and catering operations	265,065	269,072	255,142
	<u>404,985</u>	<u>402,946</u>	<u>379,411</u>
Other unallocated assets	116,450	174,211	237,404
	<u>521,435</u>	<u>577,157</u>	<u>616,815</u>
Group's total	<u><u>521,435</u></u>	<u><u>577,157</u></u>	<u><u>616,815</u></u>
<b>LIABILITIES</b>			
Bank and other borrowings:			
– gaming operations	1,554	1,160	724
– hotel and catering operations	91,984	80,250	69,465
	<u>93,538</u>	<u>81,410</u>	<u>70,189</u>
Other segment liabilities:			
– gaming operations	636	9,398	11,199
– hotel and catering operations	113,233	130,010	141,855
	<u>113,869</u>	<u>139,408</u>	<u>153,054</u>
Total segment liabilities	207,407	220,818	223,243
Unallocated liabilities	6,829	8,094	5,810
	<u>214,236</u>	<u>228,912</u>	<u>229,053</u>
Group's total	<u><u>214,236</u></u>	<u><u>228,912</u></u>	<u><u>229,053</u></u>

For the purposes of monitoring segment performances and allocating resources between segments:

- (i) other unallocated assets include mainly certain property and equipment, deposits for acquisition of equipment, intangible assets, certain right-of-use assets, loan to a related party, financial assets at FVTPL, certain other receivables, deposits and prepayments, amount due from a fellow subsidiary and certain cash and cash equivalents.
- (ii) unallocated liabilities include mainly certain other payables, deferred tax liabilities and certain lease liabilities.
- (iii) all assets are allocated to reportable segments, other than assets not attributable to respective segments as mentioned in above (i).
- (iv) all liabilities are allocated to reportable segments, other than liabilities not attributable to respective segments as mentioned in above (ii).

APPENDIX I

ACCOUNTANTS' REPORT

(c) Other segment information of the Group

Amounts included in the measurement of segment profit or loss:

For the year ended 31 March 2021

	<b>Gaming operations</b> <i>HK\$'000</i>	<b>Hotel and catering operations</b> <i>HK\$'000</i>	<b>Unallocated</b> <i>HK\$'000</i>	<b>Total</b> <i>HK\$'000</i>
Depreciation of right-of-use assets	–	381	–	381
Depreciation of property and equipment	9,820	5,678	9,095	24,593
Net loss on disposal of property and equipment	–	–	38	38
Finance costs	–	3,651	–	3,651
Income tax expense	947	15	–	962
Impairment losses reversed	–	(612)	–	(612)
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>

For the year ended 31 March 2022

	<b>Gaming operations</b> <i>HK\$'000</i>	<b>Hotel and catering operations</b> <i>HK\$'000</i>	<b>Unallocated</b> <i>HK\$'000</i>	<b>Total</b> <i>HK\$'000</i>
Depreciation of right-of-use assets	–	410	–	410
Depreciation of property and equipment	9,544	6,058	8,481	24,083
Net gain on disposal of property and equipment	–	–	(143)	(143)
Bank interest income	–	–	(52)	(52)
Finance costs	–	3,489	–	3,489
Income tax expense	8,952	15	–	8,967
Impairment losses recognised	–	324	–	324
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>

For the year ended 31 March 2023

	<b>Gaming operations</b> <i>HK\$'000</i>	<b>Hotel and catering operations</b> <i>HK\$'000</i>	<b>Unallocated</b> <i>HK\$'000</i>	<b>Total</b> <i>HK\$'000</i>
Depreciation of right-of-use assets	–	563	436	999
Depreciation of property and equipment	7,406	6,005	8,770	22,181
Net gain on disposal of property and equipment	–	–	(107)	(107)
Bank interest income	–	–	(661)	(661)
Interest income from related parties	–	–	(2,296)	(2,296)
Finance costs	–	3,504	72	3,576
Income tax expense	17,447	15	–	17,462
Impairment losses reversed	–	(331)	–	(331)
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>

**APPENDIX I**

**ACCOUNTANTS' REPORT**

	Year ended 31 March		
	2021	2022	2023
	HK\$'000	HK\$'000	HK\$'000
Additions to non-current assets (other than financial instruments)			
– gaming operations	5,267	878	4,124
– hotel and catering operations	1,528	92	2,088
– corporate level*	6,771	5,985	25,846
	<u>13,566</u>	<u>6,955</u>	<u>32,058</u>

\* Amount includes additions to certain property and equipment, certain right-of-use assets and deposits for acquisition of equipment where the directors of the Group consider it impracticable to divide into individual segments.

(d) Geographical information

The Group's operations are in the Czech Republic, Germany and Austria. Information about the Group's revenue from external customers is presented based on the location of the operations. Information about the Group's non-current assets is presented based on geographical location of the assets.

	Year ended 31 March		
	2021	2022	2023
	HK\$'000	HK\$'000	HK\$'000
Revenue from external customers:			
The Czech Republic	116,991	302,574	430,966
Germany	23,263	36,060	71,845
Austria	5,517	12,562	26,210
	<u>145,771</u>	<u>351,196</u>	<u>529,021</u>
	As at 31 March		
	2021	2022	2023
	HK\$'000	HK\$'000	HK\$'000
Non-current assets:			
The Czech Republic	233,648	235,555	240,116
Germany	140,531	127,337	116,740
Austria	44,357	39,606	41,239
	<u>418,536</u>	<u>402,498</u>	<u>398,095</u>

Non-current assets exclude financial instruments.

(e) Information about major customers

There is no customer who contributes more than 10% of the total revenue of the Group for each of the years ended 31 March 2021, 2022 and 2023.



APPENDIX I

ACCOUNTANTS' REPORT

6. REVENUE

	Year ended 31 March		
	2021	2022	2023
	HK\$'000	HK\$'000	HK\$'000
Gaming revenue from:			
– slot machine operations	81,611	212,943	300,124
– table gaming operations	26,303	65,515	90,279
	<u>107,914</u>	<u>278,458</u>	<u>390,403</u>
Hotel, catering and related service income from:			
– catering operations	14,274	31,071	62,380
– hotel operations	23,583	41,667	76,238
	<u>37,857</u>	<u>72,738</u>	<u>138,618</u>
	<u>145,771</u>	<u>351,196</u>	<u>529,021</u>

For hotel and catering transactions, the Group generally grants credit terms ranging from 30 to 60 days to its corporate customers from the date of invoices. Other than that, transactions with patrons and individual customers are settled by cash or credit cards through payment gateways, which will generally settle the amounts with the Group within 2 days after the date of transactions. As at 31 March 2021, 2022 and 2023, all outstanding sales contracts are expected to be fulfilled within 12 months after the end of each reporting period. As permitted under HKFRS 15, the transaction price allocated to these unsatisfied contract is not disclosed.

7. OTHER INCOME/OTHER GAINS AND LOSSES

	Year ended 31 March		
	2021	2022	2023
	HK\$'000	HK\$'000	HK\$'000
(a) Other income			
Bank interest income	–	52	661
Interest income from related parties	–	–	2,296
Government grants ( <i>Note</i> )	76,413	42,183	2,215
	<u>76,413</u>	<u>42,235</u>	<u>5,172</u>
(b) Other gains and losses			
Fair value change on financial assets at FVTPL	4,518	(1,533)	(3,107)
Foreign exchange loss, net	(1,044)	(4,891)	(9,523)
(Loss) gain on disposal of property and equipment	(38)	143	107
Impairment losses reversed (recognised) under expected credit loss model, net	612	(324)	331
	<u>4,048</u>	<u>(6,605)</u>	<u>(12,192)</u>

*Note:* During the Track Record Period, the Group recognised government grants from the government of the Czech Republic, Germany and Austria in order to subsidy the business operations of respective entities incorporated in these countries for the COVID-19 impact. All of government grants recognised during the Track Record Period are unconditional.

APPENDIX I

ACCOUNTANTS' REPORT

8. FINANCE COSTS

	Year ended 31 March		
	2021	2022	2023
	HK\$'000	HK\$'000	HK\$'000
Interest on lease liabilities	1,137	1,205	1,401
Interest on bank and other borrowings	2,514	2,284	2,175
	<u>3,651</u>	<u>3,489</u>	<u>3,576</u>

9. INCOME TAX EXPENSE

Income tax expense

	Year ended 31 March		
	2021	2022	2023
	HK\$'000	HK\$'000	HK\$'000
Current tax:			
– The Czech Republic Corporation Tax	560	9,869	17,731
– Austria Corporation Tax	15	15	15
	<u>575</u>	<u>9,884</u>	<u>17,746</u>
Deferred tax ( <i>Note 28</i> )	<u>387</u>	<u>(917)</u>	<u>(284)</u>
Income tax expense	<u>962</u>	<u>8,967</u>	<u>17,462</u>

The Group is not subject to any income tax in the Cayman Islands pursuant to the rules and regulations in the jurisdiction.

During the Track Record Period, the Czech Republic Corporation Tax is calculated at a rate of 19% on the estimated assessable profits.

No provision for Hong Kong profits tax was made as the Group had no estimated assessable profit that was subject to Hong Kong profits tax during the Track Record Period.

No provision for Germany corporation tax for the Track Record Period as the Group either incurred tax loss or utilised tax loss for offsetting the income tax payable.

No provision for Austria Corporation Tax during the Track Record Period as the Group incurred tax loss, however, there is a minimum Corporation Tax of EURO ("EUR") 437.5 for each quarter during the Track Record Period for entities in a tax loss position.

Withholding tax of 15% is imposed on dividends declared in respect of profits earned by the subsidiary incorporated in the Czech Republic. At 31 March 2021, 2022 and 2023, the amount of distributable earnings for the Group's subsidiary incorporated in the Czech Republic in respect of which the Group has not provided for dividend withholding tax amounted to HK\$472,054,000, HK\$517,097,000 and HK\$576,433,000, respectively. No deferred tax liability has been recognised in respect of these amounts because the Group is in a position in control of the timing of the reversal of the temporary differences and it is probable that such differences will not reverse in the foreseeable future.

APPENDIX I

ACCOUNTANTS' REPORT

The income tax expense for each of the Track Record Period can be reconciled to the profit before taxation per the combined statements of profit or loss and other comprehensive income as follows:

	Year ended 31 March		
	2021 HK\$'000	2022 HK\$'000	2023 HK\$'000
Profit before taxation	3,519	49,050	61,616
Tax at the statutory tax rate of 19% in the Czech Republic	669	9,320	11,707
Tax effect of expenses not deductible for tax purpose	238	3,213	5,589
Tax effect of income not taxable for tax purpose	(64)	(3,021)	(148)
Tax effect of tax losses not recognised	931	141	771
Effect of tax exemptions granted to Czech subsidiary ( <i>note</i> )	(50)	(108)	(75)
Utilisation of tax losses previously not recognised	(9)	(264)	–
Utilisation of deductible temporary difference previously not recognised	(768)	(579)	(457)
Tax effect of deductible temporary differences not recognised	–	250	60
Minimum tax to Austria subsidiary	15	15	15
Income tax expense	962	8,967	17,462

*Note:* Tax exemption of approximately CZK151,000, CZK304,000 and CZK208,000 has been granted to Czech subsidiary for the years ended 31 March 2021, 2022 and 2023, respectively.

10. PROFIT BEFORE TAXATION

	Year ended 31 March		
	2021 HK\$'000	2022 HK\$'000	2023 HK\$'000
Profit before taxation has been arrived at after charging:			
Auditor's remuneration	751	777	836
Directors' remuneration ( <i>Note 11</i> )	2,046	2,054	2,434
Other staff costs (excluding the directors' remuneration)			
– Salaries, allowances and other benefits	107,199	124,800	167,665
– Pension schemes contributions	77	97	83
Total staff costs	109,322	126,951	170,182
Depreciation of property and equipment	24,593	24,083	22,181
Depreciation of right-of-use assets	381	410	999

APPENDIX I

ACCOUNTANTS' REPORT

11. DIRECTORS' AND EMPLOYEES' EMOLUMENTS

(a) Directors' and the chief executive's emoluments

Subsequent to the end of the Track Record Period, Mr. Pavel Maršík ("Mr. Maršík"), who is also the chief executive, was appointed as the director of the Company on [●]. Tan Sri Dato' David CHIU (丹斯里拿督邱達昌) ("Mr. Chiu") and Mr. Cheong Thard HOONG (孔祥達) ("Mr. Hoong") were appointed as the directors of the Company on [●]. Mr. Paul Liu, Mr. Kam Choi Rox LAM (林錦才) and Ms. Rosa Ng were proposed to be appointed as independent non-executive directors and their appointments shall become effective upon the [REDACTED].

The emoluments paid or payable to the director of the Company (including emoluments for services as director/employee of the group entities prior to becoming director of the Company) by the Group during the Track Record Period are as follows:

*Executive director*

**For the year ended 31 March 2021**

	<b>Mr. Maršík</b> <i>HK\$'000</i>
Fee	1,655
Salaries, allowances and other benefits	20
Discretionary bonus ( <i>Note</i> )	371
	<hr/>
	2,046
	<hr/> <hr/>

**For the year ended 31 March 2022**

	<b>Mr. Maršík</b> <i>HK\$'000</i>
Fee	1,846
Salaries, allowances and other benefits	24
Discretionary bonus ( <i>Note</i> )	184
	<hr/>
	2,054
	<hr/> <hr/>

**For the year ended 31 March 2023**

	<b>Mr. Maršík</b> <i>HK\$'000</i>
Fee	2,033
Salaries, allowances and other benefits	34
Discretionary bonus ( <i>Note</i> )	367
	<hr/>
	2,434
	<hr/> <hr/>

*Note:* The discretionary bonus is determined by reference to the duties and responsibilities of the relevant individual within the Group and the Group's performance.

**APPENDIX I**

**ACCOUNTANTS' REPORT**

The executive director's emoluments shown above were for his services in connection with the management of the affairs of the Group.

None of the director nor chief executive waived or agreed to waive any emoluments during the Track Record Period.

**(b) Employees' emoluments**

The five highest paid individuals included 1 director for the years ended 31 March 2021, 2022 and 2023, respectively, whose emoluments are included in the disclosures in (a) above for the Track Record Period. The emoluments of the remaining 4 individuals for the years ended 31 March 2021, 2022 and 2023, respectively, are as follows:

	Year ended 31 March		
	2021	2022	2023
	HK\$'000	HK\$'000	HK\$'000
Salaries, allowances and other benefits	3,863	4,237	4,195
Discretionary bonus ( <i>Note</i> )	850	418	1,248
	4,713	4,655	5,443
	4,713	4,655	5,443

*Note:* The discretionary bonus is determined by reference to the duties and responsibilities of the relevant individual within the Group and the Group's performance.

The emoluments of the highest paid employees who are not director of the Company were within the following band:

	Year ended 31 March		
	2021	2022	2023
Nil to HK\$1,000,000	1	1	1
HK\$1,000,001 to HK\$1,500,000	3	3	2
HK\$1,500,001 to HK\$2,000,000	–	–	1
	4	4	4
	4	4	4

During the Track Record Period, no emoluments were paid by the Group to any of the director of the Company or the chief executive of the Group or the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office.

**12. DIVIDENDS**

No dividend has been declared or paid by the Company since its incorporation. No dividend has been declared or paid by group entities comprising the Group in respect of the Track Record Period.

**13. EARNINGS PER SHARE**

Earnings per share information is not presented as its inclusion, for the purpose of the Historical Financial Information, is not considered meaningful having regard to the Reorganisation and the result of the Group for the Track Record Period that is prepared on a combined basis as disclosed in Note 1 to the Historical Financial Information.

APPENDIX I

ACCOUNTANTS' REPORT

14. PROPERTY AND EQUIPMENT

	Freehold land HK\$'000	Buildings under freehold land HK\$'000	Buildings under leasehold land HK\$'000	Office furniture, fixtures and equipment HK\$'000	Motor vehicle HK\$'000	Gaming equipments HK\$'000	Total HK\$'000
<b>COST</b>							
At 1 April 2020	20,844	326,230	172,945	110,874	6,282	57,971	695,146
Exchange adjustments	2,690	35,370	14,985	14,306	795	7,509	75,655
Additions	-	2,186	-	6,771	-	4,609	13,566
Disposals	-	-	-	(530)	(263)	(26)	(819)
At 31 March 2021	23,534	363,786	187,930	131,421	6,814	70,063	783,548
Exchange adjustments	(1,007)	2,755	2,877	1,314	195	2,002	8,136
Additions	92	605	-	859	373	273	2,202
Disposals	-	-	-	(12,082)	(4,650)	(4,541)	(21,273)
At 31 March 2022	22,619	367,146	190,807	121,512	2,732	67,797	772,613
Exchange adjustments	(807)	(5,937)	(14,271)	(4,654)	(78)	(2,598)	(28,345)
Additions	-	5,528	39	16,437	3,537	645	26,186
Disposals	-	-	-	(745)	(236)	(4,896)	(5,877)
At 31 March 2023	21,812	366,737	176,575	132,550	5,955	60,948	764,577
<b>DEPRECIATION AND IMPAIRMENT</b>							
At 1 April 2020	-	65,345	156,011	62,951	2,310	36,661	323,278
Exchange adjustments	-	8,082	14,983	8,548	298	5,033	36,944
Provided for the year	-	7,616	479	8,212	883	7,403	24,593
Eliminated on disposal	-	-	-	(530)	(225)	(26)	(781)
At 31 March 2021	-	81,043	171,473	79,181	3,266	49,071	384,034
Exchange adjustments	-	536	2,764	396	33	1,402	5,131
Provided for the year	-	8,212	461	7,670	811	6,929	24,083
Eliminated on disposal	-	-	-	(12,013)	(3,360)	(3,858)	(19,231)
At 31 March 2022	-	89,791	174,698	75,234	750	53,544	394,017
Exchange adjustments	-	(1,610)	(12,371)	(478)	(29)	(1,023)	(15,511)
Provided for the year	-	8,243	440	7,826	944	4,728	22,181
Eliminated on disposal	-	-	-	(745)	(236)	(629)	(1,610)
At 31 March 2023	-	96,424	162,767	81,837	1,429	56,620	399,077
<b>CARRYING VALUES</b>							
At 31 March 2021	23,534	282,743	16,457	52,240	3,548	20,992	399,514
At 31 March 2022	22,619	277,355	16,109	46,278	1,982	14,253	378,596
At 31 March 2023	21,812	270,313	13,808	50,713	4,526	4,328	365,500

**APPENDIX I**

**ACCOUNTANTS' REPORT**

The above items of property and equipment are depreciated on a straight-line basis at the following rates per annum, taking into account the residual value:

Office furniture, fixtures and equipment	8%-33%
Motor vehicle	20%-33%
Gaming equipments	20%-25%
Buildings under leasehold land	over the lease term
Buildings under freehold land	2%-2.5%

**15. INTANGIBLE ASSETS**

	<b>Search engine platform under construction</b> <i>HK\$'000</i>
<b>COST</b>	
At 1 April 2020 and 31 March 2021	–
Additions	<u>870</u>
At 31 March 2022	870
Additions	<u>3,176</u>
At 31 March 2023	<u><u>4,046</u></u>
<b>AMORTISATION</b>	
At 1 April 2020, 31 March 2021, 2022 and 2023	<u>–</u>
<b>CARRYING VALUES</b>	
At 31 March 2021	<u><u>–</u></u>
At 31 March 2022	<u><u>870</u></u>
At 31 March 2023	<u><u>4,046</u></u>

*Note:* As at 31 March 2022 and 2023, the intangible asset represents the development cost incurred for the search engine optimisation platform. The development cost will start to amortise from the date when the platform is available for use.

APPENDIX I

ACCOUNTANTS' REPORT

16. RIGHT-OF-USE ASSETS

	Office premises HK\$'000	Leasehold land HK\$'000	Total HK\$'000
<b>COST</b>			
At 1 April 2020	–	32,162	32,162
Exchange adjustments	–	4,150	4,150
At 31 March 2021	–	36,312	36,312
Additions	2,000	–	2,000
Exchange adjustments	–	1,037	1,037
At 31 March 2022	2,000	37,349	39,349
Lease reassessment	–	5,742	5,742
Exchange adjustments	(39)	–	(39)
At 31 March 2023	1,961	43,091	45,052
<b>DEPRECIATION AND IMPAIRMENT</b>			
At 1 April 2020	–	14,956	14,956
Exchange adjustments	–	1,953	1,953
Provided for the year	–	381	381
At 31 March 2021	–	17,290	17,290
Exchange adjustments	–	500	500
Provided for the year	–	410	410
At 31 March 2022	–	18,200	18,200
Provided for the year	436	563	999
At 31 March 2023	436	18,763	19,199
<b>CARRYING VALUES</b>			
At 31 March 2021	–	19,022	19,022
At 31 March 2022	2,000	19,149	21,149
At 31 March 2023	1,525	24,328	25,853
<b>Year ended 31 March</b>			
	<b>2021</b>	<b>2022</b>	<b>2023</b>
	HK\$'000	HK\$'000	HK\$'000
Expense relating to short-term leases	–	327	147
Expense relating to lease of low-value assets	66	74	76
Total cash outflow for leases	2,053	2,500	2,657



APPENDIX I

ACCOUNTANTS' REPORT

The Group leases office premises and pieces of land of hotel buildings during the Track Record Period. Lease contracts for office premises and leasehold land are entered into for fixed term of 4 years and 42 to 66 years, without any extension nor termination options, respectively. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. In determining the lease term and assessing the length of the non-cancellable period, the Group applies the definition of a contract and determines the period for which the contract is enforceable.

During the year ended 31 March 2022, the Group entered into new lease agreements for the use of office premises for 4.5 years. On the lease commencement, the Group recognised HK\$2,000,000 of right-of-use assets and HK\$2,000,000 of lease liabilities respectively.

The lease payment of the leasehold land in Austria is charged at fixed amount on a monthly basis. During the year ended 31 March 2023, lease reassessment of HK\$5,742,000 has been recognised as right-of-use assets and lease liabilities using the initial discount rate. The lease payment for the remaining years will be adjusted by the inflation rate at the end of each calendar year provided that the inflation rate of Austria exceeds 5% per annum.

**Restrictions or covenants on leases**

In addition, lease liabilities of HK\$57,449,000, HK\$60,196,000 and HK\$64,866,000 are recognised with related right-of-use assets of HK\$19,022,000, HK\$21,149,000 and HK\$25,853,000 as at 31 March 2021, 2022 and 2023, respectively. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes.

17. INVENTORIES

	As at 31 March		
	2021 HK\$'000	2022 HK\$'000	2023 HK\$'000
Food and beverage held for sale	1,358	1,805	2,277
	<u>1,358</u>	<u>1,805</u>	<u>2,277</u>

18. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	As at 31 March		
	2021 HK\$'000	2022 HK\$'000	2023 HK\$'000
Financial assets at FVTPL	26,984	41,047	21,089
	<u>26,984</u>	<u>41,047</u>	<u>21,089</u>

Financial assets at FVTPL represents the investment held and managed by Singford Holdings Limited, a fellow subsidiary of the Group. The investment fund mainly consisted of cash and cash equivalents, over-the-counter currency bonds as well as listed equity instruments as at 31 March 2021, 2022 and 2023. The balance is classified as current asset as the management of the Group expects to realise within 12 months from the end of reporting period.

19. TRADE RECEIVABLES

	As at 31 March		
	2021 HK\$'000	2022 HK\$'000	2023 HK\$'000
Trade receivables	1,006	5,290	7,141
Less: allowance for credit losses	(90)	(414)	(83)
	<u>916</u>	<u>4,876</u>	<u>7,058</u>

As at 1 April 2020, trade receivables from contracts with customers amounted to HK\$3,821,000.

APPENDIX I

ACCOUNTANTS' REPORT

The entire trade receivables are arising from hotel and catering operations. The Group generally grants credit terms ranging from 30 to 60 days to its corporate customers from the date of invoices. Transactions with individual customers are settled by cash or credit cards through payment gateways, which will generally settle the amounts with the Group within 2 days after the sales was made. An ageing analysis of the trade receivables, net of allowance for impairment losses, presented based on the invoice dates at the end of each reporting period is as follows:

	As at 31 March		
	2021 HK\$'000	2022 HK\$'000	2023 HK\$'000
Within 30 days	637	3,097	5,913
31 days to 60 days	–	286	413
Over 60 days	279	1,493	732
	<u>916</u>	<u>4,876</u>	<u>7,058</u>

The Group provides ECL of trade receivables as prescribed by HKFRS 9. Details of impairment assessment of trade receivables as at 31 March 2021, 2022 and 2023 are set out in Note 33.

As at 31 March 2021, 2022 and 2023, included in the Group's trade receivables balance are debtors with aggregate carrying amount of HK\$279,000, HK\$1,779,000 and HK\$1,145,000, respectively, which are past due as at the reporting date. As at the end of each reporting period, no balance has been past due 90 days or more. The Group does not hold any collateral over these balances.

20. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	As at 31 March		
	2021 HK\$'000	2022 HK\$'000	2023 HK\$'000
Rental and utilities deposits	41	93	362
Deposits for acquisition of equipment	–	1,883	2,696
Deposits for gaming licence ( <i>note i</i> )	10,500	10,800	10,800
Government grants receivables ( <i>note ii</i> )	21,264	10,680	6,638
Other receivables, deposits and prepayments	4,485	6,609	6,175
Total	<u>36,290</u>	<u>30,065</u>	<u>26,671</u>
Presented as:			
Current	25,790	17,382	13,175
Non-current	10,500	12,683	13,496
	<u>36,290</u>	<u>30,065</u>	<u>26,671</u>

Notes:

- (i) Deposits of CZK30,000,000 (equivalents to approximately HK\$10,500,000, HK\$10,800,000 and HK\$10,800,000 as at 31 March 2021, 2022 and 2023, respectively) have been placed on a special account of the Ministry of Finance of the Czech Republic as surety deposit for the casino operations. The amount is refundable upon the gaming licence is conclusively withdrawn or ceased. As the amount will not be realised within 12 months from the end of reporting period, the amount is classified as non-current assets.
- (ii) The balance mainly represents the grants receivables from the government of the Czech Republic, Germany and Austria for reimbursing the Group's staff costs as at 31 March 2021, 2022 and 2023.

Details of impairment assessment of other receivables and deposits as at 31 March 2021, 2022 and 2023 are set out in Note 33.

**APPENDIX I**

**ACCOUNTANTS' REPORT**

**21. AMOUNT DUE FROM A FELLOW SUBSIDIARY/LOAN TO A RELATED PARTY**

**(a) Amount due from a fellow subsidiary**

The amount is non-trade in nature, unsecured, interest bearing at 4.5% per annum and recoverable on demand as at 31 March 2023.

**(b) Loan to a related party**

The balance is non-trade in nature, interest bearing at 5.95% plus Sterling Overnight Index Average, secured by the property of the borrower and with maturity on [30 June 2025]. As the amount will not be realised within 12 months from the end of each reporting period, the amount is classified as non-current asset.

The related party is a joint venture of FEC.

Details of impairment assessment of amount due from a fellow subsidiary and loan to a related party are set out in Note 33.

