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OVERVIEW

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

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

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

Due to the outbreak of COVID-19, the governments of the countries which we mainly conduct our business operations, have imposed a series of measures to contain its spread. Such measures have led to the closure of our casinos and hotels for intermittent periods during the years ended 31 March 2021 and 2022. Our casinos and hotel in the Czech Republic were ordered by the government to close for intermittent periods of seven months during the year ended 31 March 2021 and two months during the year ended 31 March 2022. Our hotels in Germany and Austria were ordered by the government to close for intermittent periods of five months during the year ended 31 March 2021 and two months during the year ended 31 March 2022. During the Track Record Period, our performance has improved due to the easing of lockdown protocols and the gradual recovery of the global economy. Our revenue increased from HK\$145.8 million for the year

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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, representing 140.9% and 50.6% year-on-year increase, respectively. Our revenue increased from HK\$240.8 million for the six months ended 30 September 2022 to HK\$278.3 million for the six months ended 30 September 2023, representing a 15.6% period-on-period increase. [REDACTED] should note that the year-on-year comparison of revenue during the Track Record Period was significantly influenced by the lockdown protocols imposed by local governments as mentioned above, which adversely affected our financial performance for the years ended 31 March 2021 and 31 March 2022. Such comparison should not be viewed to suggest that there has been a significant growth in our business and financial performance during the years.

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 net profit decreased by HK\$5.2 million or 23.3% from HK\$22.3 million for the six months ended 30 September 2022 to HK\$17.1 million for the six months ended 30 September 2023. Our adjusted EBITDA (non-HKFRS measure) amounted to HK\$32.1 million, HK\$77.0 million, HK\$85.4 million, HK\$44.5 million and HK\$52.2 million for the three years ended 31 March 2023 and the six months ended 30 September 2022 and 2023, respectively.

In relation to our gaming operations, our number of slot machines, which generated most of our revenue during the Track Record Period, increased from 442 as at 31 March 2021 to 446 as at 31 March 2022 and further increased to 560 as at 31 March 2023. There were 568 slot machines as at 30 September 2023. Our average slot win per machine per day was HK\$1,152, HK\$1,596, HK\$1,657 and HK\$1,611, respectively, during the Track Record Period. Regarding our hotel and catering operations, our average occupancy rate was 34.8%, 34.7%, 49.0%, 55.0% and 58.0% for the three years ended 31 March 2023 and the six months ended 30 September 2022 and 2023, respectively, which was in line with the industry average, as concurred by CIC.

STRENGTHS

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

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

Our long operating history in central Europe can be traced back to the establishment of *Palasino Furth im Wald*, which marked our entry into the market. Harnessing its success, we grew our footprints by establishing *Palasino Excalibur City* in 1999 and *Palasino Wulowitz* in 2004 to elevate our market standing. Over the past 20 years, we evolved from a casino owner and operator to a gaming and leisure group that covers multiple target customers, including gaming patrons, individual travellers and corporate clients primarily located across central Europe. This transformation was made possible through the launch of the *Palasino Savannah Resort* and our subsequent expansion into the hotel business. Our growth and diversification strategy have allowed us to provide our

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customers with a holistic gaming and hospitality experience. As at 30 September 2023, we offered a total of 568 slot machines, 62 gaming tables (including poker tables) across three casinos, and 572 suites and rooms, 48 conference rooms and 11 catering facilities across our resort and hotels.

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

Strategic locations of our casinos and hotels

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

Due to the strategic locations of our casinos which are close to the border of the Czech Republic, Austria and Germany, our Group's casino sector has higher revenue generating capability as compared to the industry average in the Czech Republic. During the Track Record Period, over 95% of our players are from neighbouring countries of the Czech Republic and a majority of which are from Austria and Germany. According to CIC, players from Austria and Germany have higher spending power which can be attributed to the higher annual disposable income per capita in Austria and Germany. By locating

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our casinos near the border, it is expected that our Group will continue to benefit from such competitive strengths going forward due to our strategic location. For details of our higher revenue generating capability than the industry average in the Czech Republic, please refer to the section headed "Industry Overview" in this document.

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

Diversified portfolio of gaming products and hospitality services

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

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

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

Our resort and hotels are well-positioned to accommodate both the business and recreational needs of corporate and individual guests. *Palasino Savannah Resort*, which comprises *Palasino Excalibur City* and *Hotel Savannah*, offers gaming facilities and a range

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of complementary facilities. *Hotel Columbus, Hotel Auefeld, Hotel Kranichhöhe and Hotel Donauwelle* offer a total of 493 rooms or suites as at 30 September 2023. Our hotels are equipped to organise corporate events, including team-building activities, meetings, product launches and banquets. We also offer a range of of hospitality services, such as catering, conference and meeting rooms equipped with audio-visual equipment such as projectors and screens, public address systems, tele-conference facilities, tennis court and fitness area.

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

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

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

Our casinos and hotels are fully self-operated and self-managed whereby we have direct control over our casinos and hotels operations. We believe that this model provides us with operating flexibility and full control over our operating process. Such an operation model ensures consistency, guest satisfaction and low implementation and maintenance costs. Our operating leverage and high degree of flexibility provides significant upside from an improving market whilst giving us flexibility and resilience in potential downside scenarios. Unlike competing operating business models such as management agreements whereby the management company assumes the responsibility for operating and managing the casino or hotel on behalf of the owners, our operating model gives us full control over the entire operating process with no revenue or profit-sharing component against a stable and predictable cost structure.

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

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

Palasino Savannah Resort, Palasino Wulowitz, Palasino Furth im Wald, Hotel Columbus and Hotel Kranichhöhe are operated on self-owned lands. As we have the complete ownership and control over the self-owned lands, there are no ongoing lease payments or

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rent obligations payable to a landlord nor are we subject to any risk of rental review, which in turn significantly reduce our operating costs, allowing us to allocate resources to other operation aspects and/or for development. Furthermore, we have the freedom and flexibility to make decisions regarding the design, construction and operation of our casinos and hotels to suit our future needs, without the need to seek from other parties or being subject to restrictions that maybe imposed by the landlord. In addition, we can also make good use of the self-owned lands as collateral for bank borrowings.

STRATEGIES

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

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

According to CIC, the market size of the gaming market in the Czech Republic, in terms of GGR, increased from HK\$10.8 billion in 2018 to HK\$18.6 billion in 2022 with a CAGR of 14.5% between 2018 and 2022, and is expected to further increase to HK\$31.3 billion in 2027, representing a CAGR of 10.3% between 2023 and 2027, attributable to (i) higher disposable income and consumption expenditure; (ii) supportive policy to encourage tourism in the Czech Republic; (iii) advancement of technology; and (iv) as concurred by CIC, the shift of demand from neighbouring countries and cities to gaming premises at cross-border regions. In particular, our Group primarily offers slot machines and table games, which belong to the category of live game. According to CIC, the market size of the land-based slot machine and land-based live game industry in the Czech Republic, in terms of GGR, was HK\$6.6 billion in 2022 and is expected to reach HK\$10.3 billion in 2027, representing a CAGR of 8.6% between 2023 and 2027. For details, please refer to the section headed "Industry Overview" in this document.

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

- (i) slot machines in *Palasino Savannah Resort* and *Palasino Wulowitz* are one of our major revenue streams. For the financial year ended 31 March 2023 and the six months ended 30 September 2023, during the peak hours (i.e. from 8 p.m. to 12 a.m. every Friday and Saturday), the occupancy rate of our slot machines in our three casinos were 75.4% and 69.3%. At some peak hours, the occupancy rate may reach over 80%. According to CIC, the above occupancy rates are considered to be high. Such a high occupancy rate indicates the need to increase our capacity to serve more players, in particular, by way of securing more slot machines;

Further, given the models of slot machines and the game themes offered are constantly evolving, and older machines may not have the latest game themes and cabinets that players expect and in order to continuously stay ahead in the

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market and satisfy the ever-changing demands from players, it is necessary to procure new slot machines with different and up-to-date game themes and cabinets, which can help keep the gaming experience fresh and exciting for players;

- (ii) we have obtained our first gambling advertising permit in Austria in July 2023. During the Track Record Period, 92.1%, 92.5%, 92.2% and 92.2% of our players in *Palasino Excalibur City* and 94.3%, 95.9%, 95.2% and 94.8% of our players in *Palasino Wulowitz* came from Austria, respectively. We commenced our first advertising campaigns by using radio and billboards in Austria in last quarter of 2023. Our future marketing efforts in Austria together with the strategic location of our two casinos which are close to the border of Austria, namely *Palasino Savannah Resort* and *Palasino Wulowitz*, enable us to reach out to more potential players in Austria;
- (iii) the increased capital requirements and stricter gaming regulations to operate a casino in the Czech Republic may potentially result in the eradication of small-size or less competent casino in the Czech Republic, as concurred by CIC. This is primarily due to the amendments to the Czech Gambling Act, which include provisions such as higher security deposits, additional player protection measures, and investments required to enhance casino infrastructure. For details of the amendments to the Czech Gambling Act, please refer to "The New Czech Gambling Act" in this section. Our Group may therefore seize the market opportunities to absorb customers from the casinos which are unable to fulfil the requirements; and
- (iv) our Group will continue to benefit from the tightened gambling regulations of our neighbouring cities and countries, for example, prohibitions of casinos and other forms of gaming in Bratislava, Slovakia since 2021 and the gaming operators in Bratislava are allowed to operate until their licences expire, most of which will expire in one to two years which, as concurred by CIC, potentially creates a shift of demand from Bratislava to the Czech Republic, and Prague, the capital city of the Czech Republic, has announced a ban on slot machines, which took effect on 1 January 2024. Due to our proximity to the cross-border regions, our casinos will benefit from such closure by absorbing their customers due to our advantageous condition.

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

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Procure and rent slot machines

In view of the high occupancy rate of our slot machines as mentioned above (i.e. the occupancy rate of the slot machines in our three casinos were 75.4% and 69.3%, during the peak hours for the year ended 31 March 2023 and the six months ended 30 September 2023), we plan to procure and rent slot machines. The procurement and rental of slot machines is divided into two phases. During the first phase, our focus is to seize immediate market opportunities from the anticipated closure of casinos in Bratislava in late 2024 due to prohibitions of casinos and other forms of gaming in Bratislava since 2021 (as explained above). The first phase is expected to be completed within the first year after [REDACTED]. Moving on to the second phase, our objective is to accommodate the expansion plan of *Palasino Savannah Resort* and *Palasino Wullowitz* (as explained hereinafter).

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

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

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

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

We intend to utilise more [REDACTED] from the [REDACTED] on procurement of slot machines than rental of slot machines, which is mainly attributable to the following

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reasons: (i) according to two of our four slot machines suppliers, who are also our direct competitors in the market, it is their policy that they do not sell their slot machines. As at 30 September 2023, we owned 19.2% of slot machines. We therefore intend to procure slot machines from our other existing slot machine suppliers or from new slot machine suppliers in the market. This not only helps our Company to diversify our gaming business from the competitors by offering a wider choices of gaming products but also reduces the reliance on certain slot machine suppliers; (ii) we can reduce the potential uncertainties in association with renting slot machines, such as rental increment, risk of termination of business relationship if we cannot maintain our relationship with our suppliers etc; and (iii) in the long run, purchasing slot machines are more cost-effective than renting slot machines. The total unit rental cost for three years is higher than the unit cost for purchasing a slot machine.

