

## 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

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[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.

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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

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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,

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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

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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

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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.

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### 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.



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### 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:

	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 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>

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**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.

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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".

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### *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.

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### 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
	<hr/>	<hr/>	<hr/>
<b>Total</b>	<b>76,413</b>	<b>42,235</b>	<b>5,172</b>
	<hr style="border-top: 3px double black;"/>	<hr style="border-top: 3px double black;"/>	<hr style="border-top: 3px double black;"/>

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.

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### *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.

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### *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.

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### *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:

	As at 31 March					
	2021		2022		2023	
	<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
	<b>36,290</b>	<b>30,065</b>	<b>26,671</b>
<b>Total</b>	<b>36,290</b>	<b>30,065</b>	<b>26,671</b>

*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)
	41,271	58,390	66,646

*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.

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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><u>1,554</u></b>	<b><u>1,160</u></b>	<b><u>724</u></b>	<b><u>591</u></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

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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	2022	2023
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
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.

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### 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.

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**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> <i>HK\$'000</i>	<b>2022</b> <i>HK\$'000</i>	<b>2023</b> <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
<b>Total</b>	<b>–</b>	<b>–</b>	<b>74,178</b>

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> <i>HK\$'000</i>	<b>2022</b> <i>HK\$'000</i>	<b>2023</b> <i>HK\$'000</i>
<b>Interest Income from:</b>			
BC Mortgage	–	–	2,188
Singford	–	–	108
	–	–	2,296

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.

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### *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.

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### 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%.

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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

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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.



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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.

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### 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.

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### 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.

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### 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.