**22. CASH AND CASH EQUIVALENTS/PLEDGED BANK DEPOSITS**

Cash and cash equivalents comprise cash held by the Group, bank balances and short-term bank deposits for the purpose of meeting the Group's short term cash commitments.

Bank balances carry variable interest at average market rates of 0.5% per annum, 3.5% per annum and 6% per annum as at 31 March 2021, 2022 and 2023, respectively.

Pledged bank deposits carry fixed interest rate of 0.5%, 0.5% and 0.5% as at 31 March 2021, 2022 and 2023, respectively and represent deposits pledged to banks to secure long-term bank borrowings granted to the Group, and are therefore classified as non-current assets. The pledged bank deposits will be released upon the settlement of relevant bank borrowings.

Details of impairment assessment of bank balances and pledged bank deposits are set out in Note 33.

**23. TRADE PAYABLES**

The credit period granted by suppliers ranged from 0 to 90 days. The ageing analysis of the trade payables of the Group presented based on the invoice dates at the end of each reporting period is as follows:

	<b>As at 31 March</b>		
	<b>2021</b>	<b>2022</b>	<b>2023</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Within 60 days	2,441	7,024	6,133
61 to 90 days	3,329	–	161
	<u>5,770</u>	<u>7,024</u>	<u>6,294</u>

**APPENDIX I**

**ACCOUNTANTS' REPORT**

**24. OTHER PAYABLES**

	As at 31 March		
	2021 HK\$'000	2022 HK\$'000	2023 HK\$'000
Chips in circulation	571	1,358	1,405
Other payables and accruals	1,940	4,161	7,355
Refundable government subsidy	140	2,687	2,520
Deferred income ( <i>note i</i> )	[1,702]	[1,719]	[1,601]
Other tax payables	29,154	34,797	37,602
Salaries payables	7,325	13,271	15,662
Consideration payable ( <i>note ii</i> )	9,171	6,785	4,539
	<u>50,003</u>	<u>64,778</u>	<u>70,684</u>
Less: Non-current portion of consideration payable	(7,073)	(4,712)	(2,480)
Non-current portion of deferred income	<u>(1,659)</u>	<u>(1,676)</u>	<u>(1,558)</u>
	<u>41,271</u>	<u>58,390</u>	<u>66,646</u>

*Notes:*

- (i) TWA was granted by the Austria Government for subsidising the construction cost of hotel building at amount of EUR200,000 (equivalent to approximately HK\$1,800,000). The government grant will be amortised over the useful life of the hotel building.
- (ii) The balance represents the consideration payable arising from the acquisition of a hotel building in 2015, the amount is repayable on a monthly basis from year 2015 to 2025, interest bearing at 3% per annum and secured by the property held by the Group.

**25. CONTRACT LIABILITIES**

	As at 31 March		
	2021 HK\$'000	2022 HK\$'000	2023 HK\$'000
Advances received in relation to the service of hotel accommodation	267	352	790
Customer loyalty programme	33	1,290	1,165
	<u>300</u>	<u>1,642</u>	<u>1,955</u>

As at 1 April 2020, the contract liabilities amounted to HK\$1,134,000.

For the contract liabilities as at 1 April 2020, 31 March 2021, 2022 and 2023, approximate 90% of the balances were/will be recognised as revenue during the years ended/ending 31 March 2021, 2022, 2023 and 2024, respectively.

APPENDIX I

ACCOUNTANTS' REPORT

**Advances received in relation to the service of hotel accommodation**

Contract liabilities in relation to the service of hotel accommodation represent the advance payments received from the customers upon ordering and before provision of services, until the services are rendered and revenue are recognised.

**Customer loyalty programme**

The Group offers customer loyalty programme in the Group's gaming operations. Basically, the customers can earn points from slot machine gaming and table gaming. The customers can use the points as cashable credit on any slot machine gaming and table gaming or use to purchase non-gaming products by utilising the award points earned under the customer loyalty programme. All award points can be accumulated and will be expired in the following 6 months since the last gaming. The expiry date of the award points will be automatically extended if there is a gaming betted by the customers during the 6-month period. Contract liabilities in relation to customer loyalty programme represent the aggregate amount of the transaction price allocated to the performance obligations that are unsatisfied as of the end of the reporting period. The increase in contract liabilities from year ended 31 March 2021 to 31 March 2022 was mainly due to more awards points granted after the release of the COVID-19 related operation restrictions.

The Group expects the transaction price allocated to the unsatisfied performance obligations will be recognised as revenue when the award points are redeemed.

**26. LEASE LIABILITIES**

	<b>As at 31 March</b>		
	<b>2021</b>	<b>2022</b>	<b>2023</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Lease liabilities payable			
Within one year	869	1,312	1,446
More than one year, but not more than two years	887	1,331	1,503
More than two years, but not more than five years	1,893	4,113	4,045
More than five years	53,800	53,440	57,872
	<u>57,449</u>	<u>60,196</u>	<u>64,866</u>
Less: Amount due for settlement within 12 months shown under current liabilities	<u>(869)</u>	<u>(1,312)</u>	<u>(1,446)</u>
Amount due for settlement after 12 months shown under non-current liabilities	<u>56,580</u>	<u>58,884</u>	<u>63,420</u>

The weighted average incremental borrowing rates applied to lease liabilities is 2.1%, 2.1% and 2.2% as at 31 March 2021, 2022 and 2023, respectively.

APPENDIX I

ACCOUNTANTS' REPORT

27. BANK AND OTHER BORROWINGS

	As at 31 March		
	2021 HK\$'000	2022 HK\$'000	2023 HK\$'000
Bank borrowings	91,984	80,250	69,465
Other borrowings	1,554	1,160	724
	<u>93,538</u>	<u>81,410</u>	<u>70,189</u>
Analysed as:			
Secured	91,984	80,250	69,465
Unsecured	1,554	1,160	724
	<u>93,538</u>	<u>81,410</u>	<u>70,189</u>
The carrying amount of the bank borrowings are repayable:			
– Within one year	8,331	8,139	7,987
– Within a period of more than one year, but not exceeding two years	8,485	8,291	8,137
– Within a period of more than two years, but not more than five years	26,419	25,824	25,351
– Within a period of more than five years	48,749	37,996	27,990
	<u>91,984</u>	<u>80,250</u>	<u>69,465</u>
Less: The carrying amount of above bank borrowings that are repayable on demand due to breach of loan covenants (for which the Group has obtained a letter from the relevant bank to waive the relevant term subsequent to respective year end) (shown under current liabilities)	<u>–</u>	<u>–</u>	<u>(22,790)</u>
	91,984	80,250	46,675
Amount due within one year shown under current liabilities based on scheduled repayment dates	<u>(8,331)</u>	<u>(8,139)</u>	<u>(7,987)</u>
Amount shown under non-current liabilities	<u>83,653</u>	<u>72,111</u>	<u>38,688</u>
The carrying amount of the other borrowings are repayable:			
– Within one year	426	436	414
– Within a period of more than one year, but not exceeding two years	424	414	310
– Within a period of more than two years, but not more than five years	704	310	–
	<u>1,554</u>	<u>1,160</u>	<u>724</u>
Less: Amount due within one year shown under current liabilities based on scheduled repayment dates	<u>(426)</u>	<u>(436)</u>	<u>(414)</u>
Amount shown under non-current liabilities	<u>1,128</u>	<u>724</u>	<u>310</u>

**APPENDIX I**

**ACCOUNTANTS' REPORT**

Interest rate	As at 31 March		
	2021 HK\$'000	2022 HK\$'000	2023 HK\$'000
Fixed rate	61,739	53,187	45,200
Variable rate	31,799	28,223	24,989
	<u>93,538</u>	<u>81,410</u>	<u>70,189</u>

For the bank and other borrowings as at 31 March 2021, 2022 and 2023, the bank borrowings amounted of HK\$31,799,000, HK\$28,223,000 and HK\$24,989,000, respectively are variable-rate borrowing which carrying interest at 3-month EURIBOR + 1.95% per annum. The remaining bank and other borrowings amounted to HK\$61,739,000, HK\$53,187,000 and HK\$45,200,000, respectively carry fixed interest rates was range from 1.95% to 3.7%.

The ranges of effective interest rates (which are also equal to contracted interest rates) on the Group's borrowings are as follows:

	Year ended 31 March		
	2021	2022	2023
Effective interest rates:			
Bank borrowings	1.41% to 3.10%	1.49% to 3.10%	1.95% to 4.99%
Other borrowings	3.7%	3.7%	3.7%

All bank borrowings are denominated in EUR as at the end of each of the Track Record Period.

All other borrowings are denominated in CZK as at the end of each of the Track Record Period.

During the year ended 31 March 2023, in respect of a bank loan with a carrying amount of HK\$24,989,000 as at 31 March 2023, TWA breached the term of a bank borrowing, which is primarily related to the debt service cover ratio of TWA. On discovery of the breach, the directors of TWA immediately informed the bank and commenced a renegotiation of the term of the borrowing with the relevant banker. A letter has been issued by the bank to TWA to waive its right as at 31 March 2023 to demand immediate payment after 31 March 2023. As such, the management of the Group reclassified the non-current portion of the bank borrowing as a current liability as at 31 March 2023.

**28. DEFERRED TAX LIABILITIES**

The following is the deferred tax liabilities recognised and movements during the Track Record Period.

	Accelerated tax allowance HK\$'000
At 1 April 2020	5,717
Exchange adjustments	725
Charge to profit or loss	<u>387</u>
At 31 March 2021	6,829
Exchange adjustments	182
Credit to profit or loss	<u>(917)</u>
At 31 March 2022	6,094
Credit to profit or loss	<u>(284)</u>
At 31 March 2023	<u>5,810</u>

**APPENDIX I**

**ACCOUNTANTS' REPORT**

The Group's unrecognised tax losses are as follows:

	Year ended 31 March		
	2021	2022	2023
	HK\$'000	HK\$'000	HK\$'000
Tax losses carry forward	<u>121,759</u>	<u>129,787</u>	<u>134,708</u>

During the Track Record Period, all tax losses may be carried forward indefinitely. No deferred tax asset in respect of tax losses has been recognised because the amount of future taxable profit that will be available to realise such assets is uncertain.

As at 31 March 2021, 2022 and 2023, the Group has deductible temporary differences of HK\$66,014,000, HK\$65,583,000 and HK\$61,861,000, respectively. No deferred tax asset has been recognised in relation to such deductible temporary difference as it is not probable that taxable profit will be available against which the deductible temporary differences can be utilised.

**29. SHARE CAPITAL**

For the purpose of presentation of the combined statements of financial position, the balance of share capital as at 31 March 2021, 2022 and 2023 represented the share capital of TWHE prior to the completion of the Reorganisation.

	HK\$'000
At 1 April 2020, 31 March 2021, 31 March 2022 and 31 March 2023	<u>37,000</u>

**30. RELATED PARTY DISCLOSURES**

**(i) Transactions**

The Group had the following transactions with related parties during the Track Record Period.

Name of related parties	Notes	Nature of transactions	Year ended 31 March		
			2021	2022	2023
			HK\$'000	HK\$'000	HK\$'000
BC Mortgage Services Asia Limited ("BC Mortgage")	(i)	Interest income	<u>-</u>	<u>-</u>	<u>2,188</u>
Singford Holdings Limited ("Singford")	(ii)	Interest income	<u>-</u>	<u>-</u>	<u>108</u>
TWG International U.S. Corporation	(iii)	Management fee paid	<u>(2,582)</u>	<u>-</u>	<u>-</u>

Notes:

- (i) BC Mortgage is a joint venture of FEC.
- (ii) Singford is a fellow subsidiary of the Group.
- (iii) TWG International U.S. Corporation is a fellow subsidiary of the Group, which was dissolved during the year ended 31 March 2022.

As set out in Note 18, Singford Holdings Limited managed the Group's investment without charging any service fee during the Track Record Period.



**APPENDIX I**

**ACCOUNTANTS' REPORT**

Saved as the above transactions and balances as disclosed in Note 21 to the Historical Financial Information, the Group did not have any other related party transactions during the Track Record Period.

**(ii) Compensation of key management personnel**

The remuneration of key management during the Track Record Period was as follows:

	Year ended 31 March		
	2021	2022	2023
	HK\$'000	HK\$'000	HK\$'000
Short-term benefits	6,759	6,709	7,877

**31. RETIREMENT BENEFIT SCHEMES**

The Group participates in the Austria Pension for all its qualifying employees in Austria. The assets of the schemes are held separately from those of the Group, in funds under the control of Austria Government.

For members of the Austria Pension, the Group contributes 1.53% of relevant monthly payroll costs per person during the Track Record Period.

The only obligation of the Group with respect to the Austria Pension is to make the specified contributions. During the Track Record Period, the total amounts contributed by the Group to such scheme and costs charged to the profit or loss represents contributions paid or payable to the scheme by the Group at rates specified in the rules of the scheme. The retirement benefits scheme contributions made by the Group amounted to HK\$77,000, HK\$97,000, HK\$83,000 for the years ended 31 March 2021, 2022 and 2023, respectively.

There is no statutory requirement for the Group to participate in any retirement benefit scheme for the employees in the Czech Republic and Germany during the Track Record Period.

The Group is not obligated for any payment to the retirement benefit schemes in Germany and the Czech Republic during the Track Record Period.

**32. CAPITAL RISK MANAGEMENT**

The Group manages its capital to ensure that the group companies will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance. The overall strategy remains unchanged throughout the Track Record Period.

The capital structure of the Group consists of net debt, which includes bank and other borrowings, net of cash and cash equivalents, and equity attributable to owners of the Company, comprising share capital and reserves.

The management of the Group reviews the capital structure regularly. As part of the review, the directors of the Company consider the cost and the risks associated with each class of the capital. Based on the recommendations of the management of the Group, the Group will balance its overall capital structure through issue of new shares, issue of new debt and redemption of existing debts.

**APPENDIX I**

**ACCOUNTANTS' REPORT**

**33. FINANCIAL INSTRUMENTS**

**Categories of financial instrument**

	<b>As at 31 March</b>		
	<b>2021</b>	<b>2022</b>	<b>2023</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Financial assets			
Amortised cost	51,257	119,396	186,664
Financial assets at FVTPL	26,984	41,047	21,089
	<u>          </u>	<u>          </u>	<u>          </u>
Financial liabilities			
Amortised cost	109,386	97,429	84,120
	<u>          </u>	<u>          </u>	<u>          </u>

**Financial risk management objectives and policies**

The Group's financial instruments include trade receivables, other receivables and deposits, amount due from a fellow subsidiary, loan to a related party, financial assets at FVTPL, cash and cash equivalents, pledged bank deposits, trade payables, other payables, bank and other borrowings and lease liabilities.

Details of these financial instruments are disclosed in the respective notes. The risks associated with these financial instruments include market risks (currency risk and interest rate risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The management of the Group manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

*Currency risk*

The Group has transactions denominated in foreign currencies for its casino and hotel operations, which expose the Group to foreign currency risk. All of the Group's receipt of its casino operations are denominated in EUR and some of the financial assets are denominated in USD and GBP, other than the functional currency of the group entity, during the Track Record Period.

The Group currently does not have a foreign currency hedging policy. However, management of the Group monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities at the end of each reporting period are as follows:

	<b>As at 31 March</b>		
	<b>2021</b>	<b>2022</b>	<b>2023</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
<b>Assets</b>			
EUR	46,659	81,506	38,300
USD	2,551	2,096	50,698
GBP	–	–	40,382
	<u>          </u>	<u>          </u>	<u>          </u>
<b>Liabilities</b>			
EUR	101,154	87,036	74,002
	<u>          </u>	<u>          </u>	<u>          </u>

APPENDIX I

ACCOUNTANTS' REPORT

*Sensitivity analysis*

The following tables details the Group's sensitivity to a 5% weakening in the functional currencies of group entities against the relevant foreign currencies of respective group entities, while all other variables are held constant. 5% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents the management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding monetary items denominated in foreign currencies at the year end. For a 5% strengthening of the functional currencies of group entities against the relevant foreign currencies, these would be an equal and opposite impact on profit after tax.

	(Decrease) increase in profit after tax		
	As at 31 March		
	2021	2022	2023
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
EUR	(2,207)	(224)	(1,446)
USD	103	85	2,053
GBP	-	-	1,635
	<u>          </u>	<u>          </u>	<u>          </u>

*Interest rate risk*

The Group is exposed to fair value interest rate risk in relation to the Group's fixed-rate pledged bank deposits, lease liabilities, and bank and other borrowings as at 31 March 2021, 2022 and 2023 and amount due from a fellow subsidiary as at 31 March 2023.

The Group is exposed to cash flow interest rate risk due to the fluctuation of the prevailing market interest rate on bank deposits and variable-rate bank borrowing as at 31 March 2021, 2022 and 2023 and loan to a related party as at 31 March 2023.

The Group's cash flow interest rate risk is mainly concentrated on the fluctuations of the Czech Republic and Germany deposit rate arising from the Group's bank balances, the Sterling Overnight Index Average arising from the Group's loan to a related party and the 3-month EURIBOR rate arising from bank borrowings.

The Group currently does not have interest rate risk hedging policy. However, management of the Group closely monitors its exposure to future cashflow interest rate risk as a result of change on market interest rate and will consider hedging changes in market interest rates should the need arise.

## APPENDIX I

## ACCOUNTANTS' REPORT

### *Sensitivity analysis*

The sensitivity analyses below have been determined based on the exposure to interest rates for loan to a related party, variable-rate bank deposits and bank borrowing for the Track Record Period. The analysis is prepared assuming the financial instruments outstanding at the end of the reporting period were outstanding for the whole year. A 50 basis points increase or decrease is used when reporting interest rate risk internally to key management personnel and represents directors' assessment of the reasonably possible change in interest rates. If interest rates had been 50 basis points higher/lower and all other variables were held constant, the Group's post-tax profit for the years ended 31 March 2021, 2022 and 2023 would increase/decrease by HK\$89,000, HK\$294,000 and HK\$424,000 respectively as a result of the Group's exposure to interest rates on its loan to a related company and variable-rate bank deposits.

If interest rates had been increased/decreased by 50 basis points and all other variables were held constant, the Group's post-tax profit for the years ended 31 March 2021, 2022 and 2023 would decrease/increase by HK\$129,000, HK\$114,000 and HK\$101,000 respectively as a result of the Group's exposure to interest rate on its variable-rate bank borrowings.

### *Credit risk and impairment assessment*

The Group's credit risk is primarily attributable to trade receivables, other receivables and deposits, amount due from a fellow subsidiary, loan to a related party, pledged bank deposits and bank balances.

The Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge the obligations by counterparties is arising from the carrying amounts of the respective recognised financial assets as stated in the combined statements of financial position at the end of each reporting period. Except for the loan from a related party, the Group does not hold any collateral or other credit enhancements to cover its credit risks associated with its financial assets.

### *Trade receivables*

In order to minimise the credit risk on trade receivables, the management of the Group has delegated a team responsible for monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the management of the Group reviews the recoverable amount of each individual debt at the end of each reporting period to ensure that adequate provisions for impairment losses are made for irrecoverable amounts on trade receivable.

The Group always recognises lifetime ECL for trade receivables. To measure the ECL, the Group performs impairment assessment under the ECL model on trade receivables collectively based on shared credit risk characteristics by reference to the Group's internal credit rating.

As at 31 March 2021, 2022 and 2023, the Group fully provided HK\$90,000 and HK\$414,000 and HK\$83,000 impairment allowance for credit-impaired trade receivables.

The Group's concentration of credit risk on the top five largest debtors accounted for [29]%, [23]%, and [15]%, respectively of the total trade receivables as at 31 March 2021, 2022 and 2023, respectively.

### *Other receivables and deposits (including deposits for gaming licence)*

The management of the Group make periodic individual assessment on the recoverability of significant balances based on historical settlement records (if any), past experience, and also available reasonable and supportive forward-looking information. The management of the Group believe that there is no material credit risk inherent in the Group's outstanding balance of other receivables and deposits having considered the historical settlement records, past experience, and also available reasonable and supportive forward-looking information. For the deposits for gaming licence, the amount is refundable by the Government of the Czech Republic. As at 31 March 2021, 2022 and 2023, the Group assessed that the ECL for other receivables and deposits and deposits for gaming licence was insignificant.

**APPENDIX I**

**ACCOUNTANTS' REPORT**

*Loan to a related party/amount due from a fellow subsidiary*

The Group has concentration of credit risk on the loan to a related party and amount due from a fellow subsidiary as at 31 March 2023.

The Group performs impairment assessment under 12-month ECL model. The management of the Group continuously monitor the credit quality and financial position of the related company and the level of exposure to ensure that the follow-up action is taken to recover the debt. In the opinion of the management of the Group, the risk of default by the related company is not significant taking into consideration of the collateral value of the loan to a related party and the Group assessed that the ECL on the balance is insignificant as at 31 March 2023 and thus no impairment loss allowance was recognised.

For amount due from a fellow subsidiary, in the opinion of the management of the Group, the probability of default is negligible as the fellow subsidiary is financially supported by the ultimate holding company, and concluded that the credit risk is insignificant. Accordingly, the ECL on the balance is insignificant as at 31 March 2023 and thus no impairment loss allowance was recognised.

*Bank balances/pledged bank deposits*

The credit risk for bank balances and pledged bank deposits are limited because the counterparties are banks with high credit ratings assigned by international credit-rating agencies. There has been no history of default in relation to these banks. The Group performs impairment assessment on the bank balances and pledged bank deposits under 12-month ECL model. The management of the Group considers the risk of default is regarded as low based on the average loss rate by reference to credit ratings assigned by international credit-rating agencies. As at 31 March 2021, 2022 and 2023, the Group assessed that the ECL for bank balances and pledged bank deposits were insignificant.

The Group's internal credit risk grading assessment comprises the following categories:

<b>Internal credit rating</b>	<b>Description</b>	<b>Trade receivables</b>	<b>Other financial assets</b>
Low risk	The counterparty has a low risk of default and does not have any past-due amounts	Lifetime ECL – not credit-impaired	12-month ECL
Watch list	Debtor frequently repays after due dates but usually settle in full	Lifetime ECL – not credit-impaired	12-month ECL
Doubtful	There have been significant increases in credit risk since initial recognition through information developed internally or external resources	Lifetime ECL – not credit-impaired	Lifetime ECL – not credit-impaired
Loss	There is evidence indicating the asset is credit impaired	Lifetime ECL – credit-impaired	Lifetime ECL – credit-impaired
Write-off	There is evidence indicating that the debtor is in severe financial difficulty and the Group has no realistic prospect of recovery	Amount is written off	Amount is written off

APPENDIX I

ACCOUNTANTS' REPORT

The tables below detail the credit risk exposures of the Group's financial assets which are subject to ECL assessment:

Financial assets	Notes	External credit rating	Internal credit rating	12-month or lifetime ECL	Gross carrying amounts		
					As at 31 March		
					2021	2022	2023
					HK\$'000	HK\$'000	HK\$'000
Amortised cost							
Trade receivables	19	N/A	Low risk	Lifetime ECL	916	4,876	7,058
				Loss	90	414	83
Other receivables and deposits	20	N/A	Low risk	12-month ECL	2,490	4,971	4,485
Deposits for gaming licence	20	N/A	Low risk	12-month ECL	10,500	10,800	10,800
Amount due from a fellow subsidiary	21(a)	N/A	Low risk	12-month ECL	-	-	35,013
Loan to a related party	21(b)	N/A	Low risk	12-month ECL	-	-	39,165
Bank balances	22	A1-Aa2	N/A	12-month ECL	21,870	72,635	65,458
Pledged bank deposits	22	A1-Aa2	N/A	12-month ECL	6,002	4,212	4,059

*Liquidity risk*

In management of the liquidity risk, the Group monitors and maintains levels of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows.

APPENDIX I

ACCOUNTANTS' REPORT

The following table details the Group's remaining contractual maturity for its financial liabilities. The tables have been drawn up based on the undiscounted cashflows of financial liabilities based on the earliest date on which the Group can be required to pay.

The table includes both interest and principal cash flows. To the extent that interest rates are floating rate, the undiscounted amount is derived from interest rate at the end of each reporting period.

*Liquidity tables*

	Interest rate %	Less than 1 year HK\$'000	1 and 2 years HK\$'000	2 to 5 years HK\$'000	Over 5 years HK\$'000	Undiscounted cash flows HK\$'000	Carrying amount HK\$'000
<i>As at 31 March 2021</i>							
Non-derivative financial liabilities							
Trade payables	N/A	5,770	-	-	-	5,770	5,770
Other payables	N/A	907	-	-	-	907	907
Consideration payable (included in other payables)	3.00	2,344	2,344	5,078	-	9,766	9,171
Bank and other borrowings	2.38	14,249	9,808	29,423	50,361	103,841	93,538
		<u>23,270</u>	<u>12,152</u>	<u>34,501</u>	<u>50,361</u>	<u>120,284</u>	<u>109,386</u>
Lease liabilities	2.10	<u>2,056</u>	<u>2,056</u>	<u>6,169</u>	<u>77,056</u>	<u>87,337</u>	<u>57,449</u>
<i>As at 31 March 2022</i>							
Non-derivative financial liabilities							
Trade payables	N/A	7,024	-	-	-	7,024	7,024
Other payables	N/A	2,210	-	-	-	2,210	2,210
Consideration payable (included in other payables)	3.00	2,249	2,249	2,623	-	7,121	6,785
Bank and other borrowings	2.37	10,569	9,409	28,226	38,904	87,108	81,410
		<u>22,052</u>	<u>11,658</u>	<u>30,849</u>	<u>38,904</u>	<u>103,463</u>	<u>97,429</u>
Lease liabilities	2.10	<u>2,134</u>	<u>2,135</u>	<u>6,398</u>	<u>77,142</u>	<u>87,809</u>	<u>60,196</u>
<i>As at 31 March 2023</i>							
Non-derivative financial liabilities							
Trade payables	N/A	6,294	-	-	-	6,294	6,294
Other payables	N/A	3,098	-	-	-	3,098	3,098
Consideration payable (included in other payables)	3.00	2,167	2,167	360	-	4,694	4,539
Bank and other borrowings	3.44	9,788	9,203	27,190	28,412	74,593	70,189
		<u>21,347</u>	<u>11,370</u>	<u>27,550</u>	<u>28,412</u>	<u>88,679</u>	<u>84,120</u>
Lease liabilities	2.15	<u>2,810</u>	<u>2,828</u>	<u>7,792</u>	<u>82,546</u>	<u>95,976</u>	<u>64,866</u>

APPENDIX I

ACCOUNTANTS' REPORT

**Fair value measurements of financial instruments**

Some of the Group's financial instruments are measured at fair value for financial reporting purposes. The management of the Group determines the appropriate valuation techniques and inputs for fair value measurements.

In determining the fair value of the investment fund, the management of the Group have made reference to the quotation from the counterparties and used market-observables data to the extent it is available.

- (i) Fair value of the Group's financial assets that are measured at fair value on a recurring basis.

	Fair value			Fair value hierarchy	Valuation technique(s) and key input(s)
	As at 31 March				
	2021	2022	2023		
	HK\$'000	HK\$'000	HK\$'000		
Investment fund	<u>26,984</u>	<u>41,047</u>	<u>21,089</u>	Level 2	Based on the net asset values of the fund, determined with reference to the observable (quoted) prices of underlying investment portfolio.