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

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

Palasino Savannah Resort

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

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

Palasino Wulowitz

- (i) *Gaming area extension*: gaming area extension to provide an additional area of 600 sq.m. (existing gaming area: 1,650 sq.m.) for slot machines, gaming tables and a stage for hosting daily and weekly promotions and events;

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- (ii) *Landscaping upgrade*: a major facelift of the casino, including overhaul of the casino's façade, in order to create an eye-catching and visually appealing exterior that grabs the attention of passersby and makes a strong first impression, and installation of a panoramic lift;
- (iii) *Reception area extension*: expansion of the reception and player processing area to improve crowd management, ensure smooth flow of players and enhance the overall efficiency of the check-in and registration process;
- (iv) *Guest rooms expansion*: additional 20 guest rooms specifically designed for players;
- (v) *Food and beverage facilities refurbishment*: expansion of our kitchen, preparation and storage area, buffet serving area and dining area;
- (vi) *Revamped back-of-house functions*: additional area for cage count, storage facilities and office purposes; and
- (vii) *Others*: additional customers restrooms in the casinos.

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

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

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

We will actively seek expansion opportunities in the Czech Republic, central Europe or other markets by way of acquisition of business or asset. Acquisition of asset provides us with immediate access to the erected properties and/or available gaming facilities. In addition to that, acquisition of business provides us with its casino licence and the existing customer base of the acquired casino and allows us to capture a greater market share by acquiring competitors or businesses with complementary strengths and resources, thereby creating synergy. We will also consider bidding for new gaming licence to establish new gaming operation in order to expand our geographical footprint. With the aim to expanding our presence in the Czech Republic, central Europe and other markets, after acquiring business and/or asset, and/or bidding for new gaming licence, we will further take steps to develop these targets into fully operational casino(s), including procuring slot machines and refurbishment for the new establishment(s).

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Accordingly, we intend to (i) acquire business or asset in the Czech Republic, central Europe or other markets and/or (ii) bid for new gaming licence to establish new gaming operation. We plan to use [REDACTED], representing [REDACTED] of the net [REDACTED] for expansion and relevant expenses and costs associated to set up casino(s) for full operation in this connection.

Criteria for Acquisitions of Business or Asset

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

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

Implementation of Acquisition/Expansion Plan

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

In line with our business practice, we may also explore potential available business targets through (i) our cooperation with business acquaintances and (ii) participation in industry social events.


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

OUR BRANDS

Palasino — at the heart of the game

In 2022, we underwent an exercise to rebrand from "*American Chance Casinos*" to "*Palasino*". The name "*Palasino*" is a portmanteau, which is a combination of the words "*Palace*" and "*Casino*". This wordplay not only evokes a sense of grandeur associated with palaces but also highlights our core business as a casino operator. Rebranding provides several benefits for the casino business of our Group: (a) "*Palasino*" serves as a reflection of our commitment to providing a gaming experience that is both elegant and exhilarating and is a testament to our dedication to offering our customers the best of both worlds, which is positively accepted by the players; (b) the rebranding helps to build up an image of a group consolidating all of the casinos, which has a cluster effect combined with effective marketing activities, and allows our Group to enhance its image and perception in the market and leads to increased foot traffic; and (c) in a competitive casino industry, rebranding can provide a competitive edge. By differentiating Palasino Group from its competitors through a unique brand identity, messaging or positioning, it can stand out in the market.

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

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

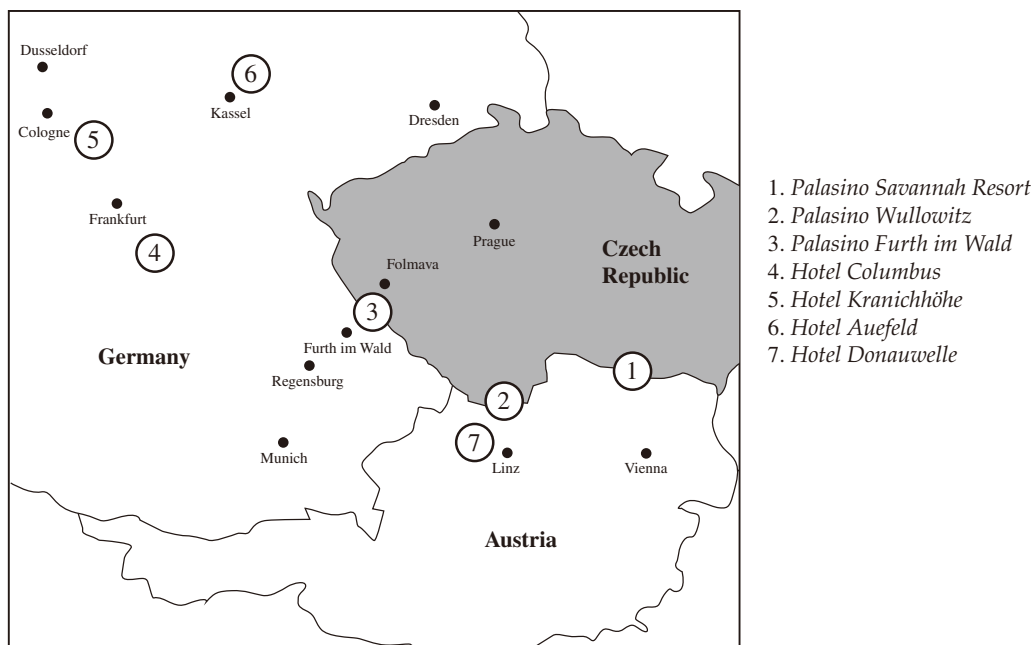
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Trans World Hotels

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

OUR LOCATIONS

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



BUSINESS

OUR GAMING OPERATIONS

Our Casinos

The following table sets forth an overview of our land-based casino portfolio as at 30 September 2023:

	<i>Palasino Excalibur</i> <i>City, which forms part of</i> <i>Palasino Savannah Resort</i> <i>(formerly named as</i> <i>American Chance Casinos</i> <i>Route 59)</i>	<i>Palasino Wulowitz</i> <i>(formerly named as</i> <i>American Chance Casinos</i> <i>Route 55)</i>	<i>Palasino Furth im Wald</i> <i>(formerly named as</i> <i>American Chance Casinos</i> <i>Ceska Kubice)</i>
Location	Chvalovice-Hatě, the Czech Republic	Dolní Dvořiště, the Czech Republic	Česká Kubice, the Czech Republic
Year of commencement of operations	1999	2004	1995
Gaming area (sq.m.)	1,913	1,650	1,450
Opening hours	24/7	24/7	Seven days a week 2 p.m. to 4 a.m. (Sunday to Thursday) 2 p.m. to 6 a.m. (Friday and Saturday)
Slot machines	289	169	110
Gaming tables (including poker tables)	32	19	11
Food and beverage facilities	2 bars	1 restaurant and 3 bars	1 restaurant and 2 bars
Major amenities	260 parking spaces 2 open-space terraces	142 parking spaces 1 outdoor balcony	119 parking spaces 1 outdoor terrace
Guest rooms	–	3	5

BUSINESS

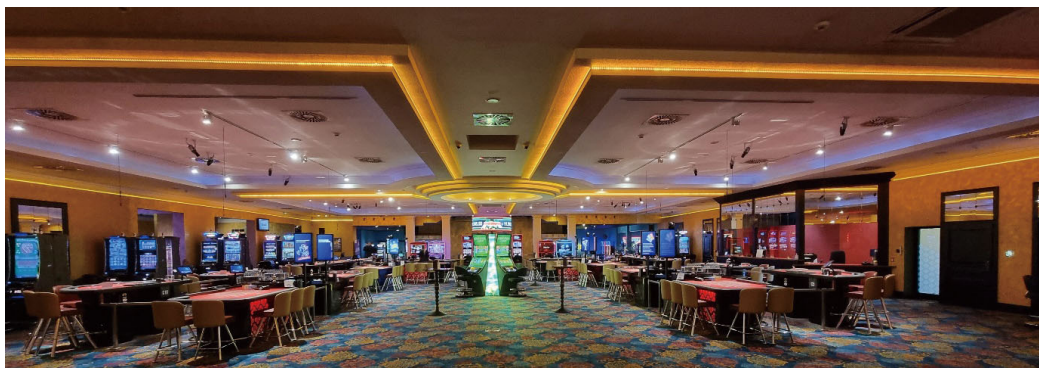
(1) *Palasino Savannah Resort*



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

(i) *Palasino Excalibur City*

Main gaming floor



BUSINESS

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

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

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

Bars

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

Amenities

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

We offer a total of 260 parking spaces.

Accommodation

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

BUSINESS

(ii) *Hotel Savannah*

Hotel rooms

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

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

Type of hotel room	Brief description of each type of room	Size (sq.m.)	Number of hotel rooms
Rooms			
– Comfort room	Standard room features a bathroom with a bathtub, overhead shower, toilet, and hairdryer. Amenities include air conditioning, minibar, Smart TV, Wi-Fi connection, and a safe.	23.5	39
– Comfort room with a terrace	Standard room has a spacious shared terrace with a view of the vineyard, features a bathroom with a bathtub, overhead shower, toilet and hairdryer. Amenities include air conditioning, minibar, Smart TV, Wi-Fi connection, and a safe.	23.5	6
– Executive room	Executive room features modern interiors and amenities, including twin beds or a double bed, air conditioning, a minibar, a bathtub and separate shower, Wi-Fi, a Smart TV and a safe.	26.5	26

BUSINESS

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

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

Restaurants and bar

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

Meeting, incentives, conferences & exhibitions

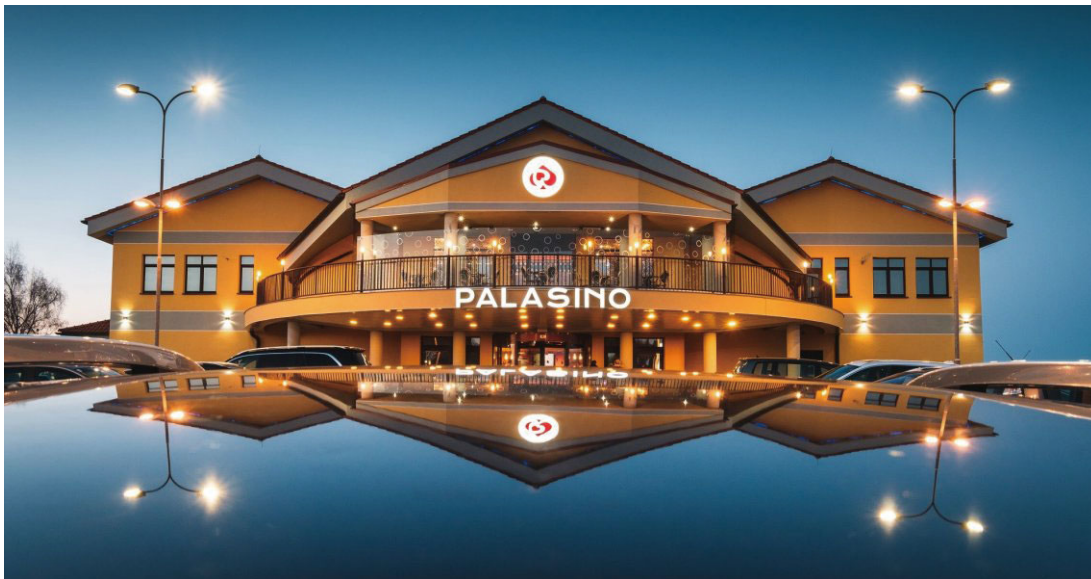
Hotel Savannah provides six meeting rooms with modern equipment for seminars and conferences. Each meeting room is equipped with WiFi internet connection, flipcharts, projection screens, projector and sound equipment. Our meeting rooms can be combined, for instance, combining two or three of the meeting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

