

## SUMMARY

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

## OVERVIEW

We are an entertainment, gaming and leisure group comprising (i) one integrated land-based casino and resort and two full-service land-based casinos operating in the Czech Republic, offering primarily slot machines and table games, and (ii) three hotels in Germany and one hotel in Austria that offer accommodation, catering, conference, and leisure services. Our Land Based Gaming Business and German and Austrian Hotel Business were acquired by the FEC Group through the Merger in 2018, and since then we have expanded our gaming offerings with the addition of new slot machines and the launch of poker game, and rebranded our casinos to "*Palasino*".

Our long operating history in central Europe could be traced back to the establishment of *Palasino Furth im Wald* in 1995. Since then, we actively expanded our casino portfolio with the establishment of *Palasino Excalibur City* in 1999 and *Palasino Wullowitz* in 2004. We tapped into the hospitality business with the launch of *Hotel Savannah* in 2008, which, along with the interconnected *Palasino Excalibur City*, form our landmark resort, *Palasino Savannah Resort*. Over the years, we have built a portfolio of hotels in Germany and Austria through acquisitions, namely *Hotel Columbus*, *Hotel Auefeld* and *Hotel Kranichhöhe*, in Germany and *Hotel Donauwelle* in Austria. We began preparing for the launch of our Online Gaming Business with the establishment of *Palasino Malta* in July 2021.

Due to the outbreak of COVID-19, the governments of the countries which we mainly conduct our business operations, have imposed a series of measures to contain its spread. Such measures have led to the closure of our casinos and hotels for intermittent periods during the years ended 31 March 2021 and 2022. Notwithstanding the above, due to the easing of lockdown protocols and the gradual recovery of the global economy, our Group has been able to maintain growth in its revenue during the Track Record Period. Our revenue increased from HK\$145.8 million for the year ended 31 March 2021 to HK\$351.2 million for the year ended 31 March 2022, and further increased to HK\$529.0 million for the year ended 31 March 2023. Our net profit increased significantly from HK\$2.6 million for the year ended 31 March 2021 to HK\$40.1 million for the year ended 31 March 2022, and further increased to HK\$44.2 million for the year ended 31 March 2023. Our EBITDA amounted to HK\$32.1 million, HK\$77.0 million and HK\$85.4 million, respectively, for the three years ended 31 March 2023.

## OUR GAMING OPERATIONS

### Our Casinos

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

## SUMMARY

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

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

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

### **Gaming Options**

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

#### **(1) Slot machines**

Slot machines are electronic games that feature screens displaying various symbols that rotate when a game is started. Each machine specifies its rules and betting options, and players win when specific combinations result. Our Group currently sources slot machines from four different suppliers. All of these suppliers offer machines with multi-game themes, offering up to over 50 games per machine, allowing players to switch between games without having to switch machines.

## SUMMARY

As at 31 March 2023, our Group owned 19.3% of the total number of machines while the remainder are leased. Machine variety is very important to our business as having an optimal mix of machines with different volatility, jackpots, and playing modes is critical for maintaining and increasing customer traffic at our casinos. This variety of offerings not only increases our competitiveness in the market but also enhances customer loyalty by providing an engaging and exciting gaming experience that encourages them to return to our casinos for different games.

### (2) Table Games

We offer classic casino table games operated by a dealer which are played against the house. Some tables are equipped with modern gaming equipment such as roulette wheels and automatic shuffle machines. The major table games we offer at our casinos include Roulette, Blackjack, Double Up Blackjack, and Palasino Texas Hold'em.

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

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

### Selected Operating Statistics of Our Casinos

#### Gaming revenue

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

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

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

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

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

## SUMMARY

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

Although the COVID-19 pandemic has presented challenging circumstances to the gaming industry since early 2020, our Group has been able to achieve a stable recovery resulting from the easing of lockdown protocols and the relaxation of the closure restrictions. Our gross gaming revenue increased significantly by HK\$176.9 million or 161.8% from HK\$109.3 million for the year ended 31 March 2021 to HK\$286.2 million for the year ended 31 March 2022. Our gross gaming revenue from gaming operations continued to recover during the year ended 31 March 2023, increasing by HK\$113.5 million or 39.7% from HK\$286.2 million for the year ended 31 March 2022 to HK\$399.7 million for the year ended 31 March 2023.