- (ii) Fair value of financial assets and financial liabilities that are not measured at fair value on a recurring basis.

Except as detailed in the following table, the management considers that the carrying amounts of other financial assets and financial liabilities recognised in the combined financial statements approximate their fair values. Such fair values have been determined in accordance with generally accepted pricing models based on discounted cash flow analysis.

	31/03/2021			31/03/2022			31/03/2023		
	Carrying amount	Fair value	Fair value hierarchy	Carrying amount	Fair value	Fair value hierarchy	Carrying amount	Fair value	Fair value hierarchy
	HK\$'000	HK\$'000	Level	HK\$'000	HK\$'000	Level	HK\$'000	HK\$'000	Level
<b>Financial liabilities</b>									
Bank borrowings									
– Fixed rate	60,185	59,052	Level 2	52,027	46,484	Level 2	44,476	38,658	Level 2



APPENDIX I

ACCOUNTANTS' REPORT

34. MOVEMENT ON GROUP'S LIABILITIES ARISING FROM FINANCING ACTIVITIES

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Group's combined statements of cash flows as cash flows from financing activities.

	Consideration payable HK\$'000	Bank and other borrowings HK\$'000	Lease liabilities HK\$'000	Total HK\$'000
At 1 April 2020	10,374	93,009	51,636	155,019
Financing cash flows	(2,724)	(13,986)	(1,987)	(18,697)
Finance costs	–	2,514	1,137	3,651
Exchange adjustments	1,521	12,001	6,663	20,185
At 31 March 2021	9,171	93,538	57,449	160,158
Financing cash flows	(2,588)	(17,085)	(2,099)	(21,772)
Finance costs	–	2,284	1,205	3,489
Commencement of new leases	–	–	2,000	2,000
Exchange adjustments	202	2,673	1,641	4,516
As 31 March 2022	6,785	81,410	60,196	148,391
Financing cash flows	(2,246)	(13,396)	(2,434)	(18,076)
Finance costs	–	2,175	1,401	3,576
Lease reassessment	–	–	5,742	5,742
Exchange adjustments	–	–	(39)	(39)
At 31 March 2023	4,539	70,189	64,866	139,594

35. PARTICULARS OF SUBSIDIARIES

Particulars of the subsidiaries at the end of each reporting period and the date of this report are as follows:

Name of subsidiaries	Place and Date of incorporation/ establishment	Place of operation	Issued and fully paid share capital	Equity interest attributable to the Group			As at date of this report	Principal activities	Notes
				As at 31 March					
				2021	2022	2023			
				%	%	%	%		
Palasino BVI	BVI	BVI	USD50,000	N/A	N/A	N/A	[100]	Investment holding	(a)
TWHE	The Czech Republic	The Czech Republic	CZK100,000,000	100	100	100	[100]	Hotel and casino operations and investment holding	(b)
Trans World Hotels Germany GmbH	Germany	Germany	EUR25,000	100	100	100	[100]	Hotel operations	(c)
TWA	Austria	Austria	EUR40,000	100	100	100	[100]	Hotel operations	(d)
Palasino Malta Limited ("PML")	Malta	Malta	EUR100,000	N/A	100	100	[100]	Development of online gaming	(e)
2ConnectU sp.z.o.o ("2ConnectU")	Poland	Poland	Polish Zloty ("PLN") 5,000	N/A	N/A	N/A	[100]	[Inactive]	(f)

**APPENDIX I**

**ACCOUNTANTS' REPORT**

*Notes:*

- (a) No statutory financial statements of Palasino BVI have been prepared since the date of incorporation as it is incorporated in the jurisdiction where there are no statutory audit requirements.
- (b) The statutory financial statements of TWHE for the years ended 31 March 2021, 2022 and 2023 were prepared in accordance with accounting principles generally accepted in the Czech Republic and were audited by Schaffer & Partner Audit s.r.o., certified public accountants registered in the Czech Republic.
- (c) The statutory financial statements of TWG for the years ended 31 March 2021, 2022 and 2023 were prepared in accordance with accounting principles generally accepted in Germany and were audited by Schaffer WP Partner GmbH, certified public accountants registered in Germany.
- (d) The statutory financial statements of TWA for the years ended 31 March 2021, 2022 and 2023 were prepared in accordance with accounting principles generally accepted in Austria. TWA is exempted from the statutory audit requirement in accordance with Accounting Act of Austria.
- (e) The statutory financial statements of PML for the period from 8 July 2021 (date of incorporation) to 31 March 2022 and year ended 31 March 2023 were prepared in accordance with International Financial Reporting Standards and were audited by Sada Service Ltd, certified public accountants registered in Malta.
- (f) No statutory financial statements of 2ConnectU have been prepared for the period from 11 May 2021 (date of incorporation) to 31 December 2021 and years ended/ending 31 December 2022 and 2023 as 2ConnectU is exempted from the statutory audit requirement in accordance with Article 64 of Polish Accounting Act.

Except for Palasino BVI which is directly held by the Company, all other subsidiaries are indirectly held by the Company.

None of the subsidiaries had issued any debt securities at 31 March 2021, 2022 and 2023.

**36. PLEDGE OF ASSETS**

The Group's bank borrowings and consideration payable had been secured by the pledge of the Group's assets and the carrying amounts of the respective assets are as follows:

	2021 <i>HK\$'000</i>	2022 <i>HK\$'000</i>	2023 <i>HK\$'000</i>
Pledged bank deposits	6,002	4,212	4,059
Property and equipment	197,081	183,938	169,988
	<u>203,083</u>	<u>188,150</u>	<u>174,047</u>

Apart from above pledged assets, the Group also pledged the entire shareholding of TWA for the bank borrowings as at 31 March 2021, 2022 and 2023.

**37. CAPITAL COMMITMENTS**

	2021 <i>HK\$'000</i>	2022 <i>HK\$'000</i>	2023 <i>HK\$'000</i>
Capital expenditure in respect of the acquisition of property and equipment contracted for but not provided in the combined financial statements	-	-	5,885
	<u>-</u>	<u>-</u>	<u>5,885</u>

## APPENDIX I

## ACCOUNTANTS' REPORT

### 38. SUBSEQUENT EVENTS

Save as disclosed elsewhere in the Historical Financial Information, subsequent events of the Group are detailed as below.

On 2 June 2023, a loan agreement has been signed between TWHE and Singford, under which a loan amounting to EUR2,000,000 (equivalent to approximately HK\$17,100,000) was advanced to Singford. The loan is interest bearing at 4.5% per annum and repayable twelve months from the drawdown date.

On 20 July 2023, the Group acquired 2ConnectU, a company incorporated in Poland at a consideration of PLN98,709 (equivalent to approximately HK\$188,000). The management of the Group assessed that the financial impact from the acquisition is immaterial to the Group.

On 8 September 2023, a deed of assignment and novation has been signed among TWHE, BC Mortgage and Far East Consortium Limited ("FECL"), a fellow subsidiary of the Group, under which TWHE has agreed to novate all of its rights and obligations of a loan due from BC Mortgage amounting to GBP4,000,000 (equivalent to approximately HK\$39,600,000) to FECL.

On 8 September 2023, a deed of novation has been signed among TWHE, FEC UK and FECL under which FECL has agreed to novate all the obligations and interest of a debt due to TWHE amounting to GBP2,586,687 (equivalent to approximately HK\$25,738,000) to FEC UK.

On 8 September 2023, 2 deeds of novation have been signed among TWHE, FEC UK and Singford, under which Singford has agreed to novate all the obligations and interest of 2 debts due to TWHE amounting to USD4,591,070 (equivalent to approximately HK\$35,948,000) and EUR2,024,164 (equivalent to approximately HK\$17,327,000), respectively to FEC UK.

On 8 September 2023, TWHE declared a dividend of CZK[227,224,908] (equivalent to approximately HK\$[79,013,000]), net of withholding tax of CZK40,098,513 (equivalent to approximately HK\$13,862,000), to FEC UK, its holding company. The dividend payables was offset by the amount due from FEC UK amounting to approximately HK\$[79,013,000].

On [●], an ordinary resolution was passed, pursuant to which, every issued and unissued ordinary share of HK\$1 par value in the Company was subdivided into 100 ordinary shares of HK\$0.01 par value each.

[On [●], a written resolution was passed for the [REDACTED] shares to be issued upon [REDACTED] of the amount of HK\$[REDACTED] standing to the credit of the share premium account of the Company as referred to in "Appendix VI — Statutory and General Information" to this document.]

### 39. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Company, any of its subsidiaries or the Group in respect of any period subsequent to 31 March 2023.

**APPENDIX II**

**[REDACTED] FINANCIAL INFORMATION**

[REDACTED]

**APPENDIX II**

**[REDACTED] FINANCIAL INFORMATION**

[REDACTED]

**APPENDIX II**

**[REDACTED] FINANCIAL INFORMATION**

[REDACTED]

**APPENDIX II**

**[REDACTED] FINANCIAL INFORMATION**

[REDACTED]

**APPENDIX II**

**[REDACTED] FINANCIAL INFORMATION**

[REDACTED]



APPENDIX II

[REDACTED] FINANCIAL INFORMATION

[REDACTED]

*The following is the text of a report prepared for the purpose of incorporation in this document received from Roma Appraisals Limited, an independent valuer, in connection with its valuations as at 31 July 2023 of all properties interests of the Group.*



Rooms 1101-04, 11/F Harcourt House,  
39 Gloucester Road, Wan Chai, Hong Kong  
Tel (852) 2529 6878 Fax (852) 2529 6806  
E-mail inforomagroup.com  
<http://www.romagroup.com>

[●] 2023

**PALASINO HOLDINGS LIMITED**

Conyers Trust Company (Cayman) Limited  
Cricket Square  
Hutchins Drive PO Box 2681  
Grand Cayman KY1-1111  
Cayman Islands

Dear Sir/Madam,

**Re: Properties Valuation for Palasino Holdings Limited**

In accordance with your instructions for us to value the properties held by Property Valuation for Palasino Holdings Limited (the "Company") and/or its subsidiaries (together with the Company referred to as the "Group") in the Czech Republic, Germany and Austria, we confirm that we have carried out inspections, made relevant enquiries and obtained such further information as we consider necessary for the for the purpose of providing you with our opinion of the market values of the properties as at Valuation Date (the "31 July 2023") for the purpose of incorporation in the document of the Company dated [●].

**1. BASIS OF VALUATION**

Our valuations of the properties are our opinion of the market values of the concerned properties which we would define as intended to mean "the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's-length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion".

Market value is understood as the value of an asset or liability estimated without regard to costs of sale or purchase (or transaction) and without offset for any associated taxes or potential taxes.

**APPENDIX III**

**PROPERTY VALUATION REPORT**

**2. VALUATION METHODOLOGY**

We have valued the property by the direct comparison approach assuming sale of the property in its existing state with the benefit of vacant possession and by making reference to comparable sales transactions as available in the relevant market.

**3. TITLE INVESTIGATION**

For the properties in the Czech Republic, Germany and Austria, we have been provided with copies of extracts of various title documents relating to the properties. However, we have not searched the original documents to ascertain the existence of any amendments which do not appear on the copies handed to us. We have relied to a very considerable extent on information given by the Group's legal advisers, Becker a Poliakoff, s.r.o. Law Firm, Avocado Rechtsanwälte Law Firm and Kraft Rechtsanwälte Law Firm regarding the title of the property in the Czech Republic, Germany and Austria respectively. All documents have been used for reference only.

In valuing the properties, we have relied on the advice given by the Group and its legal advisers that the Group has valid and enforceable title to the property which is freely transferable, and has free and uninterrupted right to use the same, for the whole of the unexpired term granted subject to the payment of annual government rent/land use fees and all requisite land premium/purchase consideration payable have been fully settled.

**4. VALUATION ASSUMPTIONS**

Our valuations have been made on the assumption that the owner sells the properties in the market in their existing states without the benefit of deferred term contracts, leasebacks, joint ventures, management agreements or any similar arrangements which would serve to affect the values of such properties. In addition, no account has been taken of any option or right of pre-emption concerning or affecting the sale of the properties and no allowance has been made for the properties to be sold in one lot or to a single purchaser.

**APPENDIX III**

**PROPERTY VALUATION REPORT**

**5. SOURCE OF INFORMATION**

In the course of our valuations, we have relied to a very considerable extent on the information provided by the Group and have accepted advice given to us on such matters as planning approvals or statutory notices, easements, tenure, identification of properties, particulars of occupation, site/floor areas, ages of buildings and all other relevant matters which can affect the values of the properties. All documents have been used for reference only.

We have no reason to doubt the truth and accuracy of the information provided to us. We have also been advised that no material facts have been omitted from the information supplied. We consider that we have been provided with sufficient information to reach an informed view, and have no reason to suspect that any material information has been withheld.

**6. VALUATION CONSIDERATION**

We have inspected the exterior and, where possible, the interior of certain properties. No structural survey has been made in respect of the properties. However, in the course of our inspections, we did not note any serious defects. We are not, however, able to report that the properties are free from rot, infestation or any other structural defects. No tests were carried out on any of the building services.

We have not carried out on-site measurement to verify the site/floor areas of the properties under consideration but we have assumed that the site/floor areas shown on the documents handed to us are correct. Except as otherwise stated, all dimensions, measurements and areas included in the Valuation Certificates are based on information contained in the documents provided to us by the Group and are therefore approximations.

No allowance has been made in our valuations for any charges, mortgages or amounts owing on the properties nor for any expenses or taxation which may be incurred in effecting a sale. Unless otherwise stated, it is assumed that the properties are free from encumbrances, restrictions and outgoings of an onerous nature which could affect their values.

Our valuations are prepared in compliance with the requirements set out in Chapter 5 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and in accordance with the RICS Valuation — Global Standards published by the Royal Institution of Chartered Surveyors and the International Valuation Standards published by the International Valuation Standards Council.

**APPENDIX III**

**PROPERTY VALUATION REPORT**

**7. REMARKS**

Unless otherwise stated, all monetary amounts stated in our valuations are in Euro (EUR). The exchange rate adopted in our valuations are approximately Euro (EUR) 1 = Hong Kong Dollars (HKD) 8.55, which was approximately the prevailing exchange rate as at the date of valuation.

Our Summary of Values and Valuation Certificates are attached.

**8. INDEPENDENT CLAUSE**

We are independent from the Company and its subsidiaries (collectively, the "Group") and their respective directors and controlling shareholders and that we do not have any direct or indirect material interest in the securities or assets of the Group, its connected persons, or any associate of the Group.

Yours faithfully,  
For and on behalf of  
**Roma Appraisals Limited**

**Frank F. Wong**

*BA (Business Admin in Acct/Econ) MSc (Real Est)*

*MRICS Registered Valuer MAusIMM ACIPHE*

*Director, Head of Property and Asset Valuation*

*Note:* Mr. Frank F. Wong is a Chartered Surveyor, Registered Valuer, Member of the Australasian Institute of Mining & Metallurgy and Associate of Chartered Institute of Plumbing and Heating Engineering with over 24 years of valuation, transaction advisory and project consultancy experience of properties in Hong Kong and 16 years of experience in valuation of properties in the PRC as well as relevant experience in the Asia-Pacific region, Australia and Oceania-Papua New Guinea, Thailand, France, Germany, Czech Republic, Austria, Poland, United Kingdom, United States, Abu Dhabi (UAE), Ukraine and Jordan.

**APPENDIX III**

**PROPERTY VALUATION REPORT**

**SUMMARY OF VALUES**

**Property held by Group for operation in the Czech Republic, Germany and Austria**

<b>No.</b>	<b>Property</b>	<b>Market Value in Existing State as at 31 July 2023</b>
1.	<i>Palasino Furth im Wald</i> located at Česká Kubice 64 & Horní Folmava, 34532 Česká Kubice, Czech Republic	EUR4,000,000 (HKD34,500,000)
2.	<i>Palasino Excalibur City &amp; Hotel Savannah</i> located at Chvalovice-Hatě 198 & 199, Znojmo 669 02 & Derflice, Načeratice Czech Republic	EUR19,200,000 (HKD163,900,000)
3.	<i>Palasino Wulowitz</i> located at Dolní Dvořiště 225, 38272 Dolní Dvořiště, Czech Republic	EUR11,400,000 (HKD97,700,000)
4.	<i>Hotel Columbus</i> located at Am Reitpfad 4, 63500 Seligenstadt, Germany	EUR5,100,000 (HKD43,300,000)
5.	<i>Hotel Auefeld</i> located at Hallenbadstraße 33, Hann. Münden 34346, District Göttingen in Lower Saxony, Germany	EUR4,700,000 (HKD40,600,000)
6.	<i>Hotel Kranichhöhe</i> located at Bövingen 129, Much, District Rhein-Sieg in North Rhine-Westphalia, Germany	EUR5,300,000 (HKD45,500,000)
7.	<i>Hotel Donauwelle</i> located at Am Winterhafen 13., Linz, Oberösterreich (Upper Austria), Austria	EUR5,800,000 (HKD49,700,000)
Total:		<hr/> <b>EUR55,500,000</b> <b>(HKD475,200,000)</b> <hr/>

APPENDIX III

PROPERTY VALUATION REPORT

VALUATION CERTIFICATE

Properties held by the Group for operation in the Czech Republic

No.	Property	Description and Tenure	Particulars of Occupancy	Market Value in Existing State as at 31 July 2023
1.	<i>Palasino Furth im Wald</i> located at Česká Kubice 64 & Horní Folmava, 34532 Česká Kubice, Czech Republic	The property comprises numerous parcels of land with a total site area of approximately 23,274 sq.m., with a 2-storey building erected thereon which were renovated into a casino from the original cinema in 1995 and other ancillary area has constructed from 2014 to 2017.  The property has a total gross floor area ("GFA") of about 2,747 sq.m.  The land is held under Fee Simple Estate.	The property is operated by the Group as casino, restaurant and ancillary office uses.	EUR4,000,000 (HKD34,500,000)

Notes:

1. Pursuant to a Real Estate Title Certificate, Letter of Ownership No. 478, issued by the Cadastral Office for the Pilsen Region, Cadastral Workplace Domažlice, the land use rights of the property with a site area of approximately 3,741 sq.m. have been granted to Trans World Hotels & Entertainment, a.s., for built-up area, courtyard and other area.
2. Pursuant to a Real Estate Title Certificate, Letter of Ownership No. 399, issued by the Cadastral Office for the Pilsen Region, Cadastral Workplace Domažlice, the land use rights of the property with a site area of approximately 19,533 sq.m. have been granted to Trans World Hotels & Entertainment, a.s., for permanent grassland.
3. The site inspection was performed by Mr. Frank F. Wong, MRICS Registered Valuer, in September 2023.
4. We have been provided with a legal opinion on the title to the property issued by the Group's Czech Republic legal advisers, which contains, *inter alia*, the following information:
  - a. Trans World Hotels & Entertainment, a.s. is the legal owner of the property inscribed in Ownership Certificate No. 399 registered as at 1 October 2020 and No. 478 registered as at 23 January 2013 for plot No. 10/29 & 10/30 (both permanent grassland) and, the construction plots No. 188/3, 188/4, 419, 420, 421, 422, 423 & 424 (all built-up area and courtyard) maintained by the Cadastral Registry for the Pilsen Region, Cadastral office in Domažlice; and
  - b. The existing use of the property is in compliance with the local planning regulations, required licence and has been approved by the relevant government authorities.

**APPENDIX III**

**PROPERTY VALUATION REPORT**

**VALUATION CERTIFICATE**

No.	Property	Description and Tenure	Particulars of Occupancy	Market Value in Existing State as at 31 July 2023
2.	<i>Palasino Excalibur City &amp; Hotel Savannah</i> located at Chvalovice-Hatě 198 & 199, Znojmo 669 02 & Derflice, Načeratice Czech Republic	The properties comprise several lands with a site area of approximately 74,401 sq.m. with a single-storey casino hall and a 3-storey hotel building erected thereon which were completed in 1999 and 2008 respectively.  The hotel accommodates 79 rooms, 6 conference and banquet rooms, restaurant, ancillary office, swimming pool and other recreational facilities such as fitness center and spa. vineyard and playground were placed behind to the hotel building.  The property has a total gross floor area ("GFA") of approximately 11,775 sq.m.  The land is held under Fee Simple Estate.	The property is operated by the Group for hotel and casino uses.	EUR19,200,000 (HKD163,900,000)

*Notes:*

1. Pursuant to a Real Estate Title Certificate, Letter of Ownership No. 500 and Certificate of Ownership No. 807, issued by the Cadastral Office for the Bohemian Region, Cadastral office in Znojmo, the land use rights of the property with a site area of approximately 52,866 sq.m. have been granted to Trans World Hotels & Entertainment, a.s., for built-up area, courtyard, arable land and other area.
2. Pursuant to a Real Estate Title Certificate, Letter of Ownership No. 130 and Certificate of Ownership No. 310, issued by the Cadastral Office for the Bohemian Region, Cadastral office in Znojmo, the land use rights of the property with a site area of approximately 21,535 sq.m. have been granted to Trans World Hotels & Entertainment, a.s., for arable land and other area.
3. The site inspection was performed by Mr. Frank F. Wong, MRICS Registered Valuer, in September 2023.



**APPENDIX III**

**PROPERTY VALUATION REPORT**

4. We have been provided with a legal opinion on the title to the property issued by the Group's Czech Republic legal advisers, which contains, inter alia, the following information:
  - a. Trans World Hotels & Entertainment, a.s. is the legal owner of the property inscribed in Ownership Certificate No. 500 with Purchase contract V11 1784/1996 as at 18 July 1996 for the plots No. 333/11, 339/42, 339/51, 339/162, 1271 (all arable land), plots No. 339/50, 339/73, 339/159, 339/161, 339/273 (all other area), plot No. 339/160 (built-up area and courtyard) of which building Hatě, no. 199 is a part, plot No. 339/170 (built-up area and courtyard) of which building without registration number is a part and plots No. 339/234 and 339/238 (both built-up area and courtyard) including building Hatě, No. 198 maintained by the Cadastral Registry South Bohemian Region, Cadastral office in Znojmo;
  - b. Trans World Hotels & Entertainment, a.s. is the legal owner of the property inscribed in Ownership Certificate No. 310, No. 130 and No. 807 for the plots No. 3318, 3333 (both other area) and plot No. 3353 (arable land), No. 209, 314 (both arable land), and No. 199/1, 199/2 (both other non-residential space) maintained by the Cadastral Registry South Bohemian Region, Cadastral office in Znojmo; and
  - c. The existing use of the property is in compliance with the local planning regulations, required licence and has been approved by the relevant government authorities.

APPENDIX III

PROPERTY VALUATION REPORT

VALUATION CERTIFICATE

No.	Property	Description and Tenure	Particulars of Occupancy	Market Value in Existing State as at 31 July 2023
3.	<i>Palasino Wulowitz</i> located at Dolní Dvořiště 225, 38272 Dolní Dvořiště, Czech Republic	<p>The properties comprise multiple parcels of land with a site area of approximately 84,839 sq.m. with a 2-storey casino building erected thereon which were completed in 2004 and 3 hotel rooms were furnished from 2010.</p> <p>The property has a total gross floor area ("GFA") of approximately 3,288 sq.m.</p> <p>The land is held under Fee Simple Estate.</p>	<p>The property is operated by the Group as casino use.</p>	EUR11,400,000 (HKD97,700,000)

Notes:

1. Pursuant to a Real Estate Title Certificate, Certificate of Ownership No. 350, issued by the Cadastral Office for the South Bohemian Region, Český Krumlov, the land use rights of the property with a site area of approximately 84,839 sq.m. have been granted to Trans World Hotels & Entertainment, a.s., for built-up area, courtyard, arable land and other area.
2. The site inspection was performed by Mr. Frank F. Wong, MRICS Registered Valuer, in September 2023.
3. We have been provided with a legal opinion on the title to the property issued by the Group's Czech Republic legal advisers, which contains, inter alia, the following information:
  - a. Trans World Hotels & Entertainment, a.s. is the legal owner of the property inscribed in Ownership Certificate No. 350 for the construction plot No. 370 (built-up area and courtyard) of which building under construction is a part (Owner Certificate 332), construction plot No. 373 (built-up area and courtyard) including building Dolní Dolní Dvořiště, No. 225, plots No. 1806/25, 1806/30, 1806/32, 1806/33, 1806/35, 1806/47, 1806/48, 1806/49, 1806/51 (all arable land) and plots No. 1806/27, 1806/29, 1806/50 (all other area) maintained by the Cadastral Registry South Bohemian Region, Cadastral office in Český Krumlov; and
  - b. The existing use of the property is in compliance with the local planning regulations, required licence and has been approved by the relevant government authorities.

APPENDIX III

PROPERTY VALUATION REPORT

VALUATION CERTIFICATE

Properties held by the Group for operation in Germany

No.	Property	Description and Tenure	Particulars of Occupancy	Market Value in Existing State as at 31 July 2023
4.	<i>Hotel Columbus</i> located at Am Reitpfad 4, 63500 Seligenstadt, Germany	<p>The properties comprise several parcels of land with a site area of approximately 4,548 sq.m. with a 4-storey hotel building erected thereon which were completed in 2000 and renovated in 2012.</p> <p>The hotel accommodates 117 rooms, restaurant, bar, conference rooms, car parking spaces and recreational area such as gym room and sauna room.</p> <p>The property has a total gross floor area ("GFA") of approximately 6,845 sq.m.</p> <p>The land is held under Fee Simple Estate.</p>	The property is operated by the Group for hotel use.	EUR5,100,000 (HKD43,300,000)

Notes:

1. Pursuant to a Real Estate Title Certificate, the land use right of the plot no. 267 and 335 of the property with a site area of approximately 4,548 sq.m. have been granted to the Trans World Hotels Germany GmbH. for building and open space uses.
2. The site inspection was performed by Ms. Wai Kwan Lam, Gloria, BSc (Hons) in Surveying, with about 3 years property valuation experience in September 2023.
3. We have been provided with a legal opinion on the title to the property issued by the Group's Germany legal advisers, which contains, inter alia, the following information:
  - a. Trans World Hotels Germany GmbH. is the legal owner of the property inscribed in the land register of Froschhausen, sheet 3099 ("Blatt"), serial no. 1 ("Ifd. Nr."), Froschhausen district ("Gemarkung"), plot 8 ("Flur"), land parcel 267 ("Flurstück") and Froschhausen, sheet 3161 ("Blatt"), serial no. 1 ("Ifd. Nr."), Froschhausen district ("Gemarkung"), plot 8 ("Flur"), land parcel 335 ("Flurstück");
  - b. The site areas of the property at Am Reitpfad 4 and Am Reitpfad 7, 63500 Seligenstadt are 3,498 sq.m. and 1,050 sq. m. respectively used for building and open space; and
  - c. The existing use of the property is in compliance with the local planning regulations, required licence and has been approved by the relevant government authorities.