Amenities

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

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(2) *Palasino Wulowitz*



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

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

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Main gaming floor



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

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

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

Restaurant and bars

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

BUSINESS

Accommodation

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

Amenities

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

(3) *Palasino Furth im Wald*



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

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

Main gaming floor



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

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

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

Restaurant and bars

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

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Accommodation

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

Amenities

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

Our Gaming Options

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

(1) *Slot Machines*

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

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

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

As advised by our Czech Legal Advisers, every slot machine stationed in the casinos in the Czech Republic is required to be certified and licenced by authorised bodies nominated by the Ministry of Finance in the Czech Republic, as required under the relevant Czech laws and regulations. It is the responsibility of the slot machines suppliers to obtain the certification and licence. During the Track Record Period and up to the Latest Practicable Date, all of our slot machines were certified and licenced, and none of our slot machines failed to obtain such certification and licence. Our Group currently sources slot machines from four different suppliers in its casinos. All of these suppliers offer machines with multi-game themes, offering up to over 50 games per machine, allowing players to switch between games without having to switch machines. During the Track Record Period and up to the Latest Practicable Date, no purchase order had been turned down by

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our slot machine suppliers. There are other readily available suppliers from which our Group could purchase slot machines at similar quality (including the quality of the devices and the software of the games) and terms (such as price, warranty period, maintenance services and technical support) offered by the current slot machine suppliers, given that, other than the four of our current suppliers, there are other four major slot machine suppliers, who have passed both (i) the testing by approved gaming equipment test laboratories and (ii) the certification process of the Ministry of Finance, in order for their machines to be sold and operated in licenced casinos in the Czech Republic, according to CIC.

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

We do not manufacture any of our slot machines. Instead, we regularly purchase or lease slot machines. As at 30 September 2023, our Group owned 19.2% of the total number of slot machines while the remainder are leased. For details of our machine suppliers, please refer to the subsection headed "Our Suppliers — Gaming and hotel suppliers" in this section. For our owned slot machines, in general, we have a warranty period of three months to one year, starting from the date of delivery of the machines or first used in operation and it typically covers free-of-charge replacement or repair of defects of the following components of the slot machines, including monitor, hardware and software. For our leased slot machines, our suppliers shall carry out the replacement and modification of defective software free of charge during the lease period.

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

(2) *Table Games*

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

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

– *Roulette*

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

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- *Blackjack* In Blackjack, players aim to get a hand of cards closer to 21 than the dealer without going over. Each player plays against the dealer, who deals two cards to each player and one to themselves. Players can choose to “stay” or ask for more cards to get closer to 21. After all players finish their hands, the dealer completes their hand and pays out any winning players.
- *Double Up
BlackjackTM* Double Up Blackjack is a variant of Blackjack where players have an additional option to “Double Up” on any two-card hand (except for a natural Blackjack). To do this, the player places an additional wager equal to their original bet and stands on the two-card hand. The Double Up wager pays even money if the player beats the dealer’s hand and loses if the dealer wins or ties.
- *Palasino Texas
Hold’em* It is the simplified Texas Hold’em Poker, where players play against the casino instead of each other. Players place an initial wager and an additional bonus game called “Trips”. The dealer deals two cards, and players can make a first bet or call “Check”. Then, the dealer deals three community cards, and players can make a bet depending on the “flop”. The dealer deals two more cards, and a final round of betting is made. The dealer declares their highest-ranking hand, and players receive a payout or lose their bets based on the dealer’s card combination.

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

(i) *Poker games*

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

Our Group introduced poker lounges at *Palasino Excalibur City* and *Palasino Wulowitz* in 2020, which were more properly operated after the restrictions imposed because of the COVID-19 pandemic were lifted. Since then, our Group has significantly expanded its poker offerings, holding 17 poker tables as at 30 September 2023.

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(ii) *Poker Tournaments*



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

Although the poker tournaments are not a major revenue generator for the business, there are several advantages to the business of our Group by hosting poker tournaments: (a) it helps to create excitement and draw in a larger player base. The introduction of poker tournaments led to a notable rise in poker players' attendance at the casinos of our Group. During the year ended 31 March 2023, over 5,000 and 1,600 poker players attended poker tournaments at *Palasino Excalibur City* and *Palasino Wulowitz* respectively, while for the six months ended 30 September 2023, over 3,500 and 1,200 poker players attended poker tournaments at *Palasino Excalibur City* and *Palasino Wulowitz* respectively. It is believed that the increase in foot traffic from poker tournaments can benefit our Group's other gaming facilities, such as slot machines and/or other table games, and help increase revenue; (b) hosting a poker tournament provides an opportunity to enhance the brand visibility and reputation of Palasino Group. Promoting poker tournaments helps increase awareness among the visiting players. This exposure may translate into future visits and patronage beyond the tournament period; and (c) the introduction of poker games also captures the opportunity to attract poker players from nearby areas where poker games became restricted.

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SELECTED OPERATING STATISTICS OF OUR CASINOS

Gaming revenue

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

	Year ended 31 March			For the six months ended 30 September	
	2021	2022	2023	2022	2023
	(HK\$'000)	(HK\$'000)	(HK\$'000)	(HK\$'000)	(HK\$'000)
Slot machine drop	1,557,535	4,581,853	6,271,933	2,967,538	3,171,291
Table games drop	<u>133,846</u>	<u>330,277</u>	<u>448,503</u>	<u>212,308</u>	<u>197,709</u>
Total	<u>1,691,381</u>	<u>4,912,130</u>	<u>6,720,436</u>	<u>3,179,846</u>	<u>3,369,000</u>
Gross gaming revenue					
Slot machine gross win	82,434	216,424	304,160	138,175	165,317
Table games gross win	<u>26,904</u>	<u>69,760</u>	<u>95,508</u>	<u>45,498</u>	<u>43,896</u>
Total	<u>109,338</u>	<u>286,184</u>	<u>399,668</u>	<u>183,673</u>	<u>209,213</u>
	(HK\$)	(HK\$)	(HK\$)	(HK\$)	(HK\$)
Average slot win per machine per day ^(Note 1)	1,152	1,596	1,657	1,619	1,611
Average daily gross win per table ^(Note 1)	2,890	3,515	4,220	3,846	3,987
Slot machine hold percentage ^(Note 2)	5.3%	4.7%	4.8%	4.7%	5.2%
Table hold percentage ^(Note 2)	<u>20.1%</u>	<u>21.1%</u>	<u>21.3%</u>	<u>21.4%</u>	<u>22.2%</u>

Notes:

- Average slot win per machine per day = Slot machine gross win / ((opening number of machines + 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 intermittent periods of closure of seven months during the year ended 31 March 2021 and two months during the year ended 31 March 2022. Accordingly, we have adjusted our calculations for average slot win per machine per day and average daily gross win per table by excluding the closing days and only took into account the open days of our casinos for the years ended 31 March 2021 and 2022.

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2. A – slot machine drop
B – table game drop
C – slot machine gross win
D – table game gross win
Slot machine hold percentage = $(C / A) \times 100\%$
Table games hold percentage = $(D / B) \times 100\%$

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

Although the COVID-19 pandemic has presented challenging circumstances to the gaming industry since early 2020, our Group has been able to achieve a stable recovery resulting from the combined effect of our developments (such as introduction of poker games, rebranding of our Group and provision of more slot machines), together with 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. Our gross gaming revenue from gaming operations increased by HK\$25.5 million or 13.9% from HK\$183.7 million for the six months ended 30 September 2022 to HK\$209.2 million for the six months ended 30 September 2023 due to the continued recovery of our gaming operation and the gaming industry. Our gross gaming revenue for the second half of the year ended 31 March 2023, which contributed 54.1% of the total gross gaming revenue for the year ended 31 March 2023, was slightly higher than that for the six months ended 30 September 2022, which contributed 45.9% of the same, primarily attributable to the tendency for people to participate in indoor activities during the winter time, such as visiting casinos, and the fact that the second half of the year is marked with numerous festivals and holidays, such as Christmas and New Year's Eve, which contribute to the increased activities in casinos, as advised by CIC.

All of our casinos are strategically located on the border, which contributes to a much higher drop per slot machine and a higher table drop per gaming table respectively, compared to the industry average, according to CIC. The higher drop of our Group is mainly attributable to, among others, (i) the higher financial capability, in terms of spending per head, of our Group's target customers from Austria and Germany, due to the strategic location of our casinos, combined with the long operating hours of our casinos, (ii) the provision of diversified gaming options attracts more players, and (iii) the provision of additional services, such as catering and accommodation, etc. attract more players. Despite that our Group's slot machine hold percentage is slightly lower than that of the industry average, since the slot machine drop per machine of our Group is much higher than that of the industry average, the average slot win per machine per day is therefore much higher than that of the industry average. Our Group has a higher table hold percentage mainly because all of our Group's casinos are located on the border, and the customers usually stay and play for a longer time than the customers in the city casinos. Because our Group's casinos have higher than industry average table game drop

BUSINESS

per gaming table as well as the table hold percentage, the average daily gross win per table is also much higher than that of industry average. For further details, please refer to the section headed "Industry Overview" in this document.

(1) Slot machine operations

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

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

Our slot machine gross win increased slightly by HK\$27.1 million or 19.6% from HK\$138.2 million for the six months ended 30 September 2022 to HK\$165.3 million for the six months ended 30 September 2023. Such increase was mainly due to the continued recovery of our gaming operations as mentioned above, and the increased demand and spendings of our customers on our slot machines offerings. In the same periods, our total number of slot machines increased from 492 to 568. Similarly, our slots machine drop increased by HK\$203.8 million or 6.9% from HK\$2,967.5 million for the six months ended 30 September 2022 to HK\$3,171.3 million for the six months ended 30 September 2023.

Slot machine hold percentage remained stable at 5.3%, 4.7%, 4.8% 4.7% and 5.2% for the three years ended 31 March 2023 and the six months ended 30 September 2022 and 2023, respectively.

