

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;

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- 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.

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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;

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- 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

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- 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;

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- 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.

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- 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**").

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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.

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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.

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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.

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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).

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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.

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- 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).

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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).

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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.

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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

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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).

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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

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(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.

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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.

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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;

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- 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.

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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.

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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.

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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.