APPENDIX III

PROPERTY VALUATION REPORT

VALUATION CERTIFICATE

No.	Property	Description and Tenure	Particulars of Occupancy	Market Value in Existing State as at 31 July 2023
5.	<i>Hotel Auefeld</i> located at Hallenbadstraße 33, Hann. Münden 34346, District Göttingen in Lower Saxony, Germany	<p>The properties comprise several parcels of land with a site area of approximately 26,554 sq.m. with several hotel buildings erected thereon which were completed between 1983 and 2001.</p> <p>The hotel accommodates 70 spacious double rooms, 13 comfortably furnished single rooms, 8 superior rooms as well as 2 individual suites and sport facilities such as 4 indoor tennis courts, 2 squash courts, 2 bowling lanes, gym and a sauna.</p> <p>The property has a total gross floor area ("GFA") of approximately 11,379 sq.m.</p> <p>The land is held under leasehold land which is expired on 1 March 2084.</p>	The property is operated by the Group for hotel use.	EUR4,700,000 (HKD40,600,000)

Notes:

1. Pursuant to a Real Estate Title Certificate granted by Country of Göttingen, the land use right of the plots no. 82/19, 82/17, 82/16, 194/4, 194/6, 84/18, 84/16 and 84/12 of the property with a site area of approximately 26,554 sq.m. have been granted to Trans World Hotels Germany GmbH., for built-up area, courtyard, arable land and other area expired on 1 March 2084.
2. The site inspection was performed by Ms. Wai Kwan Lam, Gloria, BSc (Hons) in Surveying, with about 3 years property valuation experience in September 2023.
3. We have been provided with a legal opinion on the title to the property issued by the Group's Germany legal advisers, which contains, inter alia, the following information:
  - a. Trans World Hotels Germany GmbH. is the legal owner of the property inscribed in the land register of Gimte, sheet 1172 ("Blatt"), serial no. 1 ("lfd. Nr."), Gimte district ("Gemarkung"), plot 4 ("Flur"), land parcels 82/19, 82/17, 82/16, 194/4, 194/6, 84/18, 84/16 ("Flurstück") and sheet 1011 ("Blatt"), hereditary land register ("Erbbaugrundbuch"), serial no. 1 ("lfd. Nr."), Gimte district ("Gemarkung"), plot 4 ("Flur"), land parcel 84/12 ("Flurstück");
  - b. The total site area of all the property described in Notes 3(a) is 26,554 sq.m. used for building and open space; and
  - c. The existing use of the property is in compliance with the local planning regulations, required licence and has been approved by the relevant government authorities.

APPENDIX III

PROPERTY VALUATION REPORT

VALUATION CERTIFICATE

No.	Property	Description and Tenure	Particulars of Occupancy	Market Value in Existing State as at 31 July 2023
6.	<i>Hotel Kranichhöhe</i> located at Bövingen 129, Much, District Rhein-Sieg in North Rhine-Westphalia, Germany	<p>The properties comprise 2 parcels of land with a site area of approximately 24,175 sq.m. with several hotel buildings erected thereon which were completed between 1991 and 1992. The last refurbishment took place in 2009 and 2017.</p> <p>The whole hotel is formed by a 3-storey main building, a 1-storey building and a 2-storey recreational building. There are totally 107 hotel rooms with various recreational facilities such as bar, indoor and outdoor sauna, and volleyball court.</p> <p>The property has a total gross floor area ("GFA") of approximately 12,009 sq.m.</p> <p>The land is held under Fee Simple Estate.</p>	The property is operated by the Group for hotel use.	EUR5,300,000 (HKD45,500,000)

Notes:

1. Pursuant to a Real Estate Title Certificate issued by Rhein-Sieg-Kreis Katasteramt, the land use right of the parcel no. 286, 344, 346, 345 of the property with a site area of approximately 24,175 sq.m. have been granted to Trans World Hotels Germany GmbH., for mainly used as building and open space, trade and economy, and recreational space.
2. The site inspection was performed by Ms. Wai Kwan Lam, Gloria, BSc (Hons) in Surveying, with about 3 years property valuation experience in September 2023.
3. We have been provided with a legal opinion on the title to the property issued by the Group's Germany legal advisers, which contains, inter alia, the following information:
  - a. Trans World Hotels Germany GmbH. is the legal owner of the property inscribed in the land register of F Gerlinghausen, sheet 531 ("Blatt"), serial no. 1 ("lfd. Nr."), Gerlinghausen district ("Gemarkung"), plot 4 ("Flur"), land parcel 286 ("Flurstück") and sheet 592 ("Blatt"), serial no. 1 ("lfd. Nr."), Gerlinghausen district ("Gemarkung"), plot 4 ("Flur"), land parcels 346, 344 and 345 ("Flurstück");
  - b. The site area of the property in Siegburg, *Hotel Kranichhöhe* is 24,175 sq.m. used for building and open space, trade and economy, and recreational area; and
  - c. The existing use of the property is in compliance with the local planning regulations, required licence and has been approved by the relevant government authorities.

APPENDIX III

PROPERTY VALUATION REPORT

VALUATION CERTIFICATE

Properties held by the Group for operation in Austria

No.	Property	Description and Tenure	Particulars of Occupancy	Market Value in Existing State as at 30 June 2023
7.	<i>Hotel Donauwelle</i> located at Am Winterhafen 13., Linz, Oberösterreich (Upper Austria), Austria	<p><i>Hotel Donauwelle</i> is a 4-star hotel with a site area of approximately 5,195 sq.m. erected thereon which were completed around 1995. The last refurbishment took place in 2014 and 2017.</p> <p>The property is a 6-storey building (excluding a story of underground) with multiple recreational facilities such as spa/massage room, fitness center and bar.</p> <p>The hotel accommodates 176 rooms, car parking spaces, restaurant, bar and recreational area such as indoor sauna, steam bath, relax room, gym room and meeting rooms.</p> <p>The property has a total gross floor area ("GFA") of approximately 10,782 sq.m.</p> <p>The land is held under lease agreement which is expired on 31 December 2061 in accordance to Notes 3b and 3c.</p>	The property is operated by the Group for hotel use.	EUR5,800,000 (HKD49,700,000)

Notes:

1. The owner of the building is Trans World Hotel Austria GmbH.
2. The site inspection was performed by Mr. Frank F. Wong, MRICS Registered Valuer, in September 2023.
3. We have been provided with a legal opinion on the title to the property issued by the Group's Austria legal advisers, which contains, inter alia, the following information:
  - a. Trans World Hotels Austria GmbH. (TWhA) is the legal owner of the building on the parcel no. 1563/2 and no. 1624;

**APPENDIX III**

**PROPERTY VALUATION REPORT**

- b. The lease agreement was originally concluded between ID International Deal Fehlinger KG (an independent third party), as lessor, and Ipla Ges.m.b.H as lessee, dated 16 November 1991 was transferred to TWHA by the lease agreement concluded between ID International Deal Fehlinger KG and THWA dated 16 November 1991 and amended by agreement between Willi Fehlinger and TWHA dated on 20 December 1991 and 21 September 1994 / 02 February 1995 and 2017 at the occasion of the acquisition of TWHA shares by TWHE and TWHG;
- c. The lease is for an unlimited period of time but may not be terminated by the lessor before 31.12.2061; and
- d. The existing use of the property is in compliance with the local planning regulations, required licence and has been approved by the relevant government authorities.

APPENDIX IV

SUMMARY OF THE CONSTITUTION OF THE COMPANY  
AND CAYMAN ISLANDS COMPANY LAW

Set out below is a summary of certain provisions of the Memorandum and Articles of Association of the Company and of certain aspects of Cayman Islands company law.

The Company was incorporated in the Cayman Islands as an exempted company with limited liability on 6 July 2023 under the Companies Act (As Revised) of the Cayman Islands (the "**Companies Act**"). The Company's constitutional documents consist of its Amended and Restated Memorandum of Association (the "**Memorandum**") and its Amended and Restated Articles of Association (the "**Articles**").

**1. MEMORANDUM OF ASSOCIATION**

- (a) The Memorandum states, inter alia, that the liability of members of the Company is limited to the amount, if any, for the time being unpaid on the shares respectively held by them and that the objects for which the Company is established are unrestricted (including acting as an investment company), and that the Company shall have and be capable of exercising all the functions of a natural person of full capacity irrespective of any question of corporate benefit, as provided in section 27(2) of the Companies Act and in view of the fact that the Company is an exempted company that the Company will not trade in the Cayman Islands with any person, firm or corporation except in furtherance of the business of the Company carried on outside the Cayman Islands.
- (b) The Company may by special resolution alter its Memorandum with respect to any objects, powers or other matters specified therein.

**2. ARTICLES OF ASSOCIATION**

The Articles were [conditionally] adopted on [●] 2023 [with effect from the [REDACTED]]. The following is a summary of certain provisions of the Articles:

**(a) Shares**

*(i) Classes of shares*

The share capital of the Company consists of ordinary shares.

*(ii) Variation of rights of existing shares or classes of shares*

Subject to the Companies Act, if at any time the share capital of the Company is divided into different classes of shares, all or any of the special rights attached to the shares or any class of shares may (unless otherwise provided for by the terms of issue of that class) be varied, modified or abrogated either with the consent in writing of the holders of not less than three-fourths in nominal value of the issued shares of that class or with the sanction of a special resolution passed at a separate general meeting of the holders of the shares of that class. To every such separate general meeting the provisions of the Articles relating to general meetings will *mutatis mutandis* apply, but so that the necessary quorum (including at an adjourned



APPENDIX IV

SUMMARY OF THE CONSTITUTION OF THE COMPANY  
AND CAYMAN ISLANDS COMPANY LAW

meeting) shall be two persons holding or representing by proxy not less than one-third in nominal value of the issued shares of that class. Every holder of shares of the class shall be entitled to one vote for every such share held by him.

Any special rights conferred upon the holders of any shares or class of shares shall not, unless otherwise expressly provided in the rights attaching to the terms of issue of such shares, be deemed to be varied by the creation or issue of further shares ranking *pari passu* therewith.

*(iii) Alteration of capital*

The Company may by ordinary resolution of its members:

- (i) increase its share capital by the creation of new shares;
- (ii) consolidate all or any of its capital into shares of larger amount than its existing shares;
- (iii) divide its shares into several classes and attach to such shares any preferential, deferred, qualified or special rights, privileges, conditions or restrictions as the Company in general meeting or as the directors may determine;
- (iv) subdivide its shares or any of them into shares of smaller amount than is fixed by the Memorandum; or
- (v) cancel any shares which, at the date of passing of the resolution, have not been taken and diminish the amount of its capital by the amount of the shares so cancelled.

The Company may reduce its share capital or any capital redemption reserve or other undistributable reserve in any way by special resolution.

*(iv) Transfer of shares*

All transfers of shares may be effected by an instrument of transfer in the usual or common form or in a form prescribed by The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") or in such other form as the board may approve and which may be under hand or, if the transferor or transferee is a clearing house or its nominee(s), by hand or by machine imprinted signature or by such other manner of execution as the board may approve from time to time.

Notwithstanding the foregoing, for so long as any shares are [REDACTED] on the Stock Exchange, titles to such [REDACTED] shares may be evidenced and transferred in accordance with the laws applicable to and the rules and regulations of the Stock Exchange (the "**Listing Rules**") that are or shall be applicable to such [REDACTED] shares. The register of members in respect of its [REDACTED] shares

APPENDIX IV

SUMMARY OF THE CONSTITUTION OF THE COMPANY  
AND CAYMAN ISLANDS COMPANY LAW

(whether the principal register or a branch register) may be kept by recording the particulars required by Section 40 of the Companies Act in a form otherwise than legible if such recording otherwise complies with the laws applicable to and the Listing Rules that are or shall be applicable to such [REDACTED] shares.

The instrument of transfer shall be executed by or on behalf of the transferor and the transferee provided that the board may dispense with the execution of the instrument of transfer by the transferee. The transferor shall be deemed to remain the holder of the share until the name of the transferee is entered in the register of members in respect of that share.

The board may, in its absolute discretion, at any time transfer any share upon the principal register to any branch register or any share on any branch register to the principal register or any other branch register.

The board may decline to recognise any instrument of transfer unless a fee (not exceeding the maximum sum as the Stock Exchange may determine to be payable) determined by the Directors is paid to the Company, the instrument of transfer is properly stamped (if applicable), it is in respect of only one class of share and is lodged at the relevant registration office or registered office or such other place at which the principal register is kept accompanied by the relevant share certificate(s) and such other evidence as the board may reasonably require to show the right of the transferor to make the transfer (and if the instrument of transfer is executed by some other person on his behalf, the authority of that person so to do).

The registration of transfers may be suspended and the register closed on giving notice by announcement or by electronic communication or by advertisement in any newspaper or by any other means in accordance with the requirements of the Stock Exchange, at such times and for such periods as the board may determine. The register of members must not be closed for periods exceeding in the whole thirty (30) days in any year. The period of thirty (30) days may be extended for a further period or periods not exceeding thirty (30) days in respect of any year if approved by members by ordinary resolution.

Subject to the above, fully paid shares are free from any restriction on transfer and free of all liens in favour of the Company.

*(v) Power of the Company to purchase its own shares*

The Company is empowered by the Companies Act and the Articles to purchase its own shares subject to certain restrictions and the board may only exercise this power on behalf of the Company subject to any applicable requirements imposed from time to time by the Stock Exchange.

The board may accept the surrender for no consideration of any fully paid share.

APPENDIX IV

SUMMARY OF THE CONSTITUTION OF THE COMPANY  
AND CAYMAN ISLANDS COMPANY LAW

*(vi) Power of any subsidiary of the Company to own shares in the Company*

There are no provisions in the Articles relating to ownership of shares in the Company by a subsidiary.

*(vii) Calls on shares and forfeiture of shares*

The board may from time to time make such calls upon the members in respect of any monies unpaid on the shares held by them respectively (whether on account of the nominal value of the shares or by way of premium). A call may be made payable either in one lump sum or by instalments. If the sum payable in respect of any call or instalment is not paid on or before the day appointed for payment thereof, the person or persons from whom the sum is due shall pay interest on the same at such rate not exceeding twenty per cent. (20%) per annum as the board may agree to accept from the day appointed for the payment thereof to the time of actual payment, but the board may waive payment of such interest wholly or in part. The board may, if it thinks fit, receive from any member willing to advance the same, either in money or money's worth, all or any part of the monies uncalled and unpaid or instalments payable upon any shares held by him, and upon all or any of the monies so advanced the Company may pay interest at such rate (if any) as the board may decide.

If a member fails to pay any call on the day appointed for payment thereof, the board may serve not less than fourteen (14) clear days' notice on him requiring payment of so much of the call as is unpaid, together with any interest which may have accrued and which may still accrue up to the date of actual payment and stating that, in the event of non-payment at or before the time appointed, the shares in respect of which the call was made will be liable to be forfeited.

If the requirements of any such notice are not complied with, any share in respect of which the notice has been given may at any time thereafter, before the payment required by the notice has been made, be forfeited by a resolution of the board to that effect. Such forfeiture will include all dividends and bonuses declared in respect of the forfeited share and not actually paid before the forfeiture.

A person whose shares have been forfeited shall cease to be a member in respect of the forfeited shares but shall, notwithstanding, remain liable to pay to the Company all monies which, at the date of forfeiture, were payable by him to the Company in respect of the shares, together with (if the board shall in its discretion so require) interest thereon from the date of forfeiture until the date of actual payment at such rate not exceeding twenty per cent. (20%) per annum as the board determines.

APPENDIX IV

SUMMARY OF THE CONSTITUTION OF THE COMPANY  
AND CAYMAN ISLANDS COMPANY LAW

(b) Directors

(i) *Appointment, retirement and removal*

At each annual general meeting, one third of the Directors for the time being (or if their number is not a multiple of three, then the number nearest to but not less than one third) shall retire from office by rotation provided that every Director shall be subject to retirement at an annual general meeting at least once every three years. The Directors to retire by rotation shall include any Director who wishes to retire and not offer himself for re-election. Any further Directors so to retire shall be those who have been longest in office since their last re-election or appointment but as between persons who became or were last re-elected Directors on the same day those to retire will (unless they otherwise agree among themselves) be determined by lot.

Neither a Director nor an alternate Director is required to hold any shares in the Company by way of qualification. Further, there are no provisions in the Articles relating to retirement of Directors upon reaching any age limit.

The Directors have the power to appoint any person as a Director either to fill a casual vacancy on the board or as an addition to the existing board. Any Director so appointed shall hold office only until the first annual general meeting of the Company after his appointment and shall then be eligible for re-election.

A Director (including a managing or other executive Director) may be removed by an ordinary resolution of the Company before the expiration of his term of office (but without prejudice to any claim which such Director may have for damages for any breach of any contract between him and the Company) and members of the Company may by ordinary resolution appoint another in his place. Unless otherwise determined by the Company in general meeting, the number of Directors shall not be less than two. There is no maximum number of Directors.

The office of director shall be vacated if:

- (aa) he resigns by notice in writing delivered to the Company;
- (bb) he becomes of unsound mind or dies;
- (cc) without special leave, he is absent from meetings of the board for six (6) consecutive months, and the board resolves that his office is vacated;
- (dd) he becomes bankrupt or has a receiving order made against him or suspends payment or compounds with his creditors;
- (ee) he is prohibited from being a director by law; or

APPENDIX IV

SUMMARY OF THE CONSTITUTION OF THE COMPANY  
AND CAYMAN ISLANDS COMPANY LAW

- (ff) he ceases to be a director by virtue of any provision of law or is removed from office pursuant to the Articles.

The board may appoint one or more of its body to be managing director, joint managing director, or deputy managing director or to hold any other employment or executive office with the Company for such period and upon such terms as the board may determine and the board may revoke or terminate any of such appointments. The board may delegate any of its powers, authorities and discretions to committees consisting of such Director or Directors and other persons as the board thinks fit, and it may from time to time revoke such delegation or revoke the appointment of and discharge any such committees either wholly or in part, and either as to persons or purposes, but every committee so formed must, in the exercise of the powers, authorities and discretions so delegated, conform to any regulations that may from time to time be imposed upon it by the board.

*(ii) Power to allot and issue shares and warrants*

Subject to the provisions of the Companies Act and the Memorandum and Articles and to any special rights conferred on the holders of any shares or class of shares, any share may be issued (a) with or have attached thereto such rights, or such restrictions, whether with regard to dividend, voting, return of capital, or otherwise, as the Directors may determine, or (b) on terms that, at the option of the Company or the holder thereof, it is liable to be redeemed.

The board may issue warrants or convertible securities or securities of similar nature conferring the right upon the holders thereof to subscribe for any class of shares or securities in the capital of the Company on such terms as it may determine.

Subject to the provisions of the Companies Act and the Articles and, where applicable, the Listing Rules and without prejudice to any special rights or restrictions for the time being attached to any shares or any class of shares, all unissued shares in the Company are at the disposal of the board, which may offer, allot, grant options over or otherwise dispose of them to such persons, at such times, for such consideration and on such terms and conditions as it in its absolute discretion thinks fit, but so that no shares shall be issued at a discount to their nominal value.

Neither the Company nor the board is obliged, when making or granting any allotment of, offer of, option over or disposal of shares, to make, or make available, any such allotment, offer, option or shares to members or others with registered addresses in any particular territory or territories being a territory or territories where, in the absence of a registration statement or other special formalities, this would or might, in the opinion of the board, be unlawful or impracticable or that based on legal opinions provided by legal advisers, the board considers it necessary or expedient not to offer the shares to such members on account either of legal restrictions under the laws of the relevant place or the requirements of the relevant

APPENDIX IV

SUMMARY OF THE CONSTITUTION OF THE COMPANY  
AND CAYMAN ISLANDS COMPANY LAW

regulatory body or stock exchange in that place. Members affected as a result of the foregoing sentence shall not be, or be deemed to be, a separate class of members for any purpose whatsoever.

*(iii) Power to dispose of the assets of the Company or any of its subsidiaries*

There are no specific provisions in the Articles relating to the disposal of the assets of the Company or any of its subsidiaries. The Directors may, however, exercise all powers and do all acts and things which may be exercised or done or approved by the Company and which are not required by the Articles or the Companies Act to be exercised or done by the Company in general meeting.

*(iv) Borrowing powers*

The board may exercise all the powers of the Company to raise or borrow money, to mortgage or charge all or any part of the undertaking, property and assets and uncalled capital of the Company and, subject to the Companies Act, to issue debentures, bonds and other securities of the Company, whether outright or as collateral security for any debt, liability or obligation of the Company or of any third party.

*(v) Remuneration*

The ordinary remuneration of the Directors is to be determined by the Company in general meeting, such sum (unless otherwise directed by the resolution by which it is voted) to be divided amongst the Directors in such proportions and in such manner as the board may agree or, failing agreement, equally, except that any Director holding office for part only of the period in respect of which the remuneration is payable shall only rank in such division in proportion to the time during such period for which he held office. The Directors are also entitled to be prepaid or repaid all travelling, hotel and incidental expenses reasonably expected to be incurred or incurred by them in attending any board meetings, committee meetings or general meetings or separate meetings of any class of shares or of debentures of the Company or otherwise in connection with the discharge of their duties as Directors.

Any Director who, by request, goes or resides abroad for any purpose of the Company or who performs services which in the opinion of the board go beyond the ordinary duties of a Director may be paid such extra remuneration as the board may determine and such extra remuneration shall be in addition to or in substitution for any ordinary remuneration as a Director. An executive Director appointed to be a managing director, joint managing director, deputy managing director or other executive officer shall receive such remuneration and such other benefits and allowances as the board may from time to time decide. Such remuneration may be either in addition to or in lieu of his remuneration as a Director.

APPENDIX IV

SUMMARY OF THE CONSTITUTION OF THE COMPANY  
AND CAYMAN ISLANDS COMPANY LAW

The board may establish or concur or join with other companies (being subsidiary companies of the Company or companies with which it is associated in business) in establishing and making contributions out of the Company's monies to any schemes or funds for providing pensions, sickness or compassionate allowances, life assurance or other benefits for employees (which expression as used in this and the following paragraph shall include any Director or past Director who may hold or have held any executive office or any office of profit with the Company or any of its subsidiaries) and ex-employees of the Company and their dependents or any class or classes of such persons.

The board may pay, enter into agreements to pay or make grants of revocable or irrevocable, and either subject or not subject to any terms or conditions, pensions or other benefits to employees and ex-employees and their dependents, or to any of such persons, including pensions or benefits additional to those, if any, to which such employees or ex-employees or their dependents are or may become entitled under any such scheme or fund as is mentioned in the previous paragraph. Any such pension or benefit may, as the board considers desirable, be granted to an employee either before and in anticipation of, or upon or at any time after, his actual retirement.

The board may resolve to capitalise all or any part of any amount for the time being standing to the credit of any reserve or fund (including a share premium account and the profit and loss account) whether or not the same is available for distribution by applying such sum in paying up unissued shares to be allotted to (i) employees (including directors) of the Company and/or its affiliates (meaning any individual, corporation, partnership, association, joint-stock company, trust, unincorporated association or other entity (other than the Company) that directly, or indirectly through one or more intermediaries, controls, is controlled by or is under common control with, the Company) upon exercise or vesting of any options or awards granted under any share incentive scheme or employee benefit scheme or other arrangement which relates to such persons that has been adopted or approved by the members in general meeting, or (ii) any trustee of any trust to whom shares are to be allotted and issued by the Company in connection with the operation of any share incentive scheme or employee benefit scheme or other arrangement which relates to such persons that has been adopted or approved by the members in general meeting.

*(vi) Compensation or payments for loss of office*

Pursuant to the Articles, payments to any Director or past Director of any sum by way of compensation for loss of office or as consideration for or in connection with his retirement from office (not being a payment to which the Director is contractually entitled) must be approved by the Company in general meeting.

APPENDIX IV

SUMMARY OF THE CONSTITUTION OF THE COMPANY  
AND CAYMAN ISLANDS COMPANY LAW

*(vii) Loans and provision of security for loans to Directors*

The Company must not make any loan, directly or indirectly, to a Director or his close associate(s) if and to the extent it would be prohibited by the Companies Ordinance (Chapter 622 of the laws of Hong Kong) as if the Company were a company incorporated in Hong Kong.

*(viii) Disclosure of interests in contracts with the Company or any of its subsidiaries*

A Director may hold any other office or place of profit with the Company (except that of the auditor of the Company) in conjunction with his office of Director for such period and upon such terms as the board may determine, and may be paid such extra remuneration therefor in addition to any remuneration provided for by or pursuant to the Articles. A Director may be or become a director or other officer of, or otherwise interested in, any company promoted by the Company or any other company in which the Company may be interested, and shall not be liable to account to the Company or the members for any remuneration, profits or other benefits received by him as a director, officer or member of, or from his interest in, such other company. The board may also cause the voting power conferred by the shares in any other company held or owned by the Company to be exercised in such manner in all respects as it thinks fit, including the exercise thereof in favour of any resolution appointing the Directors or any of them to be directors or officers of such other company, or voting or providing for the payment of remuneration to the directors or officers of such other company.

No Director or proposed or intended Director shall be disqualified by his office from contracting with the Company, either with regard to his tenure of any office or place of profit or as vendor, purchaser or in any other manner whatsoever, nor shall any such contract or any other contract or arrangement in which any Director is in any way interested be liable to be avoided, nor shall any Director so contracting or being so interested be liable to account to the Company or the members for any remuneration, profit or other benefits realised by any such contract or arrangement by reason of such Director holding that office or the fiduciary relationship thereby established. A Director who to his knowledge is in any way, whether directly or indirectly, interested in a contract or arrangement or proposed contract or arrangement with the Company must declare the nature of his interest at the meeting of the board at which the question of entering into the contract or arrangement is first taken into consideration, if he knows his interest then exists, or in any other case, at the first meeting of the board after he knows that he is or has become so interested.



APPENDIX IV

SUMMARY OF THE CONSTITUTION OF THE COMPANY  
AND CAYMAN ISLANDS COMPANY LAW

A Director shall not vote (nor be counted in the quorum) on any resolution of the board approving any contract or arrangement or other proposal in which he or any of his close associates is materially interested, but this prohibition does not apply to any of the following matters, namely:

- (aa) the giving of any security or indemnity either:
  - (aaa) to the Director or his close associate(s) in respect of money lent or obligations incurred or undertaken by him or any of them at the request of or for the benefit of the Company or any of its subsidiaries; or
  - (bbb) to a third party in respect of a debt or obligation of the Company or any of its subsidiaries for which the Director or his close associate(s) has himself/themselves assumed responsibility in whole or in part and whether alone or jointly under a guarantee or indemnity or by the giving of security;
- (bb) any proposal concerning an offer of shares or debentures or other securities of or by the Company or any other company which the Company may promote or be interested in for subscription or purchase where the Director or his close associate(s) is/are or is/are to be interested as a participant in the underwriting or sub-underwriting of the offer;
- (cc) any proposal or arrangement concerning the benefit of employees of the Company or its subsidiaries including:
  - (aaa) the adoption, modification or operation of any employees' share scheme or any share incentive or share option scheme under which the Director or his close associate(s) may benefit; or
  - (bbb) the adoption, modification or operation of a pension fund or retirement, death or disability benefits scheme which relates to the Directors, his close associate(s) and employee(s) of the Company or any of its subsidiaries and does not provide in respect of any Director, or his close associate(s), as such any privilege or advantage not generally accorded to the class of persons to which such scheme or fund relates;
- (dd) any contract or arrangement in which the Director or his close associate(s) is/are interested in the same manner as other holders of shares or debentures or other securities of the Company by virtue only of his/their interest in shares or debentures or other securities of the Company.