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Occupancy rate

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

	For the year ended 31 March			For the six months ended 30 September
	2021	2022	2023	2023
	(%)	(%)	(%)	(%)
Occupancy rate ^(Note 1)				
Overall	20.6	21.8	22.5	20.8
Peak hours ^(Note 2)	70.1	71.1	75.4	69.3

Notes:

- Occupancy rate = (number of slot machines that are actively being used by players/total number of slot machines available) x 100%

A slot machine is regarded as actively being used by players when a player logs into the slot machine during a gaming session by inserting a PAC card.

- Peak hours refer to 8 p.m. to 12 a.m. every Friday and Saturday.

According to CIC, the overall occupancy rate for the three financial years ended 31 March 2023 and the six months ended 30 September 2023 are within the industry norm and our occupancy rate during the peak hours for the year ended 31 March 2023 and the six months ended 30 September 2023 is considered as high. The overall occupancy rate and the occupancy rate during peak hours were slightly lower for the six months ended 30 September 2023 mainly due to the increase of 76 slot machines since the fourth quarter of the financial year ended 31 March 2023.

(2) Table game operations

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

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

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Our table games gross win decreased slightly by HK\$1.6 million or 3.5% from HK\$45.5 million for the six months ended 30 September 2022 to HK\$43.9 million for the six months ended 30 September 2023. Such a decrease was primarily due to a shift in preference for gaming products towards slot machines and a decrease in the number of gaming tables (including poker tables) from 65 as at 30 September 2022 to 62 as at 30 September 2023. Similarly, our table games drop decreased slightly by HK\$14.6 million or 6.9% from HK\$212.3 million for the six months ended 30 September 2022 to HK\$197.7 million for the six months ended 30 September 2023.

Our table hold percentage remained stable at 20.1%, 21.1%, 21.3%, 21.4% and 22.2% for the three years ended 31 March 2023 and the six months ended 30 September 2022 and 2023, respectively.

Slot machines and gaming tables

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

	As at 31 March		As at 30 September		
	2021	2022	2023	2022	2023
Slot machines	442	446	560	492	568
Gaming tables (including poker tables)	65	65	59	65	62

To further capture the market demand and strengthen the market positioning, our Group has been adding more slot machines to the casinos. By adding more slot machines, our Group not only offers more diversified gaming products to players which generate more revenue, but also captures the increase in demand from the recovery of the entertainment and hospitality markets in Central Europe and, as concurred by CIC, the shifting of demand from neighbouring market and cities in a timely manner.

BUSINESS

OUR HOTEL AND CATERING OPERATIONS

The following table sets forth an overview of our hotel portfolio as at 30 September 2023:

	<i>Hotel Savannah</i> ^(Note 1)	<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
Year of commencement of operations in our Group	2008	2014	2015	2016	2017
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 ^(Note 2)	6,845	11,379	12,009	10,782
Number of rooms	79	117	93	107	176
Food and beverage facilities	2 restaurants 1 bar	1 restaurant 1 bar	1 restaurant 1 bar	1 restaurant 1 brasserie	1 restaurant 1 bar
Meeting and conference rooms	6 meeting and conference rooms	7 meeting and conference rooms	11 meeting and conference rooms and 1 multifunctional hall	18 meeting and conference rooms	6 meeting and conference rooms
Major amenities	1 wellness and spa centre 1 wine cellar	1 fitness centre 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 centre 2 sauna rooms 1 steam bath room	1 fitness area 1 sauna room 1 outdoor terrace

Notes:

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

BUSINESS

Operating model

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

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

Pricing strategy

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

Hotel customers

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

BUSINESS

Hotel Columbus



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

Hotel rooms

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

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

BUSINESS

Restaurant

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

Meeting, incentives, conferences & exhibitions

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

Amenities

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

Hotel Auefeld



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

BUSINESS

Hotel rooms

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

Type of hotel room	Brief description of each type of room	Size (sq.m.)	Number of hotel rooms
– Comfort rooms	The room is equipped with contemporary amenities, such as flatscreen television, air conditioning, radio, furniture including desk, chair and communication facilities including WiFi internet connection.		
• Single		15	13
• Double		22	70
– Superior rooms	The “superior” room and “suites” are furnished with additional features such as balcony, box spring beds, capsule coffee machine and care products etc.	25	8
– Suites		45	2

Restaurant

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

Meeting, incentives, conferences & exhibitions

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

BUSINESS

Amenities

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

Hotel Kranichhöhe



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

Hotel rooms

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

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

BUSINESS

Restaurant/brasserie

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

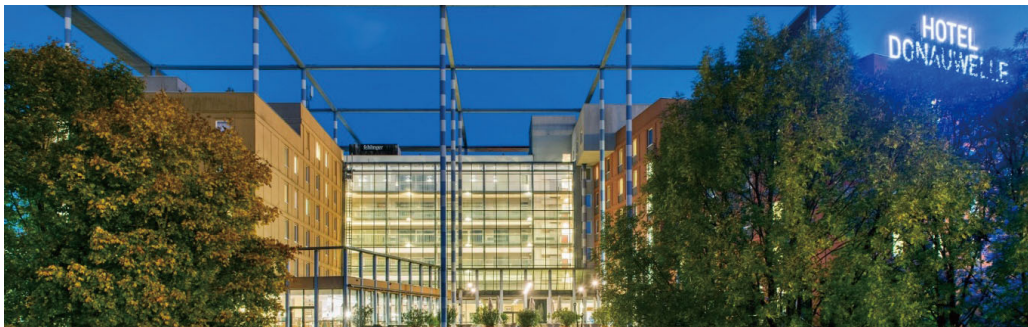
Meeting, incentives, conferences & exhibitions

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

Amenities

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

Hotel Donauwelle



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

BUSINESS

Hotel rooms

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

Type of hotel room	Brief description of each type of room	Size (sq.m.)	Number of hotel rooms
– Comfort rooms	The room is equipped with two twin beds, contemporary amenities, such as flatscreen television, air conditioning, furniture including desk, chair and communication facilities including WiFi internet connection.	22	99
– Superior rooms	The “superior” room is furnished with additional features such as bathrobe, slippers, a second pillow and capsule coffee machine etc.	22	75
– Suites	The suite includes a private bathroom with one large double bed and is furnished with additional features such as dining table and a minibar etc.	44	2

Restaurant and bar

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

Meeting, incentives, conferences & exhibitions

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

BUSINESS

Amenities

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

SELECTED OPERATING STATISTICS OF THE HOTELS

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

	For the year ended 31 March			For the six months ended 30 September	
	2021	2022	2023	2022	2023
Average Daily Room Rate					
(HK\$)^(Note 1)					
<i>Hotel Columbus</i>	611	611	680	656	664
<i>Hotel Auefeld</i>	615	666	693	700	730
<i>Hotel Kranichhöhe</i>	661	676	685	665	717
<i>Hotel Donauwelle</i>	582	628	668	628	745
<i>Hotel Savannah</i>	496	525	568	597	659
Average of all hotels	593	621	659	649	703
Average Occupancy Rate (%)^(Note 2)					
<i>Hotel Columbus</i>	17.3	25.8	35.1	34.6	39.9
<i>Hotel Auefeld</i>	36.9	34.3	46.7	65.7	60.5
<i>Hotel Kranichhöhe</i>	44.2	36.3	61.9	61.5	61.7
<i>Hotel Donauwelle</i>	17.0	23.4	43.3	48.9	63.1
<i>Hotel Savannah</i>	58.6	53.6	57.9	64.2	65.1
Average of all hotels	34.8	34.7	49.0	55.0	58.0

Notes:

1. Average daily room rate = room revenue/the number of rooms in use
2. Average occupancy rate = (the number of rooms in use/the number of available rooms) x 100%

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

BUSINESS

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

Our average occupancy rate was 34.8%, 34.7%, 49.0%, 55.0% and 58.0% for the three years ended 31 March 2023 and the six months ended 30 September 2022 and 2023, respectively, which is in line with the industry average, as concurred by CIC.

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

	For the year ended 31 March			For the six months ended 30 September	
	2021	2022	2023	2022	2023
Room revenue					
(HK\$'000) ^(Note 1)					
<i>Hotel Columbus</i>	2,850	5,418	10,211	4,859	5,670
<i>Hotel Auefeld</i>	5,099	6,617	11,467	7,827	7,508
<i>Hotel Kranichhöhe</i>	4,688	9,035	16,560	8,000	8,651
<i>Hotel Donauwelle</i>	3,772	8,651	18,589	9,895	15,141
<i>Hotel Savannah</i>	3,304	6,945	9,487	5,540	6,199
Average of all hotels	3,942	7,333	13,263	7,224	8,634
RevPAR (HK\$) ^(Note 2)					
<i>Hotel Columbus</i>	106	158	239	227	265
<i>Hotel Auefeld</i>	227	229	338	460	441
<i>Hotel Kranichhöhe</i>	192	273	424	409	442
<i>Hotel Donauwelle</i>	99	147	289	307	470
<i>Hotel Savannah</i>	290	282	329	383	429
Average of all hotels	183	218	324	357	409

Notes:

1. Rate of hotel rooms paid by our hotel guest
2. RevPAR = room revenue / the number of rooms available

Due to COVID-19 pandemic, our hotels in Germany and Austria experienced intermittent periods of closure for five months during the year ended 31 March 2021 and two months during the year ended 31 March 2022, and our hotel in the Czech Republic experienced intermittent periods of closure for seven months during the year ended 31 March 2021 and two months during the year ended 31 March 2022. Accordingly, we have adjusted our calculations for RevPAR by excluding the closing days and only took into account the open days in each of our hotels for the two years ended 31 March 2021 and 2022.

BUSINESS

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

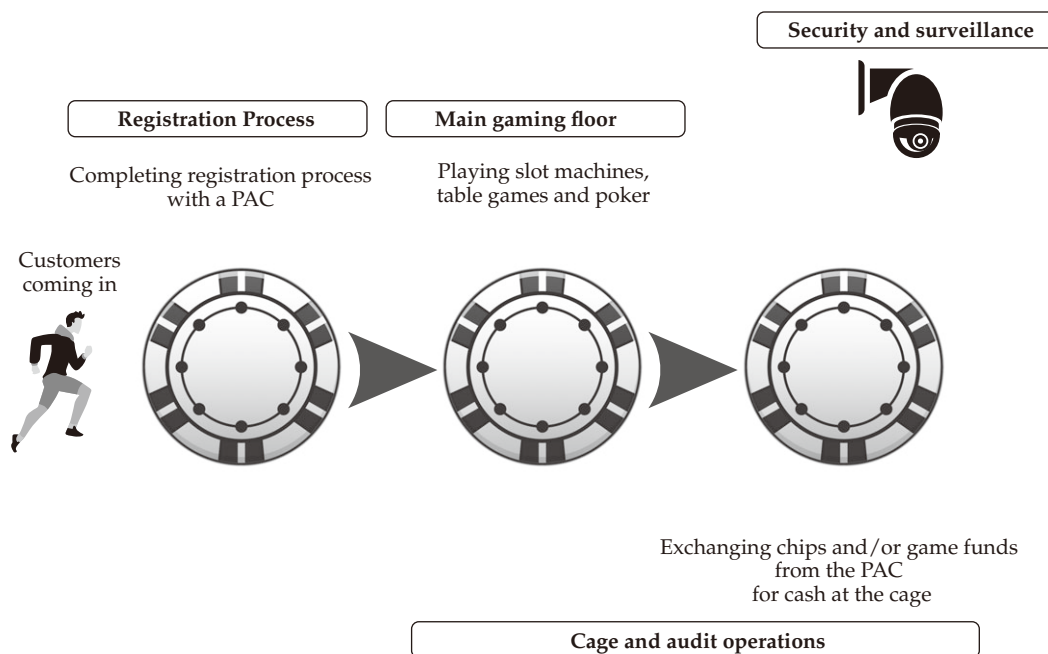
For our Group taken as a whole, we recorded an overall increase in average daily room rate, occupancy rate and RevPAR for the year ended 31 March 2023 as compared to the year ended 31 March 2022, and for the six months ended 30 September 2023 as compared to the six months ended 30 September 2022.