### *Occupancy rate*

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

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

#### *Notes:*

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

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

### **Casino Operation Flow**

For every player visiting our casinos for the first time, they must produce a valid identification document and complete a registration form with their personal information. After completing the registration process, the first-time players will receive a PAC, which allows them to register at reception and participate in gaming activities during future visits. Players who have already been given PACs are required to present their PACs to the reception desk in order to have them recorded on the CMS.

Our Group offers a variety of slot machines with multi-game themes in our casinos. Players must insert their PACs into the slot machine of choice and enter their personal password to commence the game, and the PAC must remain in the machine card-reader throughout the course of playing. To participate in table games and poker, players are required to present their PACs to the dealers for identification and before exchanging their cash for chips at the gaming table. Our players usually exchange cash for chips to be used in table games or cash out credits stored in their PACs at the cage, or vice versa.

Our casino employees assigned to cage and audit operations have key responsibilities that are critical to the smooth functioning of our casinos. These responsibilities include maintaining the cash balance in the casino, handling cash exchange, carrying out daily reporting and creating accounting monthly closing. Casino employees responsible for security are positioned in key areas of the casino, such as at the public entrances and exits, gaming areas, and cages of the casinos. Casino employees work closely with the surveillance department to monitor and review suspicious gaming activities on table games.

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### Responsible Gaming Program

It is our responsibility to set up a responsible gaming program to promote safe and responsible gaming behaviour among our customers. Our responsible gaming program includes various measures to ensure that gaming activities in our casinos are conducted in a fair and transparent manner, and that players are provided with the necessary information and resources to make informed decisions about their gaming behaviour. We conduct age and identity verification for every visitor to our casinos. We have a responsible gaming program leaflet at our reception with contact for those in need of help with problem gambling or related issues. We educate all our staff in all gaming operations so that they can assist in identifying players who may have a gaming problem.

Most importantly, as required under the Czech Gambling Act, the gaming operator is obliged to offer a means to the customers to set their own self-limiting measures in relation to their own gaming pattern and behaviour. Our means is to request every player to set his/her self-limiting measures by filling in a registration form. Players can choose to set self-limiting measures or reject to set in the registration form. In addition, players can request a full exclusion from participation in gambling at any premises in the Czech Republic by completing an official application form which will be recorded in the database of the Ministry of Finance.

### OUR HOTEL AND CATERING OPERATIONS

#### Our Hotels

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

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

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

	<i>Hotel Savannah</i>	<i>Hotel Columbus</i>	<i>Hotel Auefeld</i>	<i>Hotel Kranichhöhe</i>	<i>Hotel Donauwelle</i>
Location	Chvalovice-Hatě the Czech Republic	Seligenstadt, Germany	Hann. Münden, Germany	Much, Germany	Linz, Austria
Rating	Four-stars certified by Hotelstars Union, an internationally recognised organisation dedicated to hotel classification				
Target customer type	Leisure travellers and group	Business and corporate clients	Business and corporate clients  Leisure travellers and group	Business and corporate clients  Leisure travellers and group	Business and corporate clients  Leisure travellers and group
Gross floor area (sq.m.)	11,775 <sup>(Note)</sup>	6,845	11,379	12,009	10,782

## SUMMARY

	<i>Hotel Savannah</i>	<i>Hotel Columbus</i>	<i>Hotel Auefeld</i>	<i>Hotel Kranichhöhe</i>	<i>Hotel Donauwelle</i>
Number of rooms	79	117	93	107	176
Food and beverage facilities	2 restaurants 1 bar	1 restaurant 1 bar	1 restaurant 1 bar	1 restaurant 1 brasserie	1 restaurant 1 bar
Meeting and conference rooms	6 meeting and conference rooms	7 meeting and conference rooms	11 meeting and conference rooms and 1 multifunctional hall	18 meeting and conference rooms	6 meeting and conference rooms
Major amenities	1 wellness and spa center 1 wine cellar	1 fitness center 1 sauna room	1 fitness studio 4 tennis courts 1 table for table tennis 2 squash courts	1 indoor pool 3 tennis courts 1 fitness center 2 sauna rooms 1 steam bath room	1 fitness area 1 sauna room 1 outdoor terrace

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

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

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

Although the COVID-19 pandemic has presented challenging circumstances to the hotel and catering industry since early 2020, we have been able to achieve a stable recovery resulting from the easing of lockdown protocols and the relaxation of closure restrictions. The average daily room rate of our hotels showed an overall growth trend throughout the Track Record Period, which was HK\$593, HK\$621 and HK\$659, respectively. Our average daily room rate indicates that our hotels focuses on the mid-market. Our average occupancy rate was 34.8%, 34.7% and 49.0% for the three years ended 31 March 2023, respectively, which was in line with the industry average. Our RevPAR across our hotels was HK\$183, HK\$218 and HK\$324, respectively, during the same periods, demonstrated an overall growth trend, showcasing our positive and growing operational performance.