APPENDIX IV

SUMMARY OF THE CONSTITUTION OF THE COMPANY  
AND CAYMAN ISLANDS COMPANY LAW

**(c) Proceedings of the Board**

The board may meet for the despatch of business, adjourn and otherwise regulate its meetings as it considers appropriate. Questions arising at any meeting shall be determined by a majority of votes. In the case of an equality of votes, the chairman of the meeting shall have an additional or casting vote.

**(d) Alterations to constitutional documents and the Company's name**

The Articles may be rescinded, altered or amended by the Company in general meeting by special resolution. The Articles state that a special resolution shall be required to alter the provisions of the Memorandum, to amend the Articles or to change the name of the Company.

**(e) Meetings of members**

*(i) Special and ordinary resolutions*

A special resolution of the Company must be passed by a majority of not less than three-fourths of the votes cast by such members as, being entitled so to do, vote in person or, in the case of such members as are corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting of which notice has been duly given in accordance with the Articles.

Under the Companies Act, a copy of any special resolution must be forwarded to the Registrar of Companies in the Cayman Islands within fifteen (15) days of being passed.

An ordinary resolution is defined in the Articles to mean a resolution passed by a simple majority of the votes of such members of the Company as, being entitled to do so, vote in person or, in the case of corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting of which notice has been duly given in accordance with the Articles.

*(ii) Voting rights and right to demand a poll*

Subject to any special rights or restrictions as to voting for the time being attached to any shares, at any general meeting on a poll every member present in person or by proxy or, in the case of a member being a corporation, by its duly authorised representative shall have one vote for every fully paid share of which he is the holder but so that no amount paid up or credited as paid up on a share in advance of calls or instalments is treated for the foregoing purposes as paid up on the share. A member entitled to more than one vote need not use all his votes or cast all the votes he uses in the same way.

APPENDIX IV

SUMMARY OF THE CONSTITUTION OF THE COMPANY  
AND CAYMAN ISLANDS COMPANY LAW

At any general meeting a resolution put to the vote of the meeting is to be decided by way of a poll save that the chairman of the meeting may in good faith, allow a resolution which relates purely to a procedural or administrative matter to be voted on by a show of hands in which case every member present in person (or being a corporation, is present by a duly authorised representative), or by proxy(ies) shall have one vote provided that where more than one proxy is appointed by a member which is a clearing house (or its nominee(s)), each such proxy shall have one vote on a show of hands. Votes (whether on a show of hands or by way of poll) may be cast by such means, electronic or otherwise, as the Directors or the chairman of the meeting may determine.

Any corporation which is a member may by resolution of its directors or other governing body authorise such person as it thinks fit to act as its representative at any general meeting of the Company or at any meeting of any class of members.

The person so authorised shall be entitled to exercise the same powers on behalf of such corporation as the corporation could exercise if it were an individual member and such corporation shall for the purposes of the Articles be deemed to be present in person at any such meeting if a person so authorised is present thereat.

If a recognised clearing house (or its nominee(s)) is a member of the Company it may authorise such person or persons as it thinks fit to act as its representative(s) at any meeting of the Company or at any meeting of any class of members of the Company provided that, if more than one person is so authorised, the authorisation shall specify the number and class of shares in respect of which each such person is so authorised. A person authorised pursuant to this provision shall be deemed to have been duly authorised without further evidence of the facts and be entitled to exercise the same powers on behalf of the recognised clearing house (or its nominee(s)) as if such person was the registered holder of the shares of the Company held by that clearing house (or its nominee(s)) including, the right to speak and to vote, and where a show of hands is allowed, the right to vote individually on a show of hands.

All members have the right to speak and vote at a general meeting except where a member is required, by the Listing Rules, to abstain from voting to approve the matter under consideration.

Where the Company has any knowledge that any member is, under the Listing Rules, required to abstain from voting on any particular resolution of the Company or restricted to voting only for or only against any particular resolution of the Company, any votes cast by or on behalf of such member in contravention of such requirement or restriction shall not be counted.

*(iii) Annual general meetings and extraordinary general meetings*

The Company must hold an annual general meeting of the Company for each financial year other than the financial year of the Company's adoption of the

APPENDIX IV

SUMMARY OF THE CONSTITUTION OF THE COMPANY  
AND CAYMAN ISLANDS COMPANY LAW

Articles and such general meeting must be held within six (6) months after the end of the Company's financial year unless a longer period would not infringe the Listing Rules.

Extraordinary general meetings may be convened on the requisition of one or more members holding, at the date of deposit of the requisition, not less than one-tenth of the paid up capital of the Company having the right of voting at general meetings, on a one vote per share basis. Such requisition shall be made in writing to the board or the secretary for the purpose of requiring an extraordinary general meeting to be called by the board for the transaction of any business or resolution specified in such requisition. Such meeting shall be held within 2 months after the deposit of such requisition. If within 21 days of such deposit, the board fails to proceed to convene such meeting, the requisitioner(s) himself/herself (themselves) may do so in the same manner, and all reasonable expenses incurred by the requisitioner(s) as a result of the failure of the board shall be reimbursed to the requisitioner(s) by the Company.

Notwithstanding any provisions in the Articles, any general meeting or any class meeting may be held by means of such telephone, electronic or other communication facilities as to permit all persons participating in the meeting to communicate with each other, and participation in such a meeting shall constitute presence at such meeting.

*(iv) Notices of meetings and business to be conducted*

An annual general meeting must be called by notice of not less than twenty-one (21) clear days. All other general meetings must be called by notice of at least fourteen (14) clear days. The notice is exclusive of the day on which it is served or deemed to be served and of the day for which it is given, and must specify the time and place of the meeting and particulars of resolutions to be considered at the meeting and, in the case of special business, the general nature of that business.

In addition, notice of every general meeting must be given to all members of the Company other than to such members as, under the provisions of the Articles or the terms of issue of the shares they hold, are not entitled to receive such notices from the Company, and also to, among others, the auditors for the time being of the Company.

Any notice to be given to or by any person pursuant to the Articles may be served on or delivered to any member of the Company personally, by post to such member's registered address or by advertisement in newspapers in accordance with the requirements of the Stock Exchange. Subject to compliance with Cayman Islands law and the Listing Rules, notice may also be served or delivered by the Company to any member by electronic means.

APPENDIX IV

SUMMARY OF THE CONSTITUTION OF THE COMPANY  
AND CAYMAN ISLANDS COMPANY LAW

All business that is transacted at an extraordinary general meeting and at an annual general meeting is deemed special, save that in the case of an annual general meeting, each of the following business is deemed an ordinary business:

- (aa) the declaration and sanctioning of dividends;
- (bb) the consideration and adoption of the accounts and balance sheet and the reports of the directors and the auditors;
- (cc) the election of directors in place of those retiring;
- (dd) the appointment of auditors and other officers; and
- (ee) the fixing of the remuneration of the directors and of the auditors.

*(v) Quorum for meetings and separate class meetings*

No business shall be transacted at any general meeting unless a quorum is present when the meeting proceeds to business, but the absence of a quorum shall not preclude the appointment of a chairman.

The quorum for a general meeting shall be two members present in person (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy or, for quorum purposes only, two persons appointed by the clearing house as authorised representative or proxy, and entitled to vote. In respect of a separate class meeting (including an adjourned meeting) convened to sanction the modification of class rights the necessary quorum shall be two persons holding or representing by proxy not less than one-third in nominal value of the issued shares of that class.

*(vi) Proxies*

Any member of the Company entitled to attend and vote at a meeting of the Company is entitled to appoint another person as his proxy to attend and vote instead of him. A member who is the holder of two or more shares may appoint more than one proxy to represent him and vote on his behalf at a general meeting of the Company or at a class meeting. A proxy need not be a member of the Company and is entitled to exercise the same powers on behalf of a member who is an individual and for whom he acts as proxy as such member could exercise. In addition, a proxy is entitled to exercise the same powers on behalf of a member which is a corporation and for which he acts as proxy as such member could exercise as if it were an individual member. Votes may be given either personally (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy.

APPENDIX IV

SUMMARY OF THE CONSTITUTION OF THE COMPANY  
AND CAYMAN ISLANDS COMPANY LAW

**(f) Accounts and audit**

The board shall cause true accounts to be kept of the sums of money received and expended by the Company, and the matters in respect of which such receipt and expenditure take place, and of the property, assets, credits and liabilities of the Company and of all other matters required by the Companies Act or necessary to give a true and fair view of the Company's affairs and to explain its transactions.

The accounting records must be kept at the registered office or at such other place or places as the board decides and shall always be open to inspection by any Director. No member (other than a Director) shall have any right to inspect any accounting record or book or document of the Company except as conferred by law or authorised by the board or the Company in general meeting. However, an exempted company must make available at its registered office in electronic form or any other medium, copies of its books of account or parts thereof as may be required of it upon service of an order or notice by the Tax Information Authority pursuant to the Tax Information Authority Act of the Cayman Islands.

A copy of every balance sheet and profit and loss account (including every document required by law to be annexed thereto) which is to be laid before the Company at its general meeting, together with a printed copy of the Directors' report and a copy of the auditors' report, shall not less than twenty-one (21) days before the date of the meeting and at the same time as the notice of annual general meeting be sent to every person entitled to receive notices of general meetings of the Company under the provisions of the Articles; however, subject to compliance with all applicable laws, including the Listing Rules, the Company may send to such persons summarised financial statements derived from the Company's annual accounts and the directors' report instead provided that any such person may by notice in writing served on the Company, demand that the Company sends to him, in addition to summarised financial statements, a complete printed copy of the Company's annual financial statement and the directors' report thereon.

At the annual general meeting or at a subsequent extraordinary general meeting in each year, the members shall by ordinary resolution appoint an auditor to audit the accounts of the Company and such auditor shall hold office until the next annual general meeting. Moreover, the members may, at any general meeting, by ordinary resolution remove the auditor at any time before the expiration of his terms of office and shall by ordinary resolution at that meeting appoint another auditor for the remainder of his term. The remuneration of the auditors shall be fixed and approved by the Company by an ordinary resolution passed at a general meeting or in such manner as the members may by ordinary resolution determine.

The financial statements of the Company shall be audited by the auditor in accordance with generally accepted auditing standards which may be those of a country or jurisdiction other than the Cayman Islands. The auditor shall make a written report thereon in accordance with generally accepted auditing standards and the report of the auditor must be submitted to the members in general meeting.

APPENDIX IV

SUMMARY OF THE CONSTITUTION OF THE COMPANY  
AND CAYMAN ISLANDS COMPANY LAW

**(g) Dividends and other methods of distribution**

The Company in general meeting may declare dividends in any currency to be paid to the members but no dividend shall be declared in excess of the amount recommended by the board.

The Articles provide dividends may be declared and paid out of the profits of the Company, realised or unrealised, or from any reserve set aside from profits which the directors determine is no longer needed. With the sanction of an ordinary resolution dividends may also be declared and paid out of share premium account or any other fund or account which can be authorised for this purpose in accordance with the Companies Act.

Except in so far as the rights attaching to, or the terms of issue of, any share may otherwise provide, (i) all dividends shall be declared and paid according to the amounts paid up on the shares in respect whereof the dividend is paid but no amount paid up on a share in advance of calls shall for this purpose be treated as paid up on the share and (ii) all dividends shall be apportioned and paid pro rata according to the amount paid up on the shares during any portion or portions of the period in respect of which the dividend is paid. The Directors may deduct from any dividend or other monies payable to any member or in respect of any shares all sums of money (if any) presently payable by him to the Company on account of calls or otherwise.

Whenever the board or the Company in general meeting has resolved that a dividend be paid or declared on the share capital of the Company, the board may further resolve either (a) that such dividend be satisfied wholly or in part in the form of an allotment of shares credited as fully paid up, provided that the members entitled thereto will be entitled to elect to receive such dividend (or part thereof) in cash in lieu of such allotment, or (b) that members entitled to such dividend will be entitled to elect to receive an allotment of shares credited as fully paid up in lieu of the whole or such part of the dividend as the board may think fit.

The Company may also upon the recommendation of the board by an ordinary resolution resolve in respect of any one particular dividend of the Company that it may be satisfied wholly in the form of an allotment of shares credited as fully paid up without offering any right to members to elect to receive such dividend in cash in lieu of such allotment.

Any dividend, interest or other sum payable in cash to the holder of shares may be paid by cheque or warrant sent through the post addressed to the holder at his registered address, or in the case of joint holders, addressed to the holder whose name stands first in the register of the Company in respect of the shares at his address as appearing in the register or addressed to such person and at such addresses as the holder or joint holders may in writing direct. Every such cheque or warrant shall, unless the holder or joint holders otherwise direct, be made payable to the order of the holder or, in the case of joint holders, to the order of the holder whose name stands first on the register in respect of

APPENDIX IV

SUMMARY OF THE CONSTITUTION OF THE COMPANY  
AND CAYMAN ISLANDS COMPANY LAW

such shares, and shall be sent at his or their risk and payment of the cheque or warrant by the bank on which it is drawn shall constitute a good discharge to the Company. Any one of two or more joint holders may give effectual receipts for any dividends or other moneys payable or property distributable in respect of the shares held by such joint holders.

Whenever the board or the Company in general meeting has resolved that a dividend be paid or declared the board may further resolve that such dividend be satisfied wholly or in part by the distribution of specific assets of any kind.

All dividends or bonuses unclaimed for one year after having been declared may be invested or otherwise made use of by the board for the benefit of the Company until claimed and the Company shall not be constituted a trustee in respect thereof. All dividends or bonuses unclaimed for six years after having been declared may be forfeited by the board and shall revert to the Company.

No dividend or other monies payable by the Company on or in respect of any share shall bear interest against the Company.

**(h) Inspection of corporate records**

Pursuant to the Articles, the register and branch register of members maintained in Hong Kong shall be open to inspection for at least two (2) hours during business hours by members without charge, or by any other person upon a maximum payment of HK\$2.50 or such lesser sum specified by the board, at the registered office or such other place at which the register is kept in accordance with the Companies Act or, upon a maximum payment of HK\$1.00 or such lesser sum specified by the board, at the office where the branch register of members is kept, unless the register is closed in accordance with the Articles.

**(i) Rights of minorities in relation to fraud or oppression**

There are no provisions in the Articles relating to rights of minority shareholders in relation to fraud or oppression. However, certain remedies are available to members of the Company under Cayman Islands law, as summarised in paragraph 3(f) of this Appendix.

**(j) Procedures on liquidation**

Unless otherwise provided by the Companies Act, a resolution that the Company be wound up by the court or be wound up voluntarily shall be a special resolution.

Subject to any special rights, privileges or restrictions as to the distribution of available surplus assets on liquidation for the time being attached to any class or classes of shares:

- (i) if the Company is wound up and the assets available for distribution amongst the members of the Company shall be more than sufficient to repay the whole of the capital paid up at the commencement of the winding up, the excess shall be distributed *pari passu* amongst such members in proportion to the amount paid up on the shares held by them respectively; and



APPENDIX IV

SUMMARY OF THE CONSTITUTION OF THE COMPANY  
AND CAYMAN ISLANDS COMPANY LAW

- (ii) if the Company is wound up and the assets available for distribution amongst the members as such shall be insufficient to repay the whole of the paid-up capital, such assets shall be distributed so that, as nearly as may be, the losses shall be borne by the members in proportion to the capital paid up, or which ought to have been paid up, at the commencement of the winding up on the shares held by them respectively.

If the Company is wound up (whether the liquidation is voluntary or by the court) the liquidator may, with the authority of a special resolution and any other sanction required by the Companies Act divide among the members in specie or kind the whole or any part of the assets of the Company whether the assets shall consist of property of one kind or shall consist of properties of different kinds and the liquidator may, for such purpose, set such value as he deems fair upon any one or more class or classes of property to be divided as aforesaid and may determine how such division shall be carried out as between the members or different classes of members. The liquidator may, with the like authority, vest any part of the assets in trustees upon such trusts for the benefit of members as the liquidator, with the like authority, shall think fit, but so that no contributory shall be compelled to accept any shares or other property in respect of which there is a liability.

**(k) Subscription rights reserve**

The Articles provide that to the extent that it is not prohibited by and is in compliance with the Companies Act, if warrants to subscribe for shares have been issued by the Company and the Company does any act or engages in any transaction which would result in the subscription price of such warrants being reduced below the par value of a share, a subscription rights reserve shall be established and applied in paying up the difference between the subscription price and the par value of a share on any exercise of the warrants.

**3. CAYMAN ISLANDS COMPANY LAW**

The Company is incorporated in the Cayman Islands subject to the Companies Act and, therefore, operates subject to Cayman Islands law. Set out below is a summary of certain provisions of Cayman Islands company law, although this does not purport to contain all applicable qualifications and exceptions or to be a complete review of all matters of Cayman Islands company law and taxation, which may differ from equivalent provisions in jurisdictions with which interested parties may be more familiar:

**(a) Company operations**

As an exempted company, the Company's operations must be conducted mainly outside the Cayman Islands. The Company is required to file an annual return each year with the Registrar of Companies of the Cayman Islands and pay a fee which is based on the amount of its authorised share capital.

**APPENDIX IV**

**SUMMARY OF THE CONSTITUTION OF THE COMPANY  
AND CAYMAN ISLANDS COMPANY LAW**

**(b) Share capital**

The Companies Act provides that where a company issues shares at a premium, whether for cash or otherwise, a sum equal to the aggregate amount of the value of the premiums on those shares shall be transferred to an account, to be called the "share premium account". At the option of a company, these provisions may not apply to premiums on shares of that company allotted pursuant to any arrangement in consideration of the acquisition or cancellation of shares in any other company and issued at a premium.

The Companies Act provides that the share premium account may be applied by the company subject to the provisions, if any, of its memorandum and articles of association in (a) paying distributions or dividends to members; (b) paying up unissued shares of the company to be issued to members as fully paid bonus shares; (c) the redemption and repurchase of shares (subject to the provisions of section 37 of the Companies Act); (d) writing-off the preliminary expenses of the company; and (e) writing-off the expenses of, or the commission paid or discount allowed on, any issue of shares or debentures of the company.

No distribution or dividend may be paid to members out of the share premium account unless immediately following the date on which the distribution or dividend is proposed to be paid, the company will be able to pay its debts as they fall due in the ordinary course of business.

The Companies Act provides that, subject to confirmation by the Grand Court of the Cayman Islands (the "**Court**"), a company limited by shares or a company limited by guarantee and having a share capital may, if so authorised by its articles of association, by special resolution reduce its share capital in any way.

**(c) Financial assistance to purchase shares of a company or its holding company**

There is no statutory restriction in the Cayman Islands on the provision of financial assistance by a company to another person for the purchase of, or subscription for, its own or its holding company's shares. Accordingly, a company may provide financial assistance if the directors of the company consider, in discharging their duties of care and acting in good faith, for a proper purpose and in the interests of the company, that such assistance can properly be given. Such assistance should be on an arm's-length basis.

**(d) Purchase of shares and warrants by a company and its subsidiaries**

A company limited by shares or a company limited by guarantee and having a share capital may, if so authorised by its articles of association, issue shares which are to be redeemed or are liable to be redeemed at the option of the company or a shareholder and the Companies Act expressly provides that it shall be lawful for the rights attaching to any shares to be varied, subject to the provisions of the company's articles of association, so as to provide that such shares are to be or are liable to be so redeemed. In addition, such a

APPENDIX IV

SUMMARY OF THE CONSTITUTION OF THE COMPANY  
AND CAYMAN ISLANDS COMPANY LAW

company may, if authorised to do so by its articles of association, purchase its own shares, including any redeemable shares. However, if the articles of association do not authorise the manner and terms of purchase, a company cannot purchase any of its own shares unless the manner and terms of purchase have first been authorised by an ordinary resolution of the company. At no time may a company redeem or purchase its shares unless they are fully paid. A company may not redeem or purchase any of its shares if, as a result of the redemption or purchase, there would no longer be any issued shares of the company other than shares held as treasury shares. A payment out of capital by a company for the redemption or purchase of its own shares is not lawful unless immediately following the date on which the payment is proposed to be made, the company shall be able to pay its debts as they fall due in the ordinary course of business.

Shares purchased by a company is to be treated as cancelled unless, subject to the memorandum and articles of association of the company, the directors of the company resolve to hold such shares in the name of the company as treasury shares prior to the purchase. Where shares of a company are held as treasury shares, the company shall be entered in the register of members as holding those shares, however, notwithstanding the foregoing, the company is not to be treated as a member for any purpose and must not exercise any right in respect of the treasury shares, and any purported exercise of such a right shall be void, and a treasury share must not be voted, directly or indirectly, at any meeting of the company and must not be counted in determining the total number of issued shares at any given time, whether for the purposes of the company's articles of association or the Companies Act.

A company is not prohibited from purchasing and may purchase its own warrants subject to and in accordance with the terms and conditions of the relevant warrant instrument or certificate. There is no requirement under Cayman Islands law that a company's memorandum or articles of association contain a specific provision enabling such purchases and the directors of a company may rely upon the general power contained in its memorandum of association to buy and sell and deal in personal property of all kinds.

Under Cayman Islands law, a subsidiary may hold shares in its holding company and, in certain circumstances, may acquire such shares.

**(e) Dividends and distributions**

The Companies Act permits, subject to a solvency test and the provisions, if any, of the company's memorandum and articles of association, the payment of dividends and distributions out of the share premium account. With the exception of the foregoing, there are no statutory provisions relating to the payment of dividends. Based upon English case law, which is regarded as persuasive in the Cayman Islands, dividends may be paid only out of profits.

No dividend may be declared or paid, and no other distribution (whether in cash or otherwise) of the company's assets (including any distribution of assets to members on a winding up) may be made to the company, in respect of a treasury share.

**APPENDIX IV**

**SUMMARY OF THE CONSTITUTION OF THE COMPANY  
AND CAYMAN ISLANDS COMPANY LAW**

**(f) Protection of minorities and shareholders' suits**

The Courts ordinarily would be expected to follow English case law precedents which permit a minority shareholder to commence a representative action against or derivative actions in the name of the company to challenge (a) an act which is ultra vires the company or illegal, (b) an act which constitutes a fraud against the minority and the wrongdoers are themselves in control of the company, and (c) an irregularity in the passing of a resolution which requires a qualified (or special) majority.

In the case of a company (not being a bank) having a share capital divided into shares, the Court may, on the application of members holding not less than one fifth of the shares of the company in issue, appoint an inspector to examine into the affairs of the company and to report thereon in such manner as the Court shall direct.

Any shareholder of a company may petition the Court which may make a winding up order if the Court is of the opinion that it is just and equitable that the company should be wound up or, as an alternative to a winding up order, (a) an order regulating the conduct of the company's affairs in the future, (b) an order requiring the company to refrain from doing or continuing an act complained of by the shareholder petitioner or to do an act which the shareholder petitioner has complained it has omitted to do, (c) an order authorising civil proceedings to be brought in the name and on behalf of the company by the shareholder petitioner on such terms as the Court may direct, or (d) an order providing for the purchase of the shares of any shareholders of the company by other shareholders or by the company itself and, in the case of a purchase by the company itself, a reduction of the company's capital accordingly.

Generally claims against a company by its shareholders must be based on the general laws of contract or tort applicable in the Cayman Islands or their individual rights as shareholders as established by the company's memorandum and articles of association.

**(g) Disposal of assets**

The Companies Act contains no specific restrictions on the power of directors to dispose of assets of a company. However, as a matter of general law, every officer of a company, which includes a director, managing director and secretary, in exercising his powers and discharging his duties must do so honestly and in good faith with a view to the best interests of the company and exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances.

**(h) Accounting and auditing requirements**

A company must cause proper books of account to be kept with respect to (i) all sums of money received and expended by the company and the matters in respect of which the receipt and expenditure takes place; (ii) all sales and purchases of goods by the company; and (iii) the assets and liabilities of the company.

**APPENDIX IV**

**SUMMARY OF THE CONSTITUTION OF THE COMPANY  
AND CAYMAN ISLANDS COMPANY LAW**

Proper books of account shall not be deemed to be kept if there are not kept such books as are necessary to give a true and fair view of the state of the company's affairs and to explain its transactions.

An exempted company must make available at its registered office in electronic form or any other medium, copies of its books of account or parts thereof as may be required of it upon service of an order or notice by the Tax Information Authority pursuant to the Tax Information Authority Act of the Cayman Islands.

**(i) Exchange control**

There are no exchange control regulations or currency restrictions in the Cayman Islands.

**(j) Taxation**

Pursuant to the Tax Concessions Act of the Cayman Islands, the Company has obtained an undertaking:

- (1) that no law which is enacted in the Cayman Islands imposing any tax to be levied on profits, income, gains or appreciation shall apply to the Company or its operations; and
- (2) that the aforesaid tax or any tax in the nature of estate duty or inheritance tax shall not be payable on or in respect of the shares, debentures or other obligations of the Company.

The undertaking for the Company is for a period of twenty years from 21 July 2023.

The Cayman Islands currently levy no taxes on individuals or corporations based upon profits, income, gains or appreciations and there is no taxation in the nature of inheritance tax or estate duty. There are no other taxes likely to be material to the Company levied by the Government of the Cayman Islands save for certain stamp duties which may be applicable, from time to time, on certain instruments executed in or brought within the jurisdiction of the Cayman Islands. The Cayman Islands are a party to a double tax treaty entered into with the United Kingdom in 2010 but otherwise is not party to any double tax treaties.

**(k) Stamp duty on transfers**

No stamp duty is payable in the Cayman Islands on transfers of shares of Cayman Islands companies except those which hold interests in land in the Cayman Islands.

**(l) Loans to directors**

There is no express provision in the Companies Act prohibiting the making of loans by a company to any of its directors.

**APPENDIX IV**

**SUMMARY OF THE CONSTITUTION OF THE COMPANY  
AND CAYMAN ISLANDS COMPANY LAW**

**(m) Inspection of corporate records**

The notice of registered office is a matter of public record. A list of the names of the current directors and alternate directors (if applicable) is made available by the Registrar of Companies for inspection by any person on payment of a fee. The register of mortgages is open to inspection by creditors and members.

Members of the Company have no general right under the Companies Act to inspect or obtain copies of the register of members or corporate records of the Company. They will, however, have such rights as may be set out in the Company's Articles.

**(n) Register of members**

An exempted company may maintain its principal register of members and any branch registers at such locations, whether within or without the Cayman Islands, as the directors may, from time to time, think fit. The register of members shall contain such particulars as required by Section 40 of the Companies Act. A branch register must be kept in the same manner in which a principal register is by the Companies Act required or permitted to be kept. The company shall cause to be kept at the place where the company's principal register is kept a duplicate of any branch register duly entered up from time to time.