During the Track Record Period, Trans World Austria incurred net operating loss of HK\$3.1 million and HK\$2.3 million for the year ended 31 March 2021 and 2023, respectively. It was mainly due to the mandatory closure restrictions imposed during the COVID-19 pandemic for the year ended 31 March 2021 and the increase in operating expenses for the year ended 31 March 2023, resulting from (i) the increase in number of employees in order to support our operations in view of our post-pandemic business growth, and (ii) the high inflation rate in Austria in 2022. After the full resumption in business after the COVID-19 pandemic and with stringent cost management, Trans World Austria achieved net operating profit of HK\$3.4 million for the six months ended 30 September 2023.

OUR OPERATION FLOW

Casino operations

The flowchart below sets out our casino business operations:



BUSINESS

(a) Registration process

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

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

At the registration process, each player is required to provide initial information about his source of funds for playing in the registration form, and declare that the funds have not been obtained from criminal activity and are not intended for nor related to the financing of terrorism, and that he is not a sanctioned person or a PEP (politically exposed person). The players have the obligation to inform us on any change of the source of funds. Players are automatically classified into four customer categories, namely (a) business, (b) private employment, (c) employment relationship with government or local authority, and (d) inheritance or other sources. Each customer category has its monthly deposit limit. Information such as source of funds, customer category and corresponding monthly deposit limit are all recorded in their player accounts in CMS. Any transactions exceeding the monthly deposit limit are notified in CMS where the pit boss is required to obtain additional information from the player, such as update on the source of funds. In view of the frequencies of visits and the playing amount of players in our casinos, we make continuous checks on the source of funds of players against the information provided by the players. In the event that the player's behaviour shows any sign of suspicious activities or any doubt about the truthfulness of the player's declaration made in the registration form, we ascertain the specific source of funds by making inquiries to the player and/or conducting our own checking from publicly available sources.

BUSINESS

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

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

(b) Main gaming floor

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

(i) Slot Machines

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

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

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

(ii) Table Games and Poker

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

BUSINESS

"Pit Boss" is responsible for overseeing the overall gaming tables operation and table inspectors are responsible for supervising dealers in order to ensure the accurate exchange and recording of chip and cash transactions at the table, handling cards, dice, chips, money and other gaming equipment.

During the participation in table games and poker

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

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

During table closing

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

(c) *Cage and audit operations*

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

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

BUSINESS

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

(d) Security and surveillance

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

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

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

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

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

Hotel operations

Booking channels

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

- *Individual reservations:* Our guests generally reserve their accommodation through OTAs or our own websites or by emails. Pricing through these booking channels is generally dynamic and adjusted based on supply and demand over time for yield optimisation.

BUSINESS

- *Bulk reservations:* We generally collaborate with (i) companies who hold corporate events from time to time and (ii) tour operators, which bundle our accommodation into holiday packages and on-sell them to end-guests. We usually offer them static pricing based on seasons to generate stable volume for our hotels.

Online travel agents

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

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

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

Corporate customers

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

Tour operators

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

BUSINESS

OUR CUSTOMERS

Gaming revenue is the major revenue source of our Group which accounted for approximately 70% of our total revenue for each of the three years ended 31 March 2023 and the six months ended 30 September 2023. As such, players at our casinos are our main customers. During the Track Record Period, over 95% of our players are from neighbouring countries of the Czech Republic such as Austria and Germany. Since our customers are diversified, we do not rely on any single customers. The following table sets out the demographics analysis of our customers in respect of their residency, gender and age:

	For the year ended 31 March			For the six months ended
	2021 (% of players)	2022 (% of players)	2023 (% of players)	30 September 2023 (% of players)
Residency				
Czech Republic	4.5	4.2	4.0	3.8
Austria	75.8	78.4	78.6	77.2
Germany	18.1	16.0	15.7	17.3
Others ^(Note)	1.6	1.4	1.7	1.7
Total	100.0	100.0	100.0	100.0
Gender				
Male	65.1	66.1	66.8	66.7
Female	34.9	33.9	33.2	33.3
Total	100.0	100.0	100.0	100.0
Age				
18 to 25	10.3	9.3	10.0	10.0
26 to 40	23.5	23.6	25.5	24.5
41 to 55	33.0	32.0	31.3	31.0
56 or above	33.2	35.1	33.2	34.5
Total	100.0	100.0	100.0	100.0

Note: Other residencies include, among others, Poland, Slovakia and Slovenia.

BUSINESS

Our revenue derived from our five largest customers for each year or period accounted for less than 30% of our total revenue for the three years ended 31 March 2023 and the six months ended 30 September 2023.

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

OUR SUPPLIERS

Gaming and hotel suppliers

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

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

Our suppliers typically grant us a credit period of 0 to 90 days from the invoice dates, and for our top five suppliers, we are generally granted a credit term of 10 to 90 days from the invoice dates. For the three years ended 31 March 2023 and the six months ended 30 September 2023, purchases from our top five suppliers for each year or period amounted to HK\$13.7 million, HK\$20.5 million, HK\$31.5 million and HK\$17.9 million, respectively, accounting for 22.9%, 20.7%, 20.1% and 20.8% of our total purchases for the same period. During the same periods, purchase from our largest supplier amounted to HK\$4.3 million, HK\$9.5 million, HK\$13.0 million and HK\$7.3 million, respectively, accounting for 7.2%, 9.6%, 8.3% and 8.5% of our total purchases for the same periods.

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

For the year ended 31 March 2021

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

For the year ended 31 March 2022

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

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For the year ended 31 March 2023

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

For the six months ended 30 September 2023

Rank	Supplier	Major products or services procured	Commencement of business relationship since	Credit terms	Payment method	Purchase amount (HK\$'000)	% of total purchases
1.	European Data Group	Slot Machine Rental	2000	15 days	Bank Transfer	7,339	8.5
2.	Supplier B ^(Note 2)	Utilities	2010	14 days	Bank Transfer	2,755	3.2
3.	APEX Gaming	Slot Machine Rental	2010	15 days	Bank Transfer	2,638	3.1
4.	Supplier D ^(Note 5)	Food and Beverage	2009	14 days	Bank Transfer	2,602	3.0
5.	Supplier E ^(Note 7)	Chipper Machine Purchase	2014	30 days	Bank Transfer	2,526	2.9

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Notes:

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

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

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

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

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

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

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MARKETING AND PROMOTION EVENTS

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

During the Track Record Period, we recorded HK\$700,000, HK\$2.6 million, HK\$3.6 million and HK\$1.8 million expenses on marketing and promotional activities, representing 1.6%, 3.5%, 3.4% and 3.1% of our other operating expenses, respectively.

Live entertainment activities and gaming events

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

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

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

Event	Year(s)	Description & Highlights
Oktoberfest Party	September 2022	Guests had the opportunity to taste Bavarian specialties, enjoy live music, and had the chance to win prizes up to €2,500.
Palasino Mega Tombola	September to November 2022; June to July 2023	We regularly offered a draw ticket to our casino's guests for every second visit, with a total prize value of €6,000.
Halloween	October and November 2022; October and November 2023	We celebrated Halloween. On that evening, guests had the opportunity to win prizes up to €4,000, indulge in a fantastic festive buffet, and enjoy the true Halloween atmosphere.

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

Our Casino Loyalty Program

We have implemented a loyalty program aiming at enhancing customer loyalty and attracting recurring customers by providing them with bonus loyalty points that can be exchanged for cashable game credits. All our casinos currently have implemented a loyalty program. Upon completing the compulsory registration process when entering any of our casinos, each customer will automatically become a member of our loyalty program, unless they decide to opt out. Once a player opts out, they will not be able to earn any loyalty points. Our loyalty program has seven levels, namely, basic, basic plus, red, gold, platinum, diamond, and black. As at 30 September 2023, we had around 35,000 members in our loyalty program across our casinos.

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

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Our current loyalty program has complied with the requirements under the new Czech Gambling Act. We have updated the registration form to inform all players about the conditions to award the bonuses, and make it clear to the players that there is no "risk bonus" to be provided in our casinos. For details of the new Czech Gambling Act, please refer to the paragraph headed "The New Czech Gambling Act" in this section.

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

Marketing compliance matters

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

INTERNAL CONTROL AND ANTI-MONEY LAUNDERING

Internal Control Measures

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

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

Anti-Money Laundering Measures

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

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Anti-Corruption and Anti-Bribery Measures

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

PRIVACY AND DATA SECURITY

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

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

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

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

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

As advised by our Czech Legal Advisers, Austrian Legal Advisers, German Legal Advisers and Maltese Legal Advisers, during the Track Record Period and up to the Latest Practicable Date, our Group did not have material non-compliance with the relevant laws and regulations with respect to personal data privacy that had a material adverse impact on our Group's business operations and financial performance.

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INTELLECTUAL PROPERTY

Our Group's brand names, particularly our "*Palasino*" brand, are valuable assets for our Company and its operations. As at the Latest Practicable Date, we had five registered trademarks, seven trademarks pending approval, and 13 active domain name. For details of our intellectual property rights, please refer to the paragraph headed "Statutory and General Information — B. Further information about our business — 2. Intellectual Property Rights" in Appendix VI to this document.

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

INFORMATION TECHNOLOGY

We use CMS, which is developed by a global casino technology company based in the U.K., namely Intelligent Gaming Systems Limited, in our casino operations. CMS is required to be certified and licenced by authorised bodies nominated by the Ministry of Finance in the Czech Republic, as required under the relevant Czech laws and regulations. It is the responsibility of the supplier of CMS to obtain the certification and licence. During the Track Record Period and up to the Latest Practicable Date, our CMS was certified and licenced pursuant the relevant Czech laws and regulations.

Our CMS has two main roles:

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

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maximum net loss per day. Players can set their self-limiting measures by filling in a registration form prepared by us and the information will then be recorded into the CMS and transferred to the database administered by the Ministry of Finance.