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

### **OUR CUSTOMERS**

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

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

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### OUR SUPPLIERS

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

For the three years ended 31 March 2023, purchases from our top five suppliers amounted to HK\$13.7 million, HK\$20.5 million and HK\$31.5 million, respectively, accounting for 22.9%, 20.7% and 20.1% of our total purchases for the same periods. During the same periods, purchase from our largest supplier amounted to HK\$4.3 million, HK\$9.5 million and HK\$13.0 million, respectively, accounting for 7.2%, 9.6% and 8.3% of our total purchases for the same periods.

### INDUSTRY

#### Gaming Industry

The land-based casino industry is relatively fragmented in the Czech Republic with the top three casino operators having a market share of 35.4%, in terms of total number of slot machines in the casino, and the remaining casino operators each accounted for less than 5% of the market share. The market size of the Czech Republic's gaming market, in terms of GGR, increased from HK\$10.8 billion in 2018 to HK\$18.6 billion in 2022 with a CAGR of 14.5% between 2018 and 2022, and is expected to further increase to HK\$31.3 billion in 2027, representing a CAGR of 11.0% between 2022 and 2027. The GGR of the land-based gaming industry in the Czech Republic reached HK\$9.3 billion in 2022 with a CAGR of 5.2% between 2018 and 2022. At the end of 2022, there are 472 casinos and 362 gaming halls in the Czech Republic, according to CIC.

#### Hotel Industry

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

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

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

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

## SUMMARY

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

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

### STRENGTHS

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

- Established presence in central Europe with a long operating history since 1995 with strong knowledge of the gaming and hospitality industry in terms of customer preference
- Strategic locations of our casinos and hotels
- Diversified portfolio of gaming products and hospitality services
- High degree of flexibility and control through a self-operated and managed operating model
- Operations on self-owned lands, which provides stability and control without being subject to rental reviews

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

### STRATEGIES

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

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

In order to capitalise on the positive growth trajectory of the gaming industry and maintain and further consolidate our market presence, we plan to rejuvenate our assets, in particular, *Palasino Savannah Resort* and *Palasino Wulowitz*. Our asset rejuvenation plan is intended to (i) procure and rent slot machines; and (ii) overhaul the gaming area facilities, back-of-house areas, guest rooms and other hospitality offering, which is tailored to each property's distinct operating conditions.

- (ii) Continue to expand our gaming business in the Czech Republic or other markets through acquisition of business or asset and/or bidding for new gaming licence

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



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### OUR CONTROLLING SHAREHOLDERS

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

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

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

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

### [REDACTED] INVESTOR

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

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

### KEY FINANCIAL DATA

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

## SUMMARY

### Summary of combined statements of comprehensive income

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

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

### Gaming revenue

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

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

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

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

## SUMMARY

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

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

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

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

### **Gaming tax**

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

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

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

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

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

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

## SUMMARY

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

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

### Summary of combined statements of cash flows

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

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

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

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

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

## SUMMARY

### Key financial ratios

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

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

### RISK FACTORS HIGHLIGHTS

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

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

### LEGAL COMPLIANCE

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

### PROPERTY VALUATION

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

### FUTURE PLAN AND USE OF [REDACTED]

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

## SUMMARY

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

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

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

### [REDACTED] STATISTICS

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

Notes:

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

## SUMMARY

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

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

### [REDACTED] EXPENSES

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

### DIVIDENDS

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

### [REDACTED] AND [REDACTED]

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

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

## SUMMARY

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

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

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

### RECENT DEVELOPMENTS

#### The New Czech Gambling Act

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

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

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

#### Online Gaming Business

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



## SUMMARY

### Reorganisation and dividend

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

### NO MATERIAL ADVERSE CHANGE

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