There is no requirement under the Companies Act for an exempted company to make any returns of members to the Registrar of Companies of the Cayman Islands. The names and addresses of the members are, accordingly, not a matter of public record and are not available for public inspection. However, an exempted company shall make available at its registered office, in electronic form or any other medium, such register of members, including any branch register of members, as may be required of it upon service of an order or notice by the Tax Information Authority pursuant to the Tax Information Authority Act of the Cayman Islands.

**(o) Register of Directors and Officers**

The Company is required to maintain at its registered office a register of directors and officers which is not available for inspection by the public. A copy of such register must be filed with the Registrar of Companies in the Cayman Islands and any change must be notified to the Registrar within thirty (30) days of any change in such directors or officers.

**(p) Beneficial Ownership Register**

An exempted company is required to maintain a beneficial ownership register at its registered office that records details of the persons who ultimately own or control, directly or indirectly, 25% or more of the equity interests or voting rights of the company or have rights to appoint or remove a majority of the directors of the company. The beneficial ownership register is not a public document and is only accessible by a designated

APPENDIX IV

SUMMARY OF THE CONSTITUTION OF THE COMPANY  
AND CAYMAN ISLANDS COMPANY LAW

competent authority of the Cayman Islands. Such requirement does not, however, apply to an exempted company with its shares [REDACTED] on an approved stock exchange, which includes the Stock Exchange. Accordingly, for so long as the shares of the Company are [REDACTED] on the Stock Exchange, the Company is not required to maintain a beneficial ownership register.

**(q) Winding up**

A company may be wound up (a) compulsorily by order of the Court, (b) voluntarily, or (c) under the supervision of the Court.

The Court has authority to order winding up in a number of specified circumstances including where the members of the company have passed a special resolution requiring the company to be wound up by the Court, or where the company is unable to pay its debts, or where it is, in the opinion of the Court, just and equitable to do so. Where a petition is presented by members of the company as contributories on the ground that it is just and equitable that the company should be wound up, the Court has the jurisdiction to make certain other orders as an alternative to a winding-up order, such as making an order regulating the conduct of the company's affairs in the future, making an order authorising civil proceedings to be brought in the name and on behalf of the company by the petitioner on such terms as the Court may direct, or making an order providing for the purchase of the shares of any of the members of the company by other members or by the company itself.

A company (save with respect to a limited duration company) may be wound up voluntarily when the company so resolves by special resolution or when the company in general meeting resolves by ordinary resolution that it be wound up voluntarily because it is unable to pay its debts. In the case of a voluntary winding up, such company is obliged to cease to carry on its business (except so far as it may be beneficial for its winding up) from the time of passing the resolution for voluntary winding up or upon the expiry of the period or the occurrence of the event referred to above.

For the purpose of conducting the proceedings in winding up a company and assisting the Court therein, there may be appointed an official liquidator or official liquidators; and the court may appoint to such office such person, either provisionally or otherwise, as it thinks fit, and if more persons than one are appointed to such office, the Court must declare whether any act required or authorised to be done by the official liquidator is to be done by all or any one or more of such persons. The Court may also determine whether any and what security is to be given by an official liquidator on his appointment; if no official liquidator is appointed, or during any vacancy in such office, all the property of the company shall be in the custody of the Court.

As soon as the affairs of the company are fully wound up, the liquidator must make a report and an account of the winding up, showing how the winding up has been conducted and how the property of the company has been disposed of, and thereupon call a general meeting of the company for the purposes of laying before it the account and giving an explanation thereof. This final general meeting must be called by at least 21

APPENDIX IV

SUMMARY OF THE CONSTITUTION OF THE COMPANY  
AND CAYMAN ISLANDS COMPANY LAW

days' notice to each contributory in any manner authorised by the company's articles of association and published in the Gazette.

**(r) Reconstructions**

There are statutory provisions which facilitate reconstructions and amalgamations approved by (i) a majority in number representing seventy-five per cent. (75%) in value of creditors, or (ii) seventy-five per cent. (75%) in value of shareholders or class of shareholders, as the case may be, as are present at a meeting called for such purpose and thereafter sanctioned by the Court. Whilst a dissenting shareholder would have the right to express to the Court his view that the transaction for which approval is sought would not provide the shareholders with a fair value for their shares, the Court is unlikely to disapprove the transaction on that ground alone in the absence of evidence of fraud or bad faith on behalf of management.

The Companies Act also contains statutory provisions which provide that a company may present a petition to the Court for the appointment of a restructuring officer on the grounds that the company (a) is or is likely to become unable to pay its debts within the meaning of section 93 of the Companies Act; and (b) intends to present a compromise or arrangement to its creditors (or classes thereof) either, pursuant to the Companies Act, the law of a foreign country or by way of a consensual restructuring. The petition may be presented by a company acting by its directors, without a resolution of its shareholders or an express power in its articles of association. On hearing such a petition, the Court may, among other things, make an order appointing a restructuring officer or make any other order as the Court thinks fit.

**(s) Take-overs**

Where an offer is made by a company for the shares of another company and, within four (4) months of the offer, the holders of not less than ninety per cent. (90%) of the shares which are the subject of the offer accept, the offeror may at any time within two (2) months after the expiration of the said four (4) months, by notice in the prescribed manner require the dissenting shareholders to transfer their shares on the terms of the offer. A dissenting shareholder may apply to the Court within one (1) month of the notice objecting to the transfer. The burden is on the dissenting shareholder to show that the Court should exercise its discretion, which it will be unlikely to do unless there is evidence of fraud or bad faith or collusion as between the offeror and the holders of the shares who have accepted the offer as a means of unfairly forcing out minority shareholders.

**(t) Indemnification**

Cayman Islands law does not limit the extent to which a company's articles of association may provide for indemnification of officers and directors, except to the extent any such provision may be held by the Court to be contrary to public policy (e.g. for purporting to provide indemnification against the consequences of committing a crime).



APPENDIX IV

SUMMARY OF THE CONSTITUTION OF THE COMPANY  
AND CAYMAN ISLANDS COMPANY LAW

**(u) Economic Substance Requirements**

Pursuant to the International Tax Cooperation (Economic Substance) Act of the Cayman Islands ("ES Act") that came into force on 1 January 2019, a "relevant entity" is required to satisfy the economic substance test set out in the ES Act. A "relevant entity" includes an exempted company incorporated in the Cayman Islands as is the Company; however, it does not include an entity that is tax resident outside the Cayman Islands. Accordingly, for so long as the Company is a tax resident outside the Cayman Islands, including in Hong Kong, it is not required to satisfy the economic substance test set out in the ES Act.

**4. GENERAL**

Conyers Dill & Pearman, the Company's special legal counsel on Cayman Islands law, have sent to the Company a letter of advice summarising certain aspects of Cayman Islands company law. This letter, together with a copy of the Companies Act, is on display as referred to in the paragraph headed "Documents on display" in Appendix VII to this document. Any person wishing to have a detailed summary of Cayman Islands company law or advice on the differences between it and the laws of any jurisdiction with which he is more familiar is recommended to seek independent legal advice.

<b>APPENDIX V                      SUMMARY OF REVIEW OF ANTI-MONEY LAUNDERING PROCEDURES, SYSTEMS AND CONTROLS</b>
--

## **INDEPENDENT ASSURANCE REPORT**

### **To: The Directors of Palasino Holdings Limited**

We have been engaged by Palasino Holdings Limited ("**Palasino Group**") to perform a limited assurance engagement for the period from July 1, 2022 to June 30, 2023, relating to assessment of internal controls over anti-money laundering ("**AML**") management of the operations of gambling activities in connection with the following AML statutes and guidelines (collectively known as the "**AML statutes and guidelines**"):

- (a) Czech Act No. 186/2016 Coll, on gambling (the "**Gambling Act**"); Part Three Chapter II on Identification and Monitoring within Gambling Room and Casino; and
- (b) Czech Act No. 523/2008 Coll. On Selected Measures against Legitimation of Proceeds of Crime and Financing of Terrorism (the "**AML Act**").

### **Management's Responsibility**

In preparing our report we have relied upon representations made to us by Palasino Group's management, officers and staff and on materials and information made available to us for the purposes of this engagement. Palasino Group's management warrant that the information provided and materials made available to us are correct to the best of their knowledge and belief and that there is no other information the omission of which may cause the information furnished to us to be misled or which may appear to be misleading.

The management of Palasino Group are, and will continue to be, solely responsible for designing, implementing and maintaining appropriate systems, internal controls, processes including, without limitation, systems designed to assure compliance with policies, procedures, and applicable laws and regulations. All decisions in connection with the design and implementation of internal controls, processes and computer systems are the responsibilities of, and made by Palasino Group. The management will be responsible for overseeing the services we provide under this engagement.

Accordingly, Palasino Group has designed an AML policy as the basis for Palasino Group to meet the requirements of the AML statutes and guidelines. The latest version of this policy was submitted and acknowledged by the Financial Analytical Office of Czech Republic on April 19, 2022. Under the AML Act, Palasino Group is required to establish the internal rules and procedures for combating money laundering and financing of terrorism.

<b>APPENDIX V      SUMMARY OF REVIEW OF ANTI-MONEY LAUNDERING PROCEDURES, SYSTEMS AND CONTROLS</b>
--

### **Deloitte Touche Tohmatsu's Responsibility**

It is our responsibility to express a conclusion as to adequacy and effectiveness of the AML review with limited assurance. We report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

We conducted our work in accordance with the Hong Kong Standard on Assurance Engagements 3000 "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" issued by the Hong Kong Institute of Certified Public Accountants. This Standard requires that we comply with ethical requirements, and plan and perform the assurance engagement to obtain limited assurance as to whether any matters have come to our attention that cause us to believe that the Palasino Group's AML control procedures have significant deficiencies or material weakness.

In a limited assurance engagement the evidence-gathering procedures are more limited than for an audit or a reasonable assurance engagement, and therefore less assurance is obtained than in an audit or a reasonable assurance engagement. The procedures selected depend on our judgement, including the assessment of Palasino Group's procedures, policies in connection to AML statutes and guidelines. A summary of work performed to assess Palasino Group's control procedures is listed below:

- (1) Assessed control procedures on identification of money laundering risk and indicators of suspicious activity;
- (2) Assessed the Company's AML controls, communication, organisation awareness and training to staff;
- (3) Assessed customer due diligence measures including Know Your Customer (KYC) procedures;
- (4) Assessed control procedures on identifying, recording and reporting large sum transactions;
- (5) Assessed control procedures on identifying, recording and reporting suspicious transactions which indicate any activity of money laundering or funding terrorism;
- (6) Assessed record retention and information confidentiality control procedures;
- (7) Assessed the control procedures on reporting the practice of criminal activities, including money laundering in accordance with the AML Act;
- (8) Assessed the control procedures on monitoring large cash transactions in the exchange counters.

<b>APPENDIX V</b>	<b>SUMMARY OF REVIEW OF ANTI-MONEY LAUNDERING PROCEDURES, SYSTEMS AND CONTROLS</b>
-------------------	--

### **Inherent Limitation**

We draw attention to the fact that the procedures performed and the report, include certain inherent limitations that can influence the reliability of the information. Accordingly, errors or irregularities may occur and not be detected. Such procedures cannot guarantee protection against fraudulent collusion. It should be noted that we cannot guarantee that any regulatory authority would not reach an alternative conclusion, which is dependent on their own interpretation of the legislation, regulations, and prevailing industry practices, nor can our findings be considered legal advice. Furthermore, our conclusion is based on historical information and the projection of any information contained in our conclusion to any future period is subject to the risk that changes in procedures or circumstances may alter their validity.

### **Conclusion**

Based on our limited assurance engagement, nothing has come to our attention that causes us to believe that Palasino Group's AML control procedures do not comply, in all material respects, with the AML statutes and guidelines for the period from July 1, 2022 to June 30, 2023.

### **Restriction on Use and Distribution**

Our report is intended solely for the use of the Company in connection with the submission to The Stock Exchange of Hong Kong Limited and for inclusion in the [REDACTED] of the Company in connection with its proposed [REDACTED]. This report may not be suitable for other purposes. This report is not intended to be, and should not be distributed to or used for any other purpose.

Yours faithfully  
For and on behalf of  
Deloitte Touche Tohmatsu

Chan Yat Man  
Partner  
Risk Advisory

**APPENDIX VI STATUTORY AND GENERAL INFORMATION**

**A. FURTHER INFORMATION ABOUT OUR COMPANY AND OUR GROUP**

**1. Incorporation of our Company**

Our Company was incorporated under the laws of the Cayman Islands on 6 July 2023 as an exempted company with limited liability. Our Company's registered office is situated at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands. Accordingly, our Company's corporate structure and Memorandum and Articles are subject to the relevant laws of the Cayman Islands. A summary of our Memorandum and Articles is set out in "Appendix IV — Summary of the Constitution of the Company and Cayman Islands Company Law" to this document.

Our registered place of business in Hong Kong is at 16/F, Far East Consortium Building, 121 Des Voeux Road Central, Hong Kong. We were registered as a non-Hong Kong company under Part 16 of the Companies Ordinance on 13 September 2023 with the Registrar of Companies in Hong Kong. Mr. Kwok Tai LAW has been appointed as the authorised representative of our Company for the acceptance of service of process in Hong Kong. The address for service of process is 16/F, Far East Consortium Building, 121 Des Voeux Road Central, Hong Kong.

**2. Changes in the share capital of our Company**

Save as disclosed in the section headed "History, Reorganisation and Corporate Structure — Corporate Development — Reorganisation" in this document, there has been no alternation in our share capital within two years immediately preceding the date of this document.

**3. Changes in the share capital of our Company's subsidiaries**

A summary of the corporate information and the particulars of our subsidiaries are set out in Note 35 to the Accountants' Report in Appendix I to this document.

On 14 July 2022, the authorised and issued share capital of Palasino Malta was increased from €1,200 divided into 1,200 ordinary shares of €1 each to €100,000 divided into 100,000 ordinary shares of €1 each.

Save as disclosed above and in the section headed "History, Reorganisation and Corporate Structure — Corporate Development — Reorganisation" in this document, there has been no alternation in the share capital of our Company's subsidiaries within two years immediately preceding the date of this document.

**4. Written resolutions of our Shareholders passed on [●]**

Pursuant to the written resolutions of the Shareholders of our Company passed on [●]:

- (a) the Memorandum and Articles were approved and adopted conditional on and effective upon [REDACTED];

**APPENDIX VI STATUTORY AND GENERAL INFORMATION**

- (b) (aa) every issued and unissued ordinary share of HK\$1.00 par value in our Company was subdivided into 100 ordinary shares of HK\$0.01 par value each; and (bb) the authorised share capital of our Company was increased from HK\$50,000 to HK\$20,000,000 divided into 2,000,000,000 Shares of HK\$0.01 each;
- (c) conditional on (aa) the [REDACTED] Committee granting the approval for the [REDACTED] of, and permission to [REDACTED], the Shares in issue and Shares to be issued and allotted pursuant to the [REDACTED] and the [REDACTED] and as mentioned in this document including the Shares which may be issued and allotted pursuant to the exercise of the [REDACTED]; (bb) the [REDACTED] having been duly determined; and (cc) the obligations of the [REDACTED] under the [REDACTED] Agreements becoming unconditional and not being terminated in accordance with the terms of such agreement (or any conditions as specified in this document), in each case on or before the dates and times specified in the [REDACTED] Agreements:
- (i) the [REDACTED] was approved and our Directors were authorised to issue and allot the [REDACTED] pursuant to the [REDACTED];
- (ii) the [REDACTED] was approved and our Directors were authorised to issue and allot the Shares upon the exercise of the [REDACTED];
- (iii) conditional on the share premium account of our Company being credited as a result of the [REDACTED] or otherwise having sufficient balance, our Directors were authorised to [REDACTED] HK\$[REDACTED] standing to the credit of the share premium account of our Company by applying such sum in paying up in full at par [REDACTED] Shares for issue and allotment to holder of Shares whose name appears on the register of members of our Company on the date of passing this resolution;
- (iv) a general unconditional mandate was given to our Directors to issue, allot and deal with (including the power to make an offer or agreement, or grant securities which would or might require Shares to be issued and allotted), otherwise than pursuant to a rights issue or pursuant to any scrip dividend schemes or similar arrangements providing for the issue and allotment of Shares in lieu of the whole or part of a dividend on Shares in accordance with the Articles or pursuant to a specific authority granted by the Shareholders in general meeting, unissued Shares not exceeding the aggregate of 20% of the number of issued Shares immediately following the completion of the [REDACTED] and the [REDACTED] (but taking no account of any Shares which may be issued and allotted pursuant to the exercise of the [REDACTED]), such mandate to remain in effect until the conclusion of the next annual general meeting of our Company, or the expiration of the

**APPENDIX VI STATUTORY AND GENERAL INFORMATION**

period within which the next annual general meeting of our Company is required by the Articles or any applicable laws to be held, or until revoked or varied by an ordinary resolution of our Shareholders in general meeting, whichever occurs first;

- (v) a general unconditional mandate was given to our Directors authorising them to exercise all powers of our Company to repurchase on the Stock Exchange or any other approved stock exchange on which the securities of our Company may be [REDACTED] and which is recognised by the SFC and the Stock Exchange for this purpose, such number of Shares as may represent up to 10% of the number of issued Shares immediately following the completion of the [REDACTED] and the [REDACTED] (but taking no account of any Shares which may be issued and allotted pursuant to the exercise of the [REDACTED]), such mandate to remain in effect until the conclusion of the next annual general meeting of our Company, or the expiration of the period within which the next annual general meeting of our Company is required by the Articles or any applicable laws to be held, or until revoked or varied by an ordinary resolution of the Shareholders in general meeting, whichever occurs first; and
- (vi) the general unconditional mandate mentioned in paragraph (iv) above was extended by the addition to the number of issued Shares which may be issued and allotted or agreed conditionally or unconditionally to be issued and allotted by our Directors pursuant to such general mandate of such number of Shares representing the total number of issued Shares bought back by our Company pursuant to the mandate to repurchase Shares referred to in paragraph (v) above.

**5. Reorganisation**

In preparation for the [REDACTED], the companies comprising our Group underwent the Reorganisation and our Company became the holding company of our Group. For information with regard to the Reorganisation, please refer to "History, Reorganisation and Corporate Structure" in this document.

**6. Explanatory statement on repurchase of our own securities**

The following summarises restrictions imposed by the Listing Rules on share repurchases by a company [REDACTED] on the Stock Exchange and provides further information about the repurchase of our own securities.

*Shareholders' approval*

All proposed repurchases of securities (which must be fully-paid up in the case of shares) on the Stock Exchange by a company with its primary [REDACTED] on the Stock Exchange must be approved in advance by an ordinary resolution of its shareholders, either by way of a general mandate or by specific approval of a particular transaction.

APPENDIX VI

STATUTORY AND GENERAL INFORMATION

Pursuant to the written resolutions of our Shareholders passed on [●], a general unconditional mandate (the "**Repurchase Mandate**") was granted to our Directors authorising the repurchase of Shares by our Company on the Stock Exchange, or any other stock exchange on which the securities of our Company may be [REDACTED] and which is recognised by the SFC and the Stock Exchange for this purpose, with the total number of Shares not exceeding 10% of the total number of Shares in issue and to be issued as mentioned herein, at any time until the conclusion of the next annual general meeting of our Company, the expiration of the period within which the next annual general meeting of our Company is required by an applicable law or the Articles to be held or when such mandate is revoked or varied by an ordinary resolution of our Shareholders in general meeting, whichever is the earliest.

*Size of mandate*

The exercise in full of the Repurchase Mandate, on the basis of [REDACTED] in issue immediately following completion of the [REDACTED] (assuming the [REDACTED] is not exercised), could accordingly result in up to approximately [REDACTED] being repurchased by our Company.

The total number of shares which a listed company may repurchase on the Stock Exchange may not exceed 10% of the number of issued shares as at the date of the shareholder approval.

*Reasons for repurchases*

Our Directors believe that it is in the best interests of our Company and our Shareholders for our Directors to have a general authority from our Shareholders to enable our Company to repurchase Shares in the market. Such repurchases may, depending on market conditions and funding arrangements at the time, lead to an enhancement of the net asset value per Share and/or earnings per Share and will only be made where our Directors believe that such repurchases will benefit our Company and Shareholders.

*Source of funds*

Purchases must be funded out of funds legally available for the purpose in accordance with the Memorandum and Articles and the applicable laws of the Cayman Islands.

Our Company shall not purchase its own Shares on the Stock Exchange for a consideration other than cash or for settlement otherwise than in accordance with the trading rules of the Stock Exchange from time to time.



## APPENDIX VI

## STATUTORY AND GENERAL INFORMATION

Any purchases by our Company may be made out of profits, our Company's share premium account or out of an issue of new shares made for the purpose of the purchase or, if authorised by the Memorandum and Articles and subject to the Companies Act, out of capital, and, in the case of any premium payable on the purchase out of profits or from sums standing to the credit of our share premium account or, if authorised by the Memorandum and Articles and subject to the Companies Act, out of capital.

### *Suspension of repurchase*

A listed company shall not repurchase its shares on the Stock Exchange at any time after inside information has come to its knowledge until the information is made publicly available. In particular, during the period of one month immediately preceding the earlier of: (i) the date of the board meeting (as such date is first notified to the Stock Exchange in accordance with the Listing Rules) for the approval of the company's results for any year, half-year, quarterly or any other interim period (whether or not required under the Listing Rules); and (ii) the deadline for the issuer to announce its results for any year or half-year under the Listing Rules, or quarterly or any other interim period (whether or not required under the Listing Rules), until the date of the results announcement, the company may not repurchase its shares on the Stock Exchange unless there are exceptional circumstances.

### *Trading restrictions*

A listed company is prohibited from repurchasing its shares on the Stock Exchange if the purchase price is 5% or more than the average closing market price for the five preceding trading days on which its shares were traded on the Stock Exchange.

A listed company may not repurchase its shares if that repurchase would result in the number of listed securities which are in the hands of the public falling below the relevant prescribed minimum percentage as required by the Stock Exchange.

### *Status of repurchased securities*

The [REDACTED] of all repurchased shares (whether through the Stock Exchange or otherwise) shall be automatically cancelled and the relevant documents of title must be cancelled and destroyed as soon as reasonably practicable.

### *Close associates and core connected persons*

None of our Directors or, to the best of their knowledge, information and belief, having made all reasonable enquiries, any of their close associates have a present intention, in the event the Repurchase Mandate is approved, to sell any Shares to our Company.

**APPENDIX VI**

**STATUTORY AND GENERAL INFORMATION**

No core connected person of our Company has notified our Company that they have a present intention to sell Shares to our Company, or have undertaken to do so, if the Repurchase Mandate is approved.

A listed company shall not knowingly purchase its shares on the Stock Exchange from a core connected person (namely a director, chief executive or substantial shareholder of the company or any of its subsidiaries, or a close associate of any of them), and a core connected person shall not knowingly sell their interest in shares of the company to it.

*Takeover implications*

If, as a result of any repurchase of Shares, a Shareholder's proportionate interest in the voting rights of our Company increases, such increase will be treated as an acquisition for the purposes of the Takeovers Code. Accordingly, a Shareholder or a group of Shareholders acting in concert could obtain or consolidate control of our Company and become obliged to make a mandatory offer in accordance with Rule 26 of the Takeovers Code. Save as aforesaid, our Directors are not aware of any consequences which would arise under the Takeovers Code as a consequence of any repurchases pursuant to the Repurchase Mandate.

*General*

If the Repurchase Mandate were to be carried out in full at any time, there may be a material adverse impact on our working capital or gearing position (as compared with the position disclosed in our most recently published audited accounts). However, our Directors do not propose to exercise the Repurchase Mandate to such an extent as would have a material adverse effect on our working capital or gearing position.

Our Directors have undertaken to the Stock Exchange to exercise the Repurchase Mandate in accordance with the Listing Rules and the applicable laws in the Cayman Islands.

We have not made any repurchases of our Shares in the previous six months.

**B. FURTHER INFORMATION ABOUT OUR BUSINESS**

**1. Summary of Material Contracts**

The following contracts (not being contracts entered into in the ordinary course of business) have been entered into by members of our Group within the two years preceding the date of this document and are or may be material:

- (a) the BC Deed of Novation;

APPENDIX VI

STATUTORY AND GENERAL INFORMATION

- (b) a deed of novation dated 8 September 2023 entered into between Palasino Group, Singford and FEC UK, pursuant to which the obligation to repay the First Singford Loan owed by Singford to Palasino Group was novated to FEC UK (with the consent of Palasino Group);
- (c) a deed of novation dated 8 September 2023 entered into between Palasino Group, Singford and FEC UK, pursuant to which the obligation to repay the Second Singford Loan owed by Singford to Palasino Group was novated to FEC UK (with the consent of Palasino Group);
- (d) a deed of assignment and novation dated 8 September 2023 entered into between Palasino Group, BC Mortgage and FECL, pursuant to which the rights and obligations of the BC Agreement were assigned and novated to FECL by Palasino Group (with the consent of BC Mortgage) at a consideration of GBP4,000,000 payable by FECL to Palasino Group;
- (e) a deed of novation dated 8 September 2023 entered into between Palasino Group, FEC UK and FECL, pursuant to which the obligation to repay GBP2,597,053 of the GBP4,000,000 owed by FECL to Palasino Group was novated to FEC UK (with the consent of Palasino Group);
- (f) a deed of set off dated 8 September 2023 entered into between Palasino Group and FEC UK, pursuant to which the Inter-company Balance was set off in its entirety against the Dividend;
- (g) a share contribution agreement dated [●] entered into between FEC UK and BVI Holdco, pursuant to which FEC UK agreed to contribute 100% of the shareholding interest in Palasino Group for an allotment of shares in BVI Holdco;
- (h) a share transfer agreement dated [●] entered into between Ample Bonus, Dateplum and our Company, pursuant to which Ample Bonus and Dateplum agreed to transfer the shares of BVI Holdco held by them for an allotment of shares in our Company;
- (i) a share sale agreement dated 20 July 2023 entered into between Palasino Group and the Polish Vendors, pursuant to which Palasino Group agreed to acquire the 100% shareholding interest of Palasino Poland held by the Polish Vendors for a cash consideration of PLN98,709 (equivalent to approximately HK\$187,547);
- (j) the Deed of Indemnity; and
- (k) the Hong Kong [REDACTED] Agreement.

**APPENDIX VI STATUTORY AND GENERAL INFORMATION**



**2. Intellectual Property Rights**

As at the Latest Practicable Date, our Group has registered or has applied for the registration of the following intellectual property rights which are material to our Group's business.