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

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

COMPETITIVE LANDSCAPE

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

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

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

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LICENCES, PERMITS AND APPROVALS

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

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

Name of holder	Jurisdiction	Name of licences or permits	Issuing authority	Effective date	Expiry date
Palasino Group	The Czech Republic	Basic licence for live games ^(Notes 1&2)	Ministry of Finance in the Czech Republic	1 November 2023	31 October 2029
Palasino Group	The Czech Republic	Basic licence for technical games ^(Notes 1&2)	Ministry of Finance in the Czech Republic	1 November 2023	31 October 2029
Palasino Group	The Czech Republic	Premises licence for live games and technical games for <i>Palasino Furth im Wald</i> ^(Note 3)	Municipal Office of Česká Kubice in the Czech Republic	1 November 2023	31 October 2026
Palasino Group	The Czech Republic	Premises licence for live games and technical games for <i>Palasino Excalibur City</i> ^(Note 3)	Municipal Office of Chvalovice in the Czech Republic	1 November 2023	31 October 2026
Palasino Group	The Czech Republic	Premises licence for live games and technical games for <i>Palasino Wulowitz</i> ^(Note 3)	Municipal Office of Dolní Dvořiště in the Czech Republic	1 November 2023	31 October 2026
Palasino Malta	Malta	Gaming Service Licence MGA/B2C/920/2021 ^(Note 4)	MGA	14 November 2022	13 November 2032
Trans World Austria	Austria	Trade Licence for hotel and restaurant business	The Magistrat der Stadt Linz	14 February 1995	No expiry date
Trans World Austria	Austria	Business facility permit for hotel and restaurant business	The Magistrat der Stadt Linz	3 March 1995	No expiry date

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Notes:

1. The basic licence for live games and the new basic licence for technical games have been obtained by us and became effective on 1 November 2023 for a term of six years. We have placed the security deposit in the sum of CZK30 million (equivalent to HK\$10.2 million) as at 30 September 2023 for the gaming licences on a special account of Ministry of Finance in the Czech Republic for the casino operations, as required by the Czech Gambling Act. Pursuant to the new Czech Gambling Act, our Group is required to apply for the initial licence with no expiry date, and as a new condition, to provide an increase of security deposit from CZK30 million (equivalent to HK\$10.5 million) to CZK150 million (equivalent to HK\$54 million). Under the three-level licence mechanism of the new Czech Gambling Act, our Group is obliged to apply for the initial licence no later than 30 June 2024. For details, please refer to the paragraph headed "The New Czech Gambling Act" in this section.
2. The basic licences were issued by the Ministry of Finance in the Czech Republic pursuant to the previous Czech Gambling Act, under the requirements that (i) the applicant has satisfied conditions necessary for basic licence specified in the Czech Gambling Act; (ii) the applicant has provided a security deposit under conditions specified in the Czech Gambling Act; (iii) the applicant has neither entered liquidation at the time of the decision for issuance or within the last three years, nor has been found conclusively bankrupt within the last three years; (iv) the gambling operation will not disturb public order; and (v) proper operation of the gambling is guaranteed and appropriate technical equipment ensured. Such licence will remain effective for a term of six year. Under the three-level licence mechanism of the new Czech Gambling Act, our Group is obliged to apply for the change of basic licences not later than 1 April 2025. For details, please refer to the paragraph headed "The New Czech Gambling Act" in this section.
3. The premises licences were issued by the relevant municipal authority of the Czech Republic pursuant to the previous Czech Gambling Act, under the requirements that (i) the applicant satisfies the conditions defined in the Czech Gambling Act; (ii) the applicant has provided a security deposit required in the Czech Gambling Act; and (iii) the gambling premises location does not contravene a generally applicable decree of the municipality. Such licence will remain effective for a term of three years.
4. In order to expand our business into online gaming, we obtained the Gaming Service Licence B2C Type 1 from the MGA in November 2022. Due to technical issues with the original system infrastructure provider, our Group decided to terminate the partnership in November 2022 and engaged a new system infrastructure provider in January 2023. To facilitate this change, we applied for a voluntary suspension of the online gaming licence, which was approved by the MGA in December 2022 for a validity period until December 2023. The re-activation of our online gaming licence has been approved by the MGA on 24 November 2023. For further details, please refer to the paragraph headed "Online Gaming Business" in this section.

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

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

LEGAL PROCEEDINGS AND COMPLIANCE

Legal proceedings

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

Legal compliance

As advised by our Czech Legal Advisers, Austrian Legal Advisers, German Legal Advisers and Maltese 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.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE

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

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Governance

Our Board has the collective and overall responsibility for establishing, adopting and reviewing our ESG objectives, strategies, priorities, initiatives and goals, identifying the KPIs and the relevant measurements and evaluating, determining and addressing our ESG-related risks in accordance with Appendix C2 to the Listing Rules and reviewing and approving our ESG report. Our senior management oversees all matters related to sustainability and is responsible for managing our Group's sustainability policies and strategies including setting and monitoring targets, key initiatives, sustainability reporting, associated risks and opportunities and other matters of significance. After [REDACTED], we will publish an ESG report annually in accordance with Appendix C2 to the Listing Rules.

Our Directors confirm that they will closely monitor our compliance with the Corporate Governance Code as set out in Appendix C1 of the Listing Rules, the Environmental, Social and Governance Reporting Guide as set out in Appendix C2 of the Listing Rules and other relevant rules and regulations in relation to ESG aspects upon [REDACTED]. To this end, we undertake to establish an ESG committee within one year after the [REDACTED] to assist our Board in overseeing ESG governance, ensuring implementation of ESG policies, monitoring ESG-related performance and targets, adjusting ESG strategies and preparing the ESG report. In addition, we also plan to establish an ESG task force team to support our Board and the ESG committee in implementing ESG policies, targets and strategies, conducting materiality assessments of environmental, social and climate-related risks, assessing corresponding responses, collecting ESG data for the ESG report, and continuously monitoring the implementation and effectiveness of measures adopted to address our ESG-related risks and responsibilities. The ESG committee and the ESG task force team are expected to report to our Board periodically on the ESG performance of our Group, the effectiveness of our ESG systems and recommendations, if any. Within the first year [REDACTED], our Group will conduct consistent ESG training sessions and provide education on pertinent market trends related to ESG for both the ESG committee and the ESG task force team. The ESG committee and the ESG task force team will collaborate to aid the Board in staying abreast of the Stock Exchange's reporting mandates and associated [REDACTED] regulations.

Materiality Assessment

Stakeholder engagement is conducted to promote understanding between our Group and various key internal and external stakeholders who significantly influence or are influenced by, or have a vested interest in the business of our Group, including but not limited to our Board, management, employees, shareholders, and [REDACTED]. The analysis of stakeholder engagement forms the basis for conducting the ESG materiality assessment and identifying potential ESG-related risks on the business of our Group, strategy, and financial performance. The materiality assessment is then conducted through a three-step approach to identify the concerns of key stakeholders regarding ESG issues and their associated ESG-related risks.

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1. **Identification:** We have identified 15 ESG material issues from three main categories, including the "Environmental", "Social" and "Governance" aspects. Desktop research was conducted to identify these ESG material issues, considering various factors. These factors include: (i) the regulatory trends of the landscape of climate change and anti-corruption and the disclosure topics specified by the Sustainability Accounting Standards Board (SASB) standards for the "Casinos & Gaming" industry, (ii) the ESG Industry Materiality Map of Morgan Stanley Capital International (MSCI) for the "Casinos & Gaming" industry, and (iii) the disclosure topics of peer companies.
2. **Rating:** Our key internal and external stakeholders were invited to participate in an online survey to rate ESG issues based on their materiality and influence on them and our Group. They were provided with instructions to rate the issues based on various factors and quantifiable metrics, such as (i) the level of positive and/or negative significance, (ii) the severity of the impact caused by the issues, and (iii) the likelihood of the risk occurrence posed on them and our Group.
3. **Prioritisation:** An analysis was conducted based on the results from the stakeholder engagement survey. Six ESG issues were identified and prioritised as the primary material issues for our Group and are explained as follows:
 - i. **Climate Change and Greenhouse Gas ("GHG") Emission:** Climate change is a defining global issue that brings various risks and opportunities to our Group. Physical risks such as extreme temperature fluctuations, rising sea levels and droughts could hinder our daily operations, while transition risks such as stricter regulations, shifts in market expectations and reputational risks could impact the operating costs of our Group. For our GHG emissions, the major contributor was energy consumption through purchased electricity (Scope 2 emissions), which represents approximately 68% of our total GHG emissions for the year ended 31 March 2023. In addition, the increase in GHG emissions was mainly attributable to the resumption of operational activities as our business recovered from the COVID-19 pandemic. Nonetheless, amidst these risks, climate-related opportunities emerge from advancing innovative technologies to address climate change. Therefore, we will continue to explore the adoption of other renewable energy across our business operations.

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- ii. **Energy Management:** Effective energy management involves considering fluctuations in energy prices, the availability of energy resources, and strategies to improve energy efficiency. Despite the challenges posed by these factors, they also create opportunities for developing innovative solutions to reduce our energy usage while maintaining the quality of our services and the sustainability of our business operations. To strengthen our energy efficiency and energy management strategy, our Group proactively seeks to install on-site renewable energy generating equipment to save operational costs. We are installing a photovoltaic power system with a total capacity of 485 kWp on our facilities, part of it is expected to be completed by the first quarter of 2024, while the remaining part is expected to be completed by the end of 2024. It allows us to generate electricity on-site without relying on a fossil fuel-powered grid, which does not only help reducing our carbon footprint but also result in a return on investment, hence eventually boosting our Group's financial performance.
- iii. **Human Rights & Employment Practice:** Mitigating employees' exposure to risks that could lead to human rights issues, child and forced labour, injuries, diseases, and even fatalities in our operations is of utmost importance. To control and eliminate these risks, we ensure the implementation of robust safety measures that align with industry standards, policies, and applicable laws and regulations. For more details about our sustainable employment practice and relevant human right issues, please refer to the paragraph headed "Employees" in this section.

For occupational health and safety, our business operations fully comply with the relevant general health and safety laws and regulations in the relevant jurisdictions. Our Director of Administration & Facilities is responsible for the management of our Occupational Health and Safety (OH&S) system that covers all gaming operations. We have also introduced a new online platform for health and safety training, which includes fire safety as one of the topics. The platform has a final test and scoring system. Employees who do not pass the test are required to retake the training. Furthermore, we have implemented a policy that requires all new employees to complete this training. Additionally, all employees are required to attend the training every two years to refresh and enhance their awareness of health and safety. For more details about our occupational health and safety management, please refer to the paragraph headed "Environmental, Social and Governance — Work safety and security" in this section.

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- iv. **Guest Health & Safety:** Guest health and safety focuses primarily on protecting guests and visitors in our casinos and hotels from accidents, injuries, and exposure to any harmful environments. We engaged external consultants to conduct audits quarterly at each site to ensure compliance with all of our established rules and processes. These measures help to prioritise the safety of guests and visitors and maintain a secure environment. Also, our gaming operations are centrally monitored through a 24-hour security system. For more details, please refer to the paragraph headed "Environmental, Social and Governance — Work safety and security" in this section.
- v. **Business Ethics and Integrity:** We understand that violation of laws and regulations can be detrimental to our business, financial performance and reputation. We have implemented policies, guidelines and practices, that align with applicable laws and regulations and the latest regulatory developments, in our daily operations to ensure that our operations uphold the highest standards of business integrity.

Designated training on specific topics is assigned to employees based on their roles and areas of responsibility. For example, relevant employees at our gaming operations receive AML training according to our internal procedures and principles. These courses cover the requirements outlined in the AML Act of the Czech Republic and were held via webinars for greater accessibility.

- vi. **Responsible Gaming:** To minimise the risk of harm, we equip and empower our customers to maintain control over their play gambling habits. For example, we offer our casino customers the legal option to set self-limiting measures for each type of game and operator. These measures include setting limits on the number of visits, the amount of funds they are willing to allocate to the game, and the frequency of logins to their user accounts. We also partnered with non-profit agencies and held training sessions for on-site representatives in the casino. The training aim to enhance their ability to recognise problem gamblers and develop effective communication and support strategies. For more details, please refer to the paragraph headed "Environmental, Social and Governance — Responsible Gaming Program" in this section.

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Environment

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

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

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

We have considered the historical actual figures that reflect our management for environmental, social and climate-related risks, as well as to demonstrate achieving such targets on our Group's operations and financial performance. It includes air emissions, GHG emissions, energy and water consumption, waste generation and pollutant emissions. GHG emissions consist of Scope 1 and Scope 2 emissions. Scope 1 direct emissions include the GHG emissions from our facilities, stationary combustion sources and passenger cars and lawnmowers. Scope 2 energy indirect emissions include the GHG emissions from usage of purchased electricity and heating. The following tables set forth the information of our air pollutant emissions, GHG emissions and resource consumption for the periods indicated.

		For the year ended 31 March		
	Unit	2021	2022	2023
Air emissions				
Nitrogen oxides	<i>kg</i>	44.7	46.1	71.9
Sulphur oxides	<i>kg</i>	0.7	0.7	1.1
Particulate matter	<i>kg</i>	3.3	3.4	5.3
Total emissions	<i>kg</i>	48.7	50.2	78.3
Total intensity	<i>kg/million revenue in Euros</i>	3.43	1.88	2.26

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	Unit	For the year ended 31 March		
		2021	2022	2023
GHG emissions				
Scope 1	<i>tonnes CO₂ equivalent</i>	452.0	465.8	860.3
Scope 2	<i>tonnes CO₂ equivalent</i>	1,386.9	1,375.4	1,794.5
Scope 3	<i>tonnes CO₂ equivalent</i>	0.0	0.1	2.6
Total emissions	<i>tonnes CO₂ equivalent</i>	1,838.9	1,841.3	2,657.4
Total intensity	<i>tonnes CO₂ equivalent/ thousand revenue in Euros</i>	0.13	0.07	0.08
Energy consumption				
<u>Direct energy</u>				
Petrol	<i>MWh</i>	3.1	3.5	19.8
Diesel	<i>MWh</i>	450.3	460.5	688.1
LPG	<i>MWh</i>	190.4	282.4	282.4
Fuel oil	<i>MWh</i>	208.6	202.1	224.6
Natural gas	<i>MWh</i>	1,183.1	1,180.8	2,675.8
<u>Indirect energy</u>				
Electricity	<i>MWh</i>	2,538.4	2,846.0	4,183.0
Heating	<i>MWh</i>	512.0	152.8	0.0
Total consumption	<i>MWh</i>	5,087.9	5,128.1	8,073.8
Total intensity	<i>MWh/thousand revenue in Euros</i>	0.36	0.19	0.23
Water consumption				
Total consumption	<i>m³</i>	11,801.0	11,172.0	20,969.0
Total intensity	<i>m³/thousand revenue in Euros</i>	0.83	0.42	0.60
Waste generation				
<u>Hazardous waste</u>				
Total generation	<i>kg</i>	0.0	0.0	1.0
Total intensity	<i>tonnes/million revenue in Euros</i>	–	–	0.03
<u>Non-hazardous waste</u>				
Total generation	<i>tonnes</i>	124.4	153.8	220.9
Total intensity	<i>tonnes/million revenue in Euros</i>	8.77	5.76	6.37

Note: The ESG data scope in the above table comprises the Group's facilities of (1) *Hotel Savannah*, (2) *Palasino Excalibur City*, (3) *Palasino Wulowitz*, (4) *Palasino Furth im Wald*, and (5) the Regional Office in Czech Republic. The ESG data of *Hotel Columbus*, *Hotel Auefeld*, *Hotel Kranichhöhe*, and *Hotel Donauwelle* is not included, due to the unavailability of historical data.

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- A. **GHG Emissions and Energy Consumption:** Based on the table above, the total GHG emissions, and total energy consumption increased during the periods indicated. The increases were mainly attributable to the resumption of operational activities as our business recovered from the COVID-19 pandemic. Our casinos and hotels experienced periods of closure during the years ended 31 March 2021 and 2022. In particular, there was a longer period of closure for the year ended 31 March 2021. For our GHG emissions, the major contributor was energy consumption through purchased electricity, which represents approximately 68% of our total GHG emissions for the year ended 31 March 2023. Regarding the energy consumption for purchased heat, since the cogeneration unit for heat generation in *Hotel Savannah* was closed for the year ended 31 March 2023, it is shown in the table above that energy emissions from heating recorded as zero for the year ended 31 March 2023.

We have been searching for new emission reduction technologies and accordingly, we have set quantitative targets for the reduction of greenhouse emissions and energy consumption. Using the year ended 31 March 2023 as the base year, our total GHG intensity was approximately 0.08 tonnes of CO₂e per thousand revenue in Euro and our total energy consumption intensity was approximately 0.23 MWh per thousand revenue in Euro. We aim to reduce 3% of our total GHG intensity and 3% of our total energy consumption intensity within three years after the [REDACTED], by using various reduction and offsetting measures. To achieve this target, we have been searching for new emission reduction technologies. For example, we are installing a photovoltaic power system with a total capacity of 485 kWp on our facilities, part of it is expected to be completed by the first quarter of 2024, while the remaining part is expected to be completed by the end of 2024. It allows us to generate electricity on-site without relying on a fossil fuel-powered grid, which does not only help reducing our carbon footprint but also result in a return on investment, hence eventually boosting our Group's financial performance and reducing our Group-wide GHG emissions and energy consumption.

- B. **Air emissions:** The total air emissions increased during the periods indicated. The increase was mainly attributable to the recovery of business from the COVID-19 pandemic, as well as the increased usage of natural gas for heat generation, resulted from the closure of heat cogeneration in *Hotel Savannah* due to gas price fluctuation and limitation. For our air emissions, the major contributor was the natural gas consumption for heat generation. The cogeneration unit for heat generation resumed operation in the beginning of 2024, with respect to the stabilisation of gas price. Thus, the total air emissions and operating costs from natural gas consumption are expected to decrease. In addition, we have been actively replacing traditional passenger cars using fossil fuels engine by hybrid passenger cars during fleet renewal.

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We have set quantitative target for the reduction of the total air emission intensity. Using the year ended 31 March 2023 as the base year, our total air emission intensity was approximately 2.26 kg per million revenue in Euro. We aim to reduce 3% of our total air emission intensity within 3 years after [REDACTED].

- C. **Non-hazardous and hazardous waste:** The total generation of non-hazardous waste increased during the periods indicated. The major contributors of our non-hazardous waste were general waste and kitchen food waste during our business operations. The increase was mainly attributable to the recovery of business from the COVID-19 pandemic. We have set quantitative target for the reduction of the non-hazardous waste intensity. Using the year ended 31 March 2023 as the base year, our non-hazardous waste intensity was approximately 6.37 tonnes per million revenue in Euro. We aim to reduce 3% of our non-hazardous waste intensity within 3 years after [REDACTED]. To achieve this target, we implemented waste reduction policies, such as the abolishment of the use of plastic in beverage distribution in our facilities, promoting paperless practice at the Czech regional office, which are expected to reduce the total waste generation and long-term operating costs.

For hazardous waste, due to our business nature, we did not produce significant amount of hazardous waste. The intensity of non-hazardous waste intensity increased during the periods indicated. The increase was mainly attributable to the recycling of old electrical devices. Since the old electrical devices were all properly recycled, no hazardous waste was disposed during the periods indicated.

- D. **Water:** The intensity of water consumption increased during the periods indicated. The increase is mainly attributable to the recovery of business from the COVID-19 pandemic. We have set quantitative target for the reduction of the water consumption intensity. Using the year ended 31 March 2023 as the base year, our water consumption intensity was approximately 0.60 m³ per thousand revenue in Euro. We aim to reduce 3% of our water consumption intensity within 3 years after [REDACTED]. To achieve this target, we seek opportunities to implement practices to enhance our water efficiency and reduce water consumption. For example, we actively consider the installation smart water meters to monitor water consumption to reduce freshwater consumption and long-term operating costs.

We may further adjust our targets according to our business operations from time to time. If the effect of emission reduction is unsatisfactory, we will review the relevant policies and measures and make necessary improvements to achieve the above targets.

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Corporate social responsibilities

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

Responsible Gaming Program

We believe a visit to our casinos is an opportunity to relax, have fun, socialise and participate in a game of chance. Gaming is inherently associated with risk-taking and the thrill of the anticipation of winning. Most customers enjoy this kind of entertainment and experience but there may be some customers who may lose control of their behaviour and lead to various problems such as gaming problem and addiction. In view of the inherent compliance risks in our industry, we have upheld our long-standing commitment to fostering responsible gaming not only among our employees but also among our guests and the wider community. As a responsible business operator, we fully acknowledge the importance of upholding ethical gaming practices and we ensure the proper upkeep of all required regulatory licences, permits, approvals, registrations, orders and authorisations pursuant to the relevant laws and regulations pertaining to our operation.

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

We conduct age and identity verification for every visitor to our casinos. We have a responsible gaming program leaflet at our reception with information of the program and helplines and contacts for those in need of help with problem gambling or related issues. Our staff, especially the on-site representatives in all gaming operations, have undergone training to identify players who may be experiencing gambling-related issues. This training ensures that timely support and intervention is provided to those in need. Furthermore, assistance is extended to individuals who are adversely affected by gambling problems. For instance, our representatives will assist our guests during the voluntary self-exclusion application process. We also work with non-profit agencies and government bodies to deal with this issue.

We promote healthy and responsible gaming culture. Our gaming staff follows the employment policies, which strictly prohibit gaming staff from taking part in gaming activities on our premises. Additionally, we have put a strong emphasis on responsible gaming education through providing training to all our gaming staff on commencement of work. Gaming staff are also required to undertake refresher training periodically. Through the implementation of the above, we have created a strong responsible gaming culture within the team.