*(a) Trademarks*







*(i) Registered trademarks*

As at the Latest Practicable Date, our Group had registered the following trademarks:

	Trademark	Registered Owner	Class	Registration Number	Place of Registration	Date of Registration	Date of Expiry
1.		Palasino Group	36, 41, 43	18325816	European Union	12 March 2021	26 October 2030
2.		Palasino Group	36, 41, 43	18325812	European Union	5 March 2021	26 October 2030
3.	PALASINO	Palasino Group	36, 41, 43	18325814	European Union	20 March 2021	26 October 2030

*(ii) Trademark applications pending*

As at the Latest Practicable Date, our Group had applied for the registration of the following trademarks which are material to our business:

	Trademark	Applicant	Class	Application Number	Place of Application	Application Date
1.		Palasino Group	36, 41, 43	306279102	Hong Kong	26 June 2023
2.		Palasino Group	36, 41, 43	306279102	Hong Kong	26 June 2023
3.	PALASINO	Palasino Group	36, 41, 43	306279094	Hong Kong	26 June 2023
4.		Palasino Group	36, 41, 43	306279085	Hong Kong	26 June 2023
5.		Palasino Group	36, 41, 43	306279085	Hong Kong	26 June 2023
6.		Palasino Group	36, 41, 43	018919467	European Union	30 August 2023
7.		Palasino Group	36, 41, 43	018919533	European Union	30 August 2023

**APPENDIX VI STATUTORY AND GENERAL INFORMATION**

*(b) Domain Names*

As at the Latest Practicable Date, our Group had registered the following domain names which are material to our business:

Domain Name	Registrant	Date of Registration	Expiry Date
1. www.palasinoholdings.com	BVI Holdco	5 September 2023	5 September 2025

**C. FURTHER INFORMATION ABOUT DIRECTORS AND SUBSTANTIAL SHAREHOLDERS**

**1. Particulars of Letters of Appointment**

*(a) Executive Director*

Our executive Director [has entered] into a letter of appointment with our Company for a period of three years, commencing from the [REDACTED], which may be terminated by not less than three months' advance notice in writing served by either party on the other. Our executive Director is entitled to a basic annual salary as follows:

Name	Annual Salary (HK\$)
Mr. Pavel MARŠÍK	25,000

In addition, our executive Director has entered into a letter of appointment with Palasino Group in respect of his directorship with Palasino Group. It is subject to termination in accordance with the respective terms therein.

*(b) Non-executive Directors*

Each of our non-executive Directors [has entered] into a letter of appointment with our Company for a period of three years, in each case commencing from the [REDACTED], which may be terminated by not less than three months' advance notice in writing served by either party on the other. Each of our non-executive Directors is entitled to an annual director's fee as follows:

Name	Annual Director's Fee (HK\$)
Tan Sri Dato' David CHIU	25,000
Mr. Cheong Thard HOONG	25,000

Save for the above director's fee, none of our non-executive Directors is expected to receive any other remuneration for holding their office as a non-executive Director.

**APPENDIX VI STATUTORY AND GENERAL INFORMATION**

*(c) Independent non-executive Directors*

Each of our independent non-executive Directors [has entered] into a letter of appointment with our Company for a period of three years, in each case commencing from the [REDACTED], which may be terminated by not less than three months' advance notice in writing served by either party on the other. Each of our independent non-executive Directors is entitled to an annual director's fee as follows:

<b>Name</b>	<b>Annual Director's Fee (HK\$)</b>
Dr. Ngai Wing LIU	150,000
Mr. Kam Choi Rox LAM	150,000
Ms. Sin Kiu NG	150,000

Save for the above director's fee, none of our independent non-executive Directors is expected to receive any other remuneration for holding their office as an independent non-executive Director.

Save as disclosed above, none of our Directors has or is proposed to have a service contract with any member of our Group, other than contracts expiring or determinable by the employer within one year without the payment of compensation (other than statutory compensation).

**2. Directors' Remuneration**

- (a) The aggregate remuneration (including fees, salaries and other allowances and benefits in kind and discretionary bonuses) paid to our Directors for the three years ended 31 March 2023 was HK\$2.0 million, HK\$2.1 million and HK\$2.4 million, respectively.
- (b) Under the arrangements currently in force, it is estimated that an aggregate of approximately HK\$3.0 million is payable by our Group to our Directors as remuneration (including fees, salaries, contributions to pension schemes, housing allowances, share-based compensation benefits and other allowances and benefits in kind and discretionary bonuses) for the financial year ending 31 March 2024.
- (c) None of our Directors or past directors of any member of our Group has been paid any sum of money for each of the three financial years ended 31 March 2023 (a) for loss of office as director of any member of our Group or any other office in connection with the management affairs of any member of our Group; or (b) as an inducement to join or upon joining any member of our Group.

**APPENDIX VI**

**STATUTORY AND GENERAL INFORMATION**

- (d) There has been no arrangement under which a Director has waived or agreed to waive any emoluments in each of the three financial years ended 31 March 2023.
- (e) None of our Directors has been or is interested in the promotion of, or in the property proposed to be acquired by, our Company, and no sum has been paid or agreed to be paid to any of them in cash or shares or otherwise by any person either to induce him to become, or to qualify him as, a Director, or otherwise for services rendered by him in connection with the promotion or formation of our Company as an inducement to join or upon joining any member of our Group.

For further information on the remuneration of our Directors, please refer to Note 11 to the Accountants' Report in Appendix I to this document.

**3. Interests and short positions of Directors in the shares, underlying shares or debentures of our Company and our associated corporations**

Immediately following completion of the [REDACTED] and the [REDACTED] (without taking into account of: (i) any Shares which may be issued upon the exercise of the [REDACTED]; and (ii) any change in the shareholding of FEC between the Latest Practicable Date and the [REDACTED]), assuming the [REDACTED] under the [REDACTED] are fully taken up by [REDACTED], the interests and/or short positions (as applicable) of our Directors and the chief executive of our Company in our Shares or underlying Shares or debentures of our Company and any interests and/or short positions (as applicable) in the shares or underlying shares or debentures of any of our Company's associated corporations (within the meaning of Part XV of the SFO) which (i) will have to be notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and/or short positions (as applicable) which they are taken or deemed to have under such provisions of

<b>APPENDIX VI</b>	<b>STATUTORY AND GENERAL INFORMATION</b>
--------------------	--

the SFO); or (ii) will be required, pursuant to section 352 of the SFO, to be recorded in the register referred to therein, or which will be required to be notified to our Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules, in each case once our Shares are [REDACTED], will be as follows:

*Long positions in the Shares and underlying Shares of our Company*

Name of the Director	Nature of interest	Number of Shares	Approximate percentage of interest in our Company
Tan Sri Dato' David CHIU	Interest of controlled corporations, beneficial owner and interest of spouse <sup>(1)</sup>	[REDACTED]	[REDACTED]
Mr. Cheong Thard HOONG	Beneficial owner and joint interest <sup>(2)</sup>	[REDACTED]	[REDACTED]
Dr. Ngai Wing LIU	Beneficial owner <sup>(3)</sup>	[REDACTED]	[REDACTED]

*Notes:*

1. These Shares include: (i) the Shares directly held by Ample Bonus which is wholly-owned by FEC (details of Tan Sri Dato' David CHIU's interest in FEC are set out in Note 1 under the table headed "Long positions in the shares and underlying shares of our Company's associated corporations (as defined in the SFO)" in this Appendix); (ii) the [REDACTED] which may be fully taken up by Sumptuous Assets Limited, a [REDACTED] and a company indirectly wholly-owned by Tan Sri Dato' David CHIU; (iii) the [REDACTED] which may be fully taken up by Modest Secretarial Services Limited, a [REDACTED] and a company directly wholly-owned by Tan Sri Dato' David CHIU; (iv) the [REDACTED] which may be fully taken up by Tan Sri Dato' David CHIU, a [REDACTED]; and (v) the [REDACTED] which may be fully taken up by Mrs. Nancy CHIU NG, a [REDACTED] and the spouse of Tan Sri Dato' David CHIU.
2. These Shares represent the [REDACTED] which may be fully taken up by Mr. Cheong Thard HOONG, a [REDACTED].
3. These Shares represent the [REDACTED] which may be fully taken up by Dr. Ngai Wing LIU, a [REDACTED].



**APPENDIX VI STATUTORY AND GENERAL INFORMATION**

*Long positions in the shares and underlying shares of our Company's associated corporations (as defined in the SFO)*

1. *Long position in the ordinary shares*

Name of the Director	Name of associated corporation	Nature of interest	Number of ordinary shares	Approximate percentage of the relevant issue share capital
Tan Sri Dato' David CHIU	FEC	Interest of controlled corporations <sup>(1)</sup>	1,358,151,582	50.19%
		Beneficial owner <sup>(1)</sup>	25,325,544	0.94%
		Interest of spouse <sup>(1)</sup>	20,789,895	0.77%
	Ample Bonus	Interest of controlled corporation <sup>(1)</sup>	101	100%
	Sumptuous Assets Limited	Interest of controlled corporation <sup>(1)</sup>	1	100%
	Far East Organization (International) Limited	Beneficial owner <sup>(1)</sup>	1	100%
Mr. Cheong Thard HOONG	FEC	Beneficial owner <sup>(2)</sup>	15,196,692	0.56%
		Joint interest <sup>(2)</sup>	545,802	0.02%
	BC Invest	Beneficial owner	792,383	3.46%
Dr. Ngai Wing LIU	FEC	Beneficial owner	1,793	0.00%

*Notes:*

- (1) As at the Latest Practicable Date, Tan Sri Dato' David CHIU was interested in an aggregate of 1,404,267,021 ordinary shares (approximately 51.90%) of FEC, of which (i) 25,325,544 ordinary shares (approximately 0.94%) were beneficially held by Tan Sri Dato' David CHIU; (ii) 20,789,895 ordinary shares (approximately 0.77%) were held by his spouse, Mrs. Nancy CHIU NG (iii) 1,358,132,858 ordinary shares (approximately 50.19%) were held by Sumptuous Assets Limited (a direct wholly-owned subsidiary of Far East Organization (International) Limited, which in turn was directly wholly-owned by Tan Sri Dato' David CHIU; and (iv) 18,724 ordinary shares (approximately 0.001%) were held by Modest Secretarial Services Limited (which was directly wholly-owned by Tan Sri Dato' David CHIU).

<b>APPENDIX VI</b>	<b>STATUTORY AND GENERAL INFORMATION</b>
--------------------	--

(2) As at the Latest Practicable Date, Mr. Cheong Thard HOONG was interested in an aggregate of 15,742,494 ordinary shares (0.58%) of FEC of which (i) 15,196,692 ordinary shares (0.56%) were beneficially held by Mr. Cheong Thard HOONG; and (ii) 545,802 ordinary shares (0.02%) were jointly held with his spouse, Ms. Pei Chun TENG.

2. *Long position in the underlying shares of BC Invest — physically settled unlisted derivatives*

Name of the Director	Nature of interest	Number of underlying shares in respect of the purchase rights granted	Approximate percentage of BC Invest's issued share capital
Mr. Cheong Thard HOONG	Beneficial owner	457,502	2.00%

*Debentures in our Company's associated corporations (as defined in the SFO)*

As at the Latest Practicable Date, Tan Sri Dato' David CHIU was deemed to have an interest in (i) the 7.375% USD senior guaranteed perpetual capital notes issued by FEC Finance Limited, a wholly-owned subsidiary of FEC, in the principal amount of USD9,000,000 of which USD5,000,000 was held by Tan Sri Dato' David CHIU and USD4,000,000 was held by his spouse, Mrs. Nancy CHIU NG; and (ii) the 5.1% USD medium term notes due 2024 issued by FEC Finance Limited, a wholly-owned subsidiary of FEC, in the principal amount of USD7,940,000 of which USD4,000,000 was held by Tan Sri Dato' David CHIU and USD3,940,000 was held by his spouse, Mrs. Nancy CHIU NG.

*Directors' positions in substantial shareholders*

As at the Latest Practicable Date, each of Ample Bonus, FEC, Sumptuous Assets Limited and Far East Organization (International) Limited was a substantial shareholder disclosed to our Company under the provisions of Divisions 2 and 3 of Part XV of the SFO. Each of Tan Sri Dato' David CHIU and Mr. Cheong Thard HOONG is (i) a non-executive Director of our Company; (ii) an executive director and employee of FEC; and (iii) a director of Ample Bonus. In addition, Tan Sri Dato' David CHIU is a director of Sumptuous Assets Limited and Far East Organization (International) Limited.

Save as disclosed above, as at the Latest Practicable Date, none of our Directors were directors or employees of a company which had an interest or short position in the Shares and underlying Shares of our Company which would fall to be disclosed to our Company under the provisions of Division 2 and 3 of Part XV of the SFO.

Save as disclosed above, none of our Directors or the chief executive of our Company will, immediately following completion of the [REDACTED] and the

**APPENDIX VI**

**STATUTORY AND GENERAL INFORMATION**

[REDACTED] (assuming the [REDACTED] under the [REDACTED] are fully taken up by [REDACTED] and without taking into account any Shares which may be sold pursuant to the exercise of the [REDACTED]), have an interest and/or short position (as applicable) in the Shares or underlying Shares or debentures of our Company or any interests and/or short positions (as applicable) in the shares or underlying shares or debentures of the Company's associated corporations (within the meaning of Part XV of the SFO) which (i) will have to be notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of the SFO), (ii) will be required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein or (iii) will be required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules, to be notified to our Company and the Stock Exchange, in each case once our Shares are [REDACTED] on the Stock Exchange.

**4. Interests and short positions discloseable under Divisions 2 and 3 of Part XV of the SFO**

Save as disclosed in "Substantial Shareholders" in this document, our Directors or chief executive are not aware of any other person, not being a Director or chief executive of our Company, who has an interest or short position in the Shares and underlying Shares of our Company which, once the Shares are [REDACTED], would fall to be disclosed to our Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, who is, directly or indirectly interested in 10.0% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of our Company or any member of our Group.

**5. Disclaimers**

Save as disclosed in this Appendix:

- (a) none of our Directors nor experts referred to in "E. Other Information — 9. Qualification of Experts" in this Appendix has any direct or indirect interest in the promotion of our Company, or in any assets which have, within the two years immediately preceding the date of this document, been acquired or disposed of by, or leased to, any member of our Group, or are proposed to be acquired or disposed of by, or leased to, any member of our Group;
- (b) none of our Directors nor experts referred to in "E. Other Information — 9. Qualification of Experts" in this Appendix is materially interested in any contract or arrangement subsisting at the date of this document which is significant in relation to the business of our Group taken as a whole;
- (c) none of our Directors has any existing or proposed service contracts with any member of our Group (excluding contracts expiring or determinable by the employer within one year without payment of compensation (other than statutory compensation));

**APPENDIX VI**

**STATUTORY AND GENERAL INFORMATION**

- (d) none of our Directors nor experts referred to in "E. Other Information — 9. Qualification of Experts" in this Appendix has received any agency fee, commissions, discounts, brokerages or other special terms from our Group within the two years immediately preceding the date of this document in connection with the issue or sale of any capital of any member of our Group; and
- (e) save as disclosed in "Directors and Senior Management" and "Relationship with Our Controlling Shareholders" in this document, none of our Directors requiring disclosure under Rule 8.10(2) of the Listing Rules are interested in any business apart from our Group's business which compete or is likely to compete, directly or indirectly, with the business of our Group.

**D. SHARE OPTION SCHEME**

A summary of the principal terms of the Share Option Scheme conditionally approved and adopted by our Shareholders on [●] is set out below.

**(i) Purpose**

The purpose of the Share Option Scheme is to incentivise and reward Participants who have contributed or may contribute to our Group and to encourage Participants to work towards enhancing the value of our Company and its Shares for the benefit of our Company and the Shareholders as a whole. The eligibility of any of the Participants for grant(s) of option(s) shall be determined by our Board from time to time on the basis of our Board's opinion as to the Participant's contribution to the success of our Group's operations. In assessing whether options are to be granted to any Participant, our Board shall take into account various factors, including but not limited to, the nature and extent of contributions provided by such Participant to our Group, the special skills or technical knowledge possessed by them which is beneficial to the continuing development of our Group, the positive impact which such Participant has brought to our Group's operations and whether granting the options to such Participant is an appropriate incentive to such Participant to continue to contribute towards our Group's operations.

For the purpose of the Share Option Scheme, "Participants" means any person who satisfied the eligibility criteria in paragraph (ii) below.

**(ii) Who may participate**

Our Board may, at any time during the period for which the Share Option Scheme is valid and effective, make an offer for options to:

- (i) any director or employee of any member of our Group (including persons who are granted options(s) under this Share Option Scheme as an inducement to enter into employment contracts with any member of our Group) and, for the avoidance of doubt, excludes any former employee unless such person qualifies as a Participant in some other capacity; and

**APPENDIX VI**

**STATUTORY AND GENERAL INFORMATION**

- (ii) any director or employee of the holding companies, fellow subsidiaries or associated companies of our Company,

who our Board considers, in its sole discretion, have contributed or will contribute to our Group.

The basis of eligibility of the Participants shall be determined by our Board from time to time. In determining the eligibility of each Participant, our Board shall consider the experience of the Participant on our Group's business, the length of employment or office of the Participant with our Group, the amount of support, assistance, guidance, advice or efforts the Participant has given or will give towards our Group's success and any other factor that allows our Board to assess the amount of contribution made or to be made by the Participant to our Group.

For the avoidance of doubt, the grant of any options by our Company for the subscription of Shares or other securities of our Group to any person who falls within any of these classes of participants shall not, by itself, unless our Directors otherwise so determine, be construed as a grant of option under the Share Option Scheme.

**(iii) Scheme Mandate Limit**

The maximum number of Shares which may be issued upon exercise of all options to be granted under the Share Option Scheme and any options or awards granted under any other share schemes of our Company shall not, in the absence of Shareholders' approval, in aggregate exceed 10% in nominal amount of the aggregate of Shares in issue on the [REDACTED] (the "**Scheme Mandate Limit**"). The Scheme Mandate Limit may be refreshed with the approval of Shareholders in general meeting, but no more frequently than permitted under Rule 17.03C of the Listing Rules. The total number of Shares which may be issued upon exercise of all options to be granted under the Share Option Scheme and any options or awards granted under any other share schemes of our Company under the limit as refreshed must not exceed 10% of the Shares then in issue as at the date of our Shareholders' approval of the refreshed limit. Options lapsed under the Share Option Scheme and options or awards lapsed under other share schemes of our Company will not be counted for the purpose of calculating the Scheme Mandate Limit and the limit as refreshed.

The maximum number of Shares subject to a Scheme Mandate Limit shall, notwithstanding the terms of the resolution of Shareholders in general meeting approving such Scheme Mandate Limit, be adjusted proportionately on the effective date of any consolidation or sub-division of Shares subsequent to the date of passing of that resolution, provided that such maximum number of Shares as a percentage of the total number of Shares in issue immediately before or after such effective date shall be the same, other than for rounding to the nearest whole Share.

**APPENDIX VI**

**STATUTORY AND GENERAL INFORMATION**

Notwithstanding the foregoing, we may grant options beyond the Scheme Mandate Limit to Participants if:

- (a) separate Shareholders' approval has been obtained for granting options beyond the Scheme Mandate Limit to Participants specifically identified by us before such Shareholders' approval is sought, provided that the number and terms of the options to be granted must be fixed before such Shareholders' approval; and
- (b) our Company, in connection with the seeking of such separate Shareholders' approval, has first sent a circular to Shareholders containing such information as may be required by the Listing Rules then prevailing to be included in such circular.

**(iv) Maximum Entitlement of Each Individual**

Where any further grant of options to a Participant would result in the Shares issued and to be issued in respect of all options and awards granted to such person under the Share Option Scheme and any other share scheme of our Company (excluding any options and awards lapsed in accordance with the terms of the Scheme) in the 12-month period up to and including the date of such further grant representing in aggregate over 1% of the Shares in issue (the "**Individual Limit**"), such further grant must be separately approved by Shareholders in general meeting with such Participant and his close associates (or associates if the Participant is a connected person) abstaining from voting. We must send a circular to the Shareholders disclosing the identity of the Participant in question, the number and terms of the options to be granted (and options previously granted to such Participant), and such other information required under the Listing Rules.

**(v) Duration of Share Scheme**

This Share Option Scheme shall be valid and effective for a period of 10 years commencing on the [REDACTED], after which period no further options shall be offered or granted but the provisions of the Share Option Scheme shall remain in full force and effect to the extent necessary to give effect to the exercise of any option granted prior thereto or otherwise as may be required in accordance with the provisions of the Share Option Scheme. Options granted during the life of the Share Option Scheme shall continue to be exercisable in accordance with their terms of grant after the end of the 10-year period.

**(vi) Grant of Options**

Our Board shall be entitled, on and subject to the terms of this Share Option Scheme and the Listing Rules, at any time within 10 years after the [REDACTED] to make an offer (subject to such conditions as our Board may think fit) to any Participant as our Board may at its absolute discretion select to take up an option pursuant to which such Participant may, during the Option Period (i.e. in respect of any option, the period (which shall not exceed 10 years from the date of grant) to be determined and notified by our Board to the grantee at the time of making an offer, subject to earlier termination in accordance with the provisions of this Share Option Scheme), subscribe for such number of Shares as our Board

<b>APPENDIX VI</b>	<b>STATUTORY AND GENERAL INFORMATION</b>
--------------------	--

may determine at the Subscription Price (as defined below). The offer shall specify the terms on which the option is to be granted. Such terms may, at the discretion of our Board include, among other things, (i) the minimum period for which an option must be held before it can be exercised; and/or (ii) a performance target that must be reached before the option can be exercised in whole or in part; and (iii) any other terms, all of which may be imposed (or not imposed) either on a case-by-case basis or generally.

**(vii) Conditions of the Share Option Scheme**

The grant of options compromised in each offer is conditional upon the Listing Committee (as defined in the Listing Rules) of the Stock Exchange granting the approval of the [REDACTED] of, and permission to [REDACTED], the Shares which fall to be issued pursuant to the exercise of the option to be granted. If this condition is not satisfied on or before the 30th day after the date of grant, any option granted or agreed to be granted pursuant to the offer shall be of no effect and no person shall be entitled to any rights or benefits or be under any obligations under or in respect of the offer.

**(viii) Vesting Period and Exercise of Options**

Save for the circumstances prescribed in the paragraph below, every grantee must hold an option for at least 12 months before he can exercise such option.

A grantee may be subject to a vesting period shorter than 12 months as deemed appropriate at the discretion of our Board or (where the grantee is our director or a member of our senior management) our Remuneration Committee in any of the following circumstances:

- (i) grants of "make-whole" options to new joiners to replace the share awards or options they forfeited when leaving the previous employer;
- (ii) grants to a Participant whose employment is terminated due to death or disability or occurrence of any out-of-control event;
- (iii) grants with performance-based vesting conditions in lieu of time-based vesting criteria. For example, this could be applicable where an employee or potential employee have exceptional skills or expertise and the performance target is to secure a specific particularly high value project or customer for our Group in less than 12 months;
- (iv) grants with a mixed or accelerated vesting schedule such as where the options may vest evenly over a period of 12 or more months. This could be applicable where we have set quarterly or semi-annual performance targets and the options would be vested in batches upon satisfaction of each of those targets in a way that the options would be vested evenly over a period of 12 or more months instead of all being vested in one-go upon the expiry of a certain period; and
- (v) grants with a total vesting and holding period of more than 12 months ("holding period" refers to the period during which the grantee is restricted from disposing of Shares that are issued upon the exercise of vested options).

**APPENDIX VI**

**STATUTORY AND GENERAL INFORMATION**

**(ix) Performance targets**

If and to the extent that any performance target is required to be achieved by any grantee before an option is capable of being exercised, such performance target shall be based on, amongst other things, length of continued employment with our Group, business or financial performance results, annual corporate targets or goals achieved, relevant transaction milestones, individual performance, and appraisal on contribution to our Group. There may be instances where it may be impracticable or inappropriate to include specific performance targets as a vesting condition of options. We consider that a grant of options after taking into account actual performance and/or contribution of the individual grantee and appropriate communication to the grantee of such correlation would also have the effect of incentivising and rewarding that grantee for their contribution. It is important that we retain the flexibility to tailor incentives and rewards to achieve the purpose of the Share Option Scheme and to ensure that our Group can continue to offer consistent and market competitive remuneration packages to its employees.

Where a grantee is an independent non-executive Director, the vesting of options shall not be subject to performance targets, unless our Board is satisfied that the existence of such target will not lead to any bias in the decision-making or compromise the objectivity and independence of such grantee in the course of performance by him of his duties as an independent non-executive Director.

**(x) Subscription Price**

The subscription price ("**Subscription Price**") shall be determined by our Board at its absolute discretion but in any event shall not be less than the higher of:-

- (a) the closing price of the Shares as stated in the daily quotations sheets issued by the Stock Exchange on the date of grant which must be a business day;
- (b) the average closing price of the Shares as stated in the daily quotations sheets issued by the Stock Exchange for the 5 business days immediately preceding the date of grant; and
- (c) the nominal value of the Shares on the date of grant.

**(xi) Acceptance of an Offer of Options**

An offer shall be made to a Participant by letter in such form as our Board may from time to time determine requiring the Participant to undertake to hold the option on the terms on which it is to be granted and to be bound by the provisions of the Share Option Scheme and shall remain open for acceptance by the Participant concerned for a period of 5 business days from the date of grant provided that no such offer shall be open for acceptance after the expiry of the Option Period or after the Share Option Scheme has been terminated in accordance with the terms hereof or after the Participant for whom the offer is made has ceased to be a Participant.



## APPENDIX VI

## STATUTORY AND GENERAL INFORMATION

No offer shall be made to, nor shall any offer be capable of acceptance by, any Participant at a time when the Participant would or might be prohibited from dealing in the Shares by the Listing Rules or by any other applicable rules, regulations, or law.

An offer is deemed to be accepted when we receive from the grantee the offer letter signed by the grantee specifying the number of Shares in respect of which the offer is accepted and a remittance to our Company of HK\$1.00 as consideration for the grant of option. Such remittance is not refundable in any circumstances.

Any offer may be accepted in whole or in part provided that it is accepted in respect of a whole board lot for dealing in Shares on the Stock Exchange or an integral multiple thereof. To the extent that the offer is not accepted within 30 days from the date on which the letter containing the offer is delivered to that Participant in the manner indicated in the paragraph above, it shall be deemed to have been irrevocably declined.

### **(xii) Exercise of Options**

An option may, subject to the Scheme Mandate Limit and Individual Limit and the fulfilment of all the terms and conditions set out in the offer (if any), be exercised in whole or in part (but if in part only, it should be exercised in a whole board lot in which the Shares are traded on the Stock Exchange from time to time or an integral multiple thereof) by the grantee (or, as the case may be, his legal personal representative(s)) by giving notice in writing to us stating that the option is thereby exercised and the number of Shares in respect of which it is exercised. Each notice must be accompanied by a remittance for the full amount of the Subscription Price multiplied by the number of Shares in respect of which the notice is given. Within 10 business days after receipt of the notice and the remittance of the full amount of the relevant aggregate Subscription Price and, where appropriate, receipt of the auditor's certificate or the certificate from our independent financial adviser pursuant to "(xxi) Effect of Reorganisation of Capital Structure" below, we shall accordingly allot and issue the relevant number of Shares to the grantee (or, as the case may be, his legal personal representative(s)) credited as fully paid and issue to the grantee (or, as the case may be, his legal personal representative(s)) share certificates in respect of the Shares so allotted.

### **(xiii) Share Capital**

The exercise of any option shall be subject to the Shareholders in general meeting approving any necessary increase in the authorised share capital of our Company. Subject thereto our Board shall make available sufficient authorised but unissued share capital of our Company to meet subsisting requirements on the exercise of options.

The options do not carry any right to vote in our general meetings, or any right, dividend, transfer or any other rights, including those arising on the liquidation of our Company.

### **(xiv) Ranking of the Shares**

The Shares to be allotted upon the exercise of an option shall be subject to all the provisions of our memorandum of association and bye-laws for the time being in force

**APPENDIX VI**

**STATUTORY AND GENERAL INFORMATION**

and shall rank pari passu in all respects with the existing fully paid Shares in issue on the date on which those Shares are allotted to the relevant grantee on exercise of the option, and accordingly shall entitle the holders to receive all dividends or other distributions paid or made after the date on which Shares are allotted other than any dividends or distributions previously declared or recommended or resolved to be paid or made if the record date thereof shall be on or before the date on which the Shares are allotted.

**(xv) Rights on death**

In the event of the grantee ceasing to be a Participant by reason of his death before exercising his option in full, subject to any restrictions applicable under the Listing Rules and notwithstanding the terms of grant thereof, for any outstanding option of the grantee:

- (a) his legal personal representative(s) may exercise the option (to the extent not already exercised) up to the grantee's entitlement (whether vested or not) as at the date of death within 6 months following his death unless subsection (b) or (c) of this paragraph applies;
- (b) where any of the events set out in "(xvii) Rights on a General Offer", "(xviii) Rights on Winding Up" and "(xvx) Rights on Company Reconstruction or Amalgamation" in this Appendix occurs prior to the grantee's death or within 6 months following his death, his personal representative(s) may exercise the option only within period set out in the applicable paragraphs; and
- (c) (where the grantee is an employee of our Group) if any of the events which would be a ground for termination of his employment as specified in "(xx) Lapse of Option — subparagraph (d)" of this Appendix have arisen in respect of the grantee at any time within 3 years prior to the grantee's death, we may at any time terminate the option (to the extent not already exercised) and declare any notice of exercise of option received (for which Shares have not been allotted) null and void and return in full the Subscription Price we have received in respect thereof.

**(xvi) Rights on termination of employment or directorship**

In the event of the grantee ceasing to be a Participant by reason of the termination of his employment or directorship on one or more of the grounds specified in "(xx) Lapse of Option — subparagraph (d)" of this Appendix, his option (to the extent not already exercised) shall lapse automatically and shall not be exercisable on or after the date of termination of his employment. Any notice given by the grantee to exercise the option pursuant to "(xii) Exercise of Options" in this Appendix for which Shares have not been allotted shall be null and void and we shall return the Subscription Price we have received in respect thereof.

In the event of a grantee who is an employee or director of our Company or another member of our Group ceasing to be a Participant for any reason other than his death or the termination of his employment or directorship on one or more of the grounds specified in "(xx) Lapse of Option — subparagraph (d)" of this Appendix, the option (to the extent not

**APPENDIX VI**

**STATUTORY AND GENERAL INFORMATION**

already exercised) shall lapse on the date of cessation or termination of such employment (which date shall be the grantee's last actual working day with our Company or the relevant subsidiary whether salary is paid in lieu of notice or not) and shall on that day cease to be exercisable unless he continues to serve our Group in some other capacity (for example, as a director or employee of any other member of our Group), in which case the Board may determine that the option shall not lapse until such later date the Board determines to be appropriate.

**(xvii) Rights on a General Offer**

- (a) In the event a general offer by way of takeover or otherwise (other than by way of scheme of arrangement as set out below) is made to all the Shareholders (or all such Shareholders other than those permitted by the relevant regulatory authority to be excluded from the general offer) and such offer becomes or is declared unconditional prior to the expiry of the Option Period of any option, we shall forthwith notify all grantees who then hold unexercised options of their entitlements under this paragraph and any such grantee (or his legal personal representative) may, within such period as shall be notified by us after which the option shall cease to be exercisable, exercise his option (whether vested or not) either to its full extent or, in respect of any unvested portion, to such extent as may be specified by us, provided that where a court of competent jurisdiction has made an order to prohibit the offeror from acquiring Shares under the general offer, notwithstanding any notice given by us pursuant to this paragraph the option shall not become exercisable pursuant to that notice until after the discharge of that order.
- (b) In the event a general offer for Shares by way of scheme of arrangement is made to all the Shareholders and has been approved by the necessary number of Shareholders at the requisite meetings, we shall forthwith notify all grantees who then hold unexercised options of their entitlements under this paragraph and any such grantee (or his legal personal representative) may, within such period as shall be notified by us after which the option shall cease to be exercisable, exercise his option (whether vested or not) either to its full extent or, in respect any unvested option, to such extent notified by us.

**(xviii) Rights on Winding Up**

In the event a notice is given by us to our Shareholders to convene a Shareholders' meeting for the purpose of considering and, if thought fit, approving a resolution to voluntarily wind-up our Company, we shall forthwith give notice thereof to all grantees who then hold unexercised options of their entitlements under this paragraph and any such grantee (or his legal personal representative) may, within such period as shall be notified by us after which the option shall cease to be exercisable, exercise his option (whether vested or not) either to its full extent or, in respect of any unvested option, to such extent notified by us, and we shall as soon as possible and in any event no later than 3 business days prior to the date of the proposed Shareholders' meeting, allot, issue and register in the name of the grantee such number of Shares to the grantee which fall to be issued on such exercise.

**(xix) Rights on Company Reconstruction or Amalgamation**

In the event a notice is given by us to our Shareholders to convene a Shareholders' meeting for the purpose of considering and, if thought fit, approving a compromise or arrangement between us and our members or creditors proposed in connection with a scheme for the reconstruction or amalgamation of our Company (other than a scheme of arrangement contemplated in "(xvii) Rights on a General Offer — subsection (b)" in this Appendix), we shall forthwith give notice thereof to all grantees who then hold unexercised options of their entitlements under this paragraph (and the grantee (or his legal personal representative) may, within such period as shall be notified by us after which the option shall cease to be exercisable, exercise his option (whether vested or not) either to its full extent or, in respect of any unvested portion, to the extent notified by us, and we shall as soon as possible and in any event no later than 3 business days prior to the date of the proposed Shareholders' meeting, allot, issue and register in the name of the grantee such number of Shares which fall to be issued on such exercise.

**(xx) Lapse of Option**

Without prejudice to the authority of the Board to provide for additional situations where an option shall lapse, an option shall lapse automatically and not be exercisable (to the extent not already exercised) on the earliest of:-

- (a) the expiry of the Option Period;
- (b) at the end of that date or the expiry of any of the periods referred to in "(xv) Rights on death", "(xvi) Rights on termination of employment or directorship", "(xvii) Rights on a General Offer", "(xviii) Rights on Winding Up" and "(xix) Rights on Company Reconstruction or Amalgamation" in this Appendix, after which the option shall cease to be exercisable;
- (c) the date of the commencement of the winding-up of our Company;
- (d) the date on which the grantee ceases to be a Participant by reason of the termination of his employment or directorship on the grounds that he has been guilty of serious misconduct, or appears either to be unable to pay or to have no reasonable prospect of being able to pay his debts or has committed any act of bankruptcy or has become insolvent or has made any arrangements or compromise with his creditors generally, or has been convicted of any criminal offence involving his integrity or honesty or on any other grounds on which an employer would be entitled to terminate his employment summarily. A resolution of the Board or the board of directors of the relevant subsidiary to the effect that the employment or directorship of a grantee has or has not been terminated on one or more of the grounds specified in this subsection (d) shall be conclusive and binding on the grantee, and where appropriate, his legal representative(s). Transfer of employment or

**APPENDIX VI**

**STATUTORY AND GENERAL INFORMATION**

directorship of a grantee from one member of our Group to another member of our Group shall not be considered a termination of employment or directorship; and

- (e) the date on which the grantee commits a breach of the restrictions on transfer of the options.

**(xxi) Effect of Reorganisation of Capital Structure**

In the event of an alteration in the capital structure of our Company, whilst any option remains exercisable, by way of capitalisation of profits or reserves, bonus issue, rights issue, open offer, subdivision or consolidation of shares, or reduction of the share capital of our Company in accordance with legal requirements and requirements of the Stock Exchange (other than any alteration in the share capital structure of our Company as a result of an issue of Shares as consideration in a transaction to which our Company is a party), such corresponding adjustments (if any) shall be made to:

- (i) the number or nominal amount of Shares subject to the option so far as unexercised; and/or
- (ii) the Subscription Price; and/or
- (iii) the method of exercise of the option(s),

or any combination therefore, provided that:

- (a) any such adjustments give a grantee the same proportion of the equity capital of our Company, rounded to the nearest whole share, as that to which that grantee was previously entitled; and
- (b) notwithstanding "(xxi) Effect of Reorganisation of Capital Structure — subsection (a)" above, any adjustments as a result of an issue of securities with a price-dilutive element, such as a rights issue, open offer or capitalisation issue, should be based on a scrip factor similar to the one used in accounting standards in adjusting the earnings per share figures (referred to in Hong Kong Accounting Standards 33) and the acceptable adjustments set out in the "Frequently asked questions on adjustments of the exercise price of share options" (FAQ No. 072-2020) on Rule 17.03(13) of the Listing Rules and any future guidance/interpretation of the Listing Rules issued by the Stock Exchange from time to time, but no such adjustments shall be made to the extent that a Share would be issued at a price less than its nominal value.

We shall engage our auditors or an independent financial adviser to certify in writing, either generally or as regards any particular grantee, that the adjustments made by our Company (other than adjustment made on a capitalisation issue) satisfy the requirements set out in subsections (a) and (b) above. The capacity of the auditors or independent financial adviser (as the case may be) in this paragraph is that of experts and not of arbitrators and their certification shall, in the absence of manifest error, be final and

## APPENDIX VI

## STATUTORY AND GENERAL INFORMATION

binding on us and the grantees. The costs of the auditors or independent financial adviser (as the case may be) shall be borne by us.

If there has been any alteration in the capital structure of our Company as referred to above, we shall within 28 days after receipt of a confirmation of the independent financial adviser or the auditors, inform the grantee of such alteration and of any adjustment to be made.

If our Company conducts a share consolidation or subdivision after the Scheme Mandate Limit has been approved or refreshed by the Shareholders, the maximum number of Shares that may be issued in respect of all options and awards to be granted under all share schemes of our Company under the Scheme Mandate Limit shall automatically be proportionately adjusted provided that such maximum number of shares as a percentage of the total number of issued Shares at the date immediately before and after such consolidation or subdivision shall be the same, rounded to the nearest whole share.

### **(xxii) Cancellation of Options**

Any options granted but not exercised may be cancelled with the consent of the relevant grantee and on such terms as may be agreed, as our Board may at its absolute discretion see fit and in a manner that complies with all applicable legal requirements for such cancellation, except that where the grantee is in breach of "(xxv) Rights are Personal to the Grantee" in this Appendix, the Board may cancel any outstanding option without the relevant grantee's agreement. For the avoidance of doubt, no consent is required to be given by the grantee where an option lapses in accordance with "(xx) Lapse of Option" in this Appendix.

Where we cancel options and offer to issue new options to the same grantee, the issue of such new options may only be made under the Share Option Scheme within the limits prescribed by the Scheme Mandate Limit and Individual Limit in accordance to "(iii) Scheme Mandate Limit" and "(iv) Maximum Entitlement of Each Individual" in this Appendix, excluding the cancelled options, and are otherwise granted in accordance with the terms of the Share Option Scheme.

### **(xxiii) Alteration of the Share Option Scheme**

The specific provisions of the Share Option Scheme which relate to the matters set out in Rule 17.03 of the Listing Rules cannot be altered to the advantage of Participants, and changes to the authority of the Board in relation to any alteration of the terms of the Share Option Scheme shall not be made, in either case, without the prior approval of Shareholders in general meeting. Any change to the terms of any options shall only take effect after approval of the change is given by our Board, our Remuneration Committee, the independent non-executive Directors (as a group) and/or the Shareholders if the grant of that option was approved by it or them (or their predecessors in that role). The preceding sentences of this paragraph do not apply to alterations taking effect automatically under the existing terms of the Share Option Scheme. The Scheme so altered must comply with Chapter 17 and other relevant requirements of the Listing Rules.

**(xxiv) Termination of the Share Option Scheme**

Our Company by ordinary resolution in general meeting, or our Board, may at any time terminate this Share Option Scheme and in such event no further options may be offered or granted but in all other respects the provisions of the Share Option Scheme shall remain in full force and effect in respect of options which are granted during the life of the Share Option Scheme (to the extent necessary to give effect to the exercise of such options) and which remain unexercised or which are exercised but the Shares in respect of such exercised options have not been issued to the grantees yet immediately prior to the termination of the operation of the Share Option Scheme.

**(xxv) Rights are Personal to the Grantee**

An option shall be personal to the grantee and shall not be assignable or transferable and no grantee shall in any way sell, transfer, assign, charge, mortgage, encumber or create any interest in favour of any other person over or in relation to any option or enter into any agreement to do so. Any breach of the foregoing by the grantee shall entitle us to cancel any outstanding option or any part thereof granted to such grantee to the extent not already exercised without incurring any liability on our part. Notwithstanding the foregoing, a grantee may transfer any option to a vehicle (such as a trust or private company) for the benefit of himself and/or his family members (such as for the purpose of estate planning or tax planning purposes) provided that the Stock Exchange has prior to such transfer granted a waiver to allow such transfer.

As at the Latest Practicable Date, no option has been granted or agreed to be granted pursuant to the Share Option Scheme.

Details of the Share Option Scheme, including particulars and movements of the options granted during each financial year of our Company, and our employee costs arising from the grant of the options will be disclosed in our annual report.

**E. OTHER INFORMATION**

**1. Indemnities**

Our Directors have been advised that no material liability for estate duty is likely to fall on any member of our Group in the Cayman Islands, the Czech Republic, Germany, Austria, Malta and Hong Kong.

FEC and Ample Bonus have entered into a Deed of Indemnity in favour of our Company (for itself and as trustee for each of our present subsidiaries) whereby it has given an indemnity in connection with, among other matters, taxation which might fall on us resulting from or by reference to the Reorganisation whether or not such taxation or taxation claim is chargeable against or attributable to any other person, firm or company, subject to certain exceptions set out below. In connection with the Reorganisation, we estimate that the amount of tax payable is expected to be not more than EUR2.0 million (approximately HK\$17.1 million). The actual tax expenses will be charged to the combined statements of profit or loss and other comprehensive income for the year ending 31 March 2024. Pursuant to the Deed of Indemnity, FEC and Ample Bonus have agreed to indemnify us for taxation arising from the Reorganisation.

**APPENDIX VI**

**STATUTORY AND GENERAL INFORMATION**

FEC and Ample Bonus will, however, not be liable under the Deed of Indemnity:

- (i) to the extent that provision, reserve or allowance has been made for such taxation in the audited accounts of the Group for [each of the three financial years ended 31 March 2023] ("Accounts"), if any;
- (ii) to the extent that such taxation arises or is incurred as a result of the imposition of taxation as a consequence of any retrospective change in the law, rules and regulation or the interpretation or practice thereof by the Hong Kong Inland Revenue Department or the Taxation Authority of the Czech Republic, Germany, Austria or Malta or any other relevant authority (whether in the Czech Republic, Germany, Austria or Malta or Hong Kong or any other part of the world) coming into force after the date of the Deed of Indemnity or to the extent such taxation arises or is increased by an increase in rates of taxation after the thereof with retrospective effect;
- (iii) to the extent of any provision or reserve made for taxation in the Accounts which is finally established to be an over-provision or an excessive reserve in which case the indemnifiers' liability (if any) in respect of taxation shall be reduced by an amount not exceeding such provision or reserve, provided that the amount of any such provision or reserve applied to reduce the indemnifiers' liability in respect of taxation shall not be available in respect of any such liability arising thereafter;
- (iv) falling on the Company after the [REDACTED] unless (a) the bases of such taxation occur prior to the [REDACTED]; or (b) such taxation would not have arisen but for any act or omission by the Company (whether alone or in conjunction with some other act, omission or transaction, whenever occurring) voluntarily effected without the prior written consent or agreement of the indemnifiers (such consent or agreement not to be unreasonably withheld or delayed), otherwise than in the ordinary course of business after the date of the Deed of Indemnity; and
- (v) to the extent that such taxation is discharged by another person who is not the Company or a member of the Group companies and that the Company or such member of the Group companies is not required to reimburse such person in respect of the discharge of the taxation.

**2. Litigation**

As at the Latest Practicable Date, no member of our Group was engaged in any litigation, claim or arbitration of material importance and no litigation, claim or arbitration of material importance is known to our Directors to be pending or threatened by or against any member of our Group, that would have a material adverse effect on the results of operations or financial position of our Group as a whole.



**APPENDIX VI**

**STATUTORY AND GENERAL INFORMATION**

**3. Sole Sponsor**

The Sole Sponsor has made an application on behalf of our Company to the [REDACTED] for the [REDACTED] of, and permission to [REDACTED], all our Shares in issue and any Shares which may fall to be issued as mentioned herein, including any Shares that may fall to be issued upon the exercise of the [REDACTED]. All necessary arrangements have been made enabling such Shares to be admitted into CCASS.

The Sole Sponsor is independent from our Company pursuant to Rule 3A.07 of the Listing Rules. The Sole Sponsor will receive a fee of HK\$3,800,000 for acting as the sponsor for the [REDACTED].

**4. Registration procedures**

The register of members of our Company will be maintained in the Cayman Islands by [REDACTED] and a branch register of members of our Company will be maintained in Hong Kong by our [REDACTED]. Save where our Directors otherwise agree, all transfers and other documents of title to Shares must be lodged for registration with, and registered by, our [REDACTED] and may not be lodged in the Cayman Islands.

**5. Taxation of holders of Shares**

*(a) the Cayman Islands*

Under the present the Cayman Islands law, there is no stamp duty payable in the Cayman Islands on transfers of Shares unless our Company holds interests in land in the Cayman Islands.

*(b) Hong Kong*

The sale, purchase and transfer of shares registered with our Hong Kong register of members will be subject to Hong Kong stamp duty. The stamp duty is currently set at a total rate of 0.26% of the greater of the consideration for, or the value of, shares transferred, with 0.13% payable by each of the buyer and the seller. Profits from dealings in the shares arising in or derived from Hong Kong may also be subject to Hong Kong profits tax.

*(c) Generally*

Potential holders of Shares are recommended to consult their professional advisers if they are in any doubt as to the taxation implications of applying for, purchasing, holding or disposing of, or dealing in, Shares. It is emphasised that none of our Company, our Directors, the Sole Sponsor, the [REDACTED] and all of their respective directors, agents or advisers nor any other parties involved in the [REDACTED] accepts responsibility for any tax effect on, or liabilities of, persons resulting from the subscription for, holding, purchase or disposal of or dealing in the Shares.

**APPENDIX VI STATUTORY AND GENERAL INFORMATION**

**6. Agency fees and commissions received**

Save as disclosed in this document, none of our Directors nor any of the parties listed in paragraph 9 of this Appendix had received any commissions, discounts, agency fees, brokerages or other special terms in connection with the issue or sale of any capital of our Company or any member of our Group within the two years preceding the date of this document.

**7. Preliminary expenses**

The preliminary expenses incurred by our Company in relation to our incorporation were approximately US\$5,615 and were paid by us.

**8. Promoter**

Our Company has no promoter for the purpose of the Listing Rules. Save as disclosed in this document, within two years immediately preceding the date of this document, no cash, securities or other benefit has been paid, allotted or given nor are any proposed to be paid, allotted or given to any promoters in connection with the [REDACTED] and the related transactions described in this document.

**9. Qualification of experts**

The following are the qualifications of the experts which have given opinions or advice which are contained in, or referred to in, this document:

<b>Expert</b>	<b>Qualification</b>
Guotai Junan Capital Limited	Licensed corporation under the SFO permitted to carry out type 6 (Advising on Corporate Finance) regulated activity (as defined under the SFO)
Deloitte Touche Tohmatsu	Certified Public Accountants and Registered Public Interest Entity Auditors
Conyers Dill & Pearman	Cayman Islands attorneys-at-law
China Insights Industry Consultancy Limited	Independent industry consultant firm
Becker a Poliakoff, s.r.o., advokátní kancelář	Legal adviser as to Czech law
avocado rechtsanwälte	Legal adviser as to German law

**APPENDIX VI**

**STATUTORY AND GENERAL INFORMATION**

<b>Expert</b>	<b>Qualification</b>
Kraft Rechtsanwalts GmbH	Legal advisers as to Austrian law
WH Partners	Legal advisers as to Maltese law
Deloitte Touche Tohmatsu	AML Consultant
Roma Appraisals Limited	Independent property valuer

**10. Consents of experts**

Each of the experts named in paragraph 9 of this Appendix has given and has not withdrawn its written consent to the issue of this document with inclusion of its report and/or letter and/or opinion and/or references to its name in the form and context in which they are respectively included.

**11. Interests of experts in our Company**

None of the experts named in paragraph 9 of this Appendix is interested beneficially or otherwise in any Shares or shares of any member of our Group or has any right or option (whether legally enforceable or not) to subscribe for or nominate persons to subscribe for any shares or securities in any member of our Group.

**12. Binding effect**

This document shall have the effect, if an application is made in pursuance hereof, of rendering all persons concerned bound by all the provisions (other than the penal provisions) of sections 44A and 44B of the Companies (Winding Up and Miscellaneous Provisions) Ordinance so far as applicable.

**13. Miscellaneous**

- (a) Save as disclosed in this document, within the two years immediately preceding the date of this document:
  - (i) no share or loan capital of our Company or any of our subsidiaries has been issued or agreed to be issued or is proposed to be fully or partly paid either for cash or a consideration other than cash;
  - (ii) no share or loan capital of our Company or any of our subsidiaries is under option or is agreed conditionally or unconditionally to be put under option;
  - (iii) no founders or management or deferred shares of our Company or any of our subsidiaries have been issued or agreed to be issued;

**APPENDIX VI STATUTORY AND GENERAL INFORMATION**

- (iv) no commissions, discounts, brokerages or other special terms have been granted or agreed to be granted in connection with the issue or sale of any share or loan capital of our Company or any of our subsidiaries; and
  - (v) no commission has been paid or is payable for subscription, agreeing to subscribe, procuring subscription or agreeing to procure subscription of any share in our Company or any of our subsidiaries.
- (b) To the best knowledge, information and belief of our Directors, having made all reasonable inquiries, our Directors confirm that save as disclosed in (i) Note 38 "Subsequent Events" in the Accountants' Report and (ii) "Recent Developments" in "Summary" in this document:
- (i) there has been no material adverse change in the financial, operational or trading position or prospects of our Group since 31 March 2023 (being the date to which the latest audited combined financial statements of our Group were prepared); and
  - (ii) there has not been any interruption in the business of our Group which may have or has had a significant effect on the financial condition of our Group in the 12 months preceding the date of this document.
- (c) All necessary arrangements have been made to enable our Shares to be admitted into CCASS for clearing and settlement.
- (d) No company within our Group is presently listed on any stock exchange or traded on any trading system.
- (e) We have no outstanding convertible debt securities.
- (f) There is no arrangement under which future dividends are waived or agreed to be waived.

**14. Bilingual document**

The English language and Chinese language versions of this document are being published separately, in reliance upon the exemption provided in Section 4 of the Companies Ordinance (Exemption of Companies and Prospectus from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong).

**APPENDIX VI**

**STATUTORY AND GENERAL INFORMATION**

**15. Particulars of the [REDACTED]**

The particulars of the [REDACTED] are set out below:

<b>Name:</b>	Ample Bonus
<b>Description:</b>	Company
<b>Place of incorporation:</b>	British Virgin Islands
<b>Registered address:</b>	Vistra Corporate Services Centre, Wickhams Cay II, Road Town, Tortola, VG1110, British Virgin Islands
<b>Number of Shares to be [REDACTED]:</b>	[REDACTED], representing approximately [REDACTED] of the total issued share capital of our Company immediately upon completion of the [REDACTED] (assuming the [REDACTED] is not exercised)

**APPENDIX VII**

**DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES AND AVAILABLE ON DISPLAY**

**DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES**

The documents attached to the copy of this document and delivered to the Registrar of Companies in Hong Kong for registration were:

1. a copy of each of the material contracts referred to in "Appendix VI — Statutory and General Information — Further Information About Our Business — Summary of Material Contracts" to this document; and
2. the written consents referred to in "Appendix VI — Statutory and General Information — Other Information — 10. Consents of Experts" to this document.

**DOCUMENTS ON DISPLAY**

The following documents will be published on the website of the Stock Exchange ([www.hkexnews.hk](http://www.hkexnews.hk)) and our website ([www.palasinoholdings.com](http://www.palasinoholdings.com)) up to and including the date which is 14 days from the date of this document:

1. the Memorandum of Association and the Articles of Association;
2. the Accountants' Report prepared by Deloitte Touche Tohmatsu, the text of which is set out in "Appendix I — Accountants' Report" to this document;
3. the audited combined financial statements of Palasino Group for each of the three financial years ended 31 March 2023;
4. the report on the unaudited [REDACTED] financial information of our Group prepared by Deloitte Touche Tohmatsu, the text of which is set out in "Appendix II — Unaudited [REDACTED] Financial Information" to this document;
5. the report issued by China Insights Industry Consultancy Limited, a summary of which is set forth in "Industry Overview" in this document;
6. the property valuation report prepared by Roma Appraisals Limited relating to our property interests, the text of which is set out in "Appendix III — Property Valuation Report" in this document;
7. the material contracts referred to in "Appendix VI — Statutory and General Information — Further Information About Our Business — Summary of Material Contracts" to this document;
8. the service agreements and letters of appointment entered into between our Company and each of our Directors (as applicable);

APPENDIX VII

DOCUMENTS DELIVERED TO THE REGISTRAR OF  
COMPANIES AND AVAILABLE ON DISPLAY

9. the written consents referred to in "Appendix VI — Statutory and General Information — Other Information — 10. Consents of Experts" to this document;
10. the Czech legal opinion issued by Becker a Poliakoff, s.r.o., advokátní kancelář, our Czech Legal Advisers, in respect of certain aspects of our Group in the Czech Republic;
11. the German legal opinion issued by avocado rechtsanwälte, our German Legal Advisers, in respect of certain aspects of our Group in Germany;
12. the Austrian legal opinion issued by Kraft Rechtsanwalts GmbH, our Austrian Legal Advisers, in respect of certain aspects of our Group in Austria;
13. the Maltese legal opinion issued by WH Partners, our Maltese Legal Advisers, in respect of certain aspects of our Group in Malta;
14. the letter from Deloitte Touche Tohmatsu, our AML Consultant, in respect of the review of anti-money laundering procedures, systems and controls of Palasino Group, the text of which is set out in "Appendix V — Summary of Review of Anti-Money Laundering Procedures, Systems and Controls";
15. the rules of the Share Option Scheme;
16. the Cayman Companies Act;
17. the letter of advice issued by Conyers Dill & Pearman, our Cayman Islands Legal Advisers, in respect of certain aspects of Cayman Islands company law referred to in this document; and
18. a statement of the particulars of the [REDACTED].