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Most importantly, as required under the Czech Gambling Act, the gaming operator is obliged to offer a means to the customers to set their own self-limiting measures in relation to their own gaming pattern and behaviour. For example, setting a maximum bet per day or per calendar month or setting a maximum net loss per day. Our means is to request every player to set his/her self-limiting measures by filling in a registration form. Players can choose to set self-limiting measures or reject to set in the registration form. The information in the registration form will then be recorded into our CMS and then transferred to the database administered by the Ministry of Finance in the Czech Republic. In addition, players can request a total self-exclusion from participation in gambling at any premises in the Czech Republic by completing an official application form which will be recorded in the database of the Ministry of Finance. Our management maintains continuous communication with legal advisers to stay informed about the latest legal developments and our relevant staff are also provided with any relevant updates on the legal requirement for the purpose of, ensuring that the self-limitation and self-exclusion measures in place are in compliance with applicable laws and regulations. As advised by our Czech Legal Advisers, there is no legal implication on the Group's compliance with the Czech Gambling Act if players reject to set self-limiting measures. During the Track Record Period and up to the Latest Practicable Date, we have not encountered any legal proceedings, penalties, or sanctions from regulatory authorities that had a significant impact on our business, and on this basis, we consider that our responsible gambling measures are effective.

Equal opportunities and diversity

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

Community involvement

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

Work safety and security

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

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

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

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

Going forward, our Board will continue to monitor the ESG implications of our business and set metrics and targets for material key performance indicators (KPIs) for each financial year with reference to the disclosure requirements of Appendix C2 to the Listing Rules.

EMPLOYEES

As at 30 September 2023, we had 515, 100, 35 and 15 full-time employees in the Czech Republic, Germany, Austria and Malta, respectively. The table below shows a breakdown of the number of employees by geographical locations and by functions:

	Czech Republic	Germany	Austria	Malta	Sub-total
Operations					
– Casino	344	–	–	7	351
– Hotel	46	85	27	–	158
General &					
administration	78	5	4	2	89
Sales & marketing	7	2	1	5	15
Repairs & maintenance	36	8	2	–	46
Human resources	4	–	1	1	6
Total	515	100	35	15	665

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The table below shows the breakdowns of the number of employees by gender, age and years of experience in our Group, and the corresponding percentage of our total employees, as at 30 September 2023:

	Number of employees	Percentage of total employees
Gender		
Male	321	48.3%
Female	344	51.7%
Total	665	100%
Age		
Below 20 years old	8	1.2%
20 to 30 years old	173	26.0%
31 to 40 years old	197	29.6%
41 to 50 years old	163	24.5%
51 to 60 years old	90	13.5%
Above 60 years old	34	5.1%
Total	665	100%
Years of experience in our Group		
Less than 5 years	452	68.0%
5 to 10 years	123	18.5%
10 to 20 years	68	10.2%
more than 20 years	22	3.3%
Total	665	100%

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

We are a gaming and hotel group involving a vast number of manual labourers to provide quality services up to our service protocol. Our employment policies are designed to attract and retain talent, encompassing various aspects such as recruitment, promotion, benefits, dismissal, equal opportunity, and anti-discrimination, while adhering to the relevant laws and regulations. To align with our Group's strategy to maintain and further

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consolidate our market presence, we continue to seek out and develop potential candidates who exhibit an interest in pursuing a profession in gaming, and hospitality. Adhering to the principle of equal opportunity, our recruitment decisions are based on the candidate's experience, competency and qualifications. All job applicants are also mandated to furnish age verification as a means of ensuring compliance with the applicable laws and regulations. We unequivocally prohibit forced labour within our operations. Our employment policies outlines the terms and conditions of employment, expectations for employees' conducts and behaviours, as well as rights and benefits. Also, it contains mechanism of proceeding employees' resignation and retirement. Our employees are introduced to our employment policies as part of the new hire orientation program.

To attract and retain talents, we believe we offer competitive remuneration packages that include a base salary, incentive bonuses, complimentary meals in our company canteen, access to our company shuttle bus, and on-site accommodation facilities. Our employees' salaries are determined based on their individual qualifications, positions, work performance and other relevant factors. We also provide a wide range of leave entitlements under the relevant laws and regulations, including sickness, holidays, maternity and parental leave, to assist our staff in balancing their work and personal commitments. We continually innovate and adapt our compensation and benefits processes to provide better incentives for our staff to deliver their best work.

A comprehensive career development plan is in place to empower our employees to nurture and advance their careers. To gain deeper insights into our employees' career aspirations and support them in reaching their full potential, our management conducts annual reviews to assess team members' performance and establish targets. We also regularly assess salary structures and promotional opportunities for team members. In addition to salary adjustments and promotions, outstanding employees who excel in certain events or consistently demonstrate excellence are recognised with employee awards.

We pay close attention to their ongoing professional growth and personal well-being during their time with us. We seek to allow our employees to realise their full potential. To maintain consistent service quality across our Group, we provide our staff members with ongoing training and development opportunities, including programs on data privacy and security, GDPR compliance, anti-money laundering practices, and other relevant topics.

We believe equality at work is essential for social inclusion. To this end, we uphold a high standard of fairness to eliminate discrimination and mistreatment within our Group to create a fair and inclusive workplace where everyone's rights and unique attributes are respected during different stages of employment, including the recruitment stage and career development. We promote equal opportunity and diversity in the workplace and do not tolerate discrimination based on race, colour, religion, sex, marital status, age, national origin, or any other considerations deemed inappropriate by local labour laws. We encourage our team members to share the same commitment as us in treating others with respect and gratitude. Our equality and diversity policies integrate inclusion and diversity into the company culture and emphasise treating all individuals fairly on merit and without prejudice.

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

SEASONALITY

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

As to the casino operation for the year ended 31 March 2023, our gross gaming revenue for the second half of the year ended 31 March 2023, which contributed 54.1% of the total gross gaming revenue for the year ended 31 March 2023, was slightly higher than that for the six months ended 30 September 2022, which contributed 45.9% of the same, primarily attributable to the tendency for people to participate in indoor activities during the winter time, such as visiting casinos, and the fact that the second half of the year is marked with numerous festivals and holidays, such as Christmas and New Year's Eve, which contribute to the increased activities in casinos, as advised by CIC.

As to the hotel operation for the year ended 31 March 2023, the average room revenue of all our hotels for the second half of the year ended 31 March 2023, which contributed 45.5% of the total average room revenue for the year ended 31 March 2023, was slightly lower than that for the six months ended 30 September 2022, which contributed 54.5% of the same, primarily attributable to the reason that families and tourists take advantage of the summer breaks and school holidays for vacations and leisure travel, which leads to the overall better performance for hotels, as advised by CIC.

INSURANCE

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

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

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

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

PROPERTIES AND FACILITIES

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

Land Parcels

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

Self-owned land parcels

	Location	Usage	Site Area (sq.m.)
1.	Plot no. 10/29 and 10/30 of 399, Horní Folmava, Czech Republic	Casino — <i>Palasino</i> <i>Furth im Wald</i>	19,544
2.	Plot no. 188/3, 188/4, 419, 420, 421, 422, 423, 424, 369/6, 1464/1, 1464/2 and 1465 of No. 478, Česká Kubice, Czech Republic	Casino — <i>Palasino</i> <i>Furth im Wald</i>	3,741
3.	Plot no. 339/42, 339/50, 339/51, 339/73, 339/159, 339/160, 339/161, 339/162, 339/170, 339/234, 339/238, 339/273, 1271 and 333/11 of 500, Chvalovice, Czech Republic	Casino and Hotel — <i>Palasino Savannah</i> <i>Resort</i>	52,704
4.	Plot no. 3318, 3333 and 3353 of 310, Načeratice, Czech Republic	Casino and Hotel — <i>Palasino Savannah</i> <i>Resort</i>	10,095
5.	Plot no. 209 and 314 of 130, Derflice, Czech Republic	Casino and Hotel — <i>Palasino Savannah</i> <i>Resort</i>	11,440
6.	Plot no. st. 370, st. 373, 1806/25, 1806/27, 1806/29, 1806/30, 1806/32, 1806/33, 1806/35, 1806/47, 1806/48, 1806/49, 1806/51, 1806/76, 1806/79 and 1806/80 of 350, Dolní Dvořiště, Czech Republic	Casino — <i>Palasino</i> <i>Wulowitz</i>	85,147
7.	Am Reitpfad 4, 63500 Seligenstadt, land parcels 267 and 335 ^(Note 1)	Hotel — <i>Hotel</i> <i>Columbus</i>	4,548

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	Location	Usage	Site Area (sq.m.)
8.	Bövingen 129, 53804 Much, land parcels 286 and 346 ^(Note 2)	Hotel — <i>Hotel</i> <i>Kranichhöhe</i>	24,175
9.	Plot no. 3032/8, 3032/9, 3032/10, 3032/11, 3032/12, 3032/13, 3032/14, 3370/13, 3370/14, 3370/15, 3370/16, 3370/17, 3370/23, 5006/181 of 2485, Mikulov, Czech Republic	Please refer to <i>Note 3</i> below	6,086

Notes:

1. There is a registered land charge in the amount of EUR3.6 million in favour of a German bank Sparkasse Langen-Seligenstadt.
2. There is a registered land charge in the amount of EUR4.0 million in favour of a German bank Kreissparkasse Köln.
3. It is the plan of our Group to convert the property to be a land-based casino. For details, please refer to the paragraph headed "Waivers from Strict Compliance with the Listing Rules — The Post-Track Record Period Acquisition" in this document.

Leased land parcels

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

Notes:

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

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Buildings and facilities

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

Self-owned buildings and facilities

	Location	Usage	GFA (sq.m.)
1.	Česká Kubice 64 & Horní Folmava, 34532 Česká Kubice, Czech Republic	Casino — <i>Palasino Furth im Wald</i>	2,747
2.	Chvalovice-Hatě 198 & 199, Znojmo 669 02 & Derflice, Načeratice, Czech Republic	Casino and Hotel — <i>Palasino Savannah Resort</i>	11,775
3.	Dolní Dvořiště 225, 38272 Dolní Dvořiště, Czech Republic	Casino — <i>Palasino Wulowitz</i>	3,288
4.	Am Reitpfad 4, 63500 Seligenstadt, Germany	Hotel — <i>Hotel Columbus</i>	6,845
5.	Hallenbadstraße 33, Hann. Münden 34346, District Göttingen in Lower Saxony, Germany	Hotel — <i>Hotel Auefeld</i>	11,379
6.	Bövingen 129, Much, District Rhein-Sieg in North Rhine-Westphalia, Germany	Hotel — <i>Hotel Kranichhöhe</i>	12,009
7.	Am Winterhafen 13., Linz, Oberösterreich (Upper Austria), Austria	Hotel — <i>Hotel Donauwelle</i>	10,782
8.	28. října 1794, Mikulov, 692 01, Czech Republic	Please refer to the note below	1,759

Note: It is the plan of our Group to convert the property to be a land-based casino. For details, please refer to the paragraph headed "Waivers from Strict Compliance with the Listing Rules — The Post-Track Record Period Acquisition" in this document.

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Leased buildings and facilities

	Location	Usage	GFA (sq.m.)	Rent	Terms of lease
1.	Plot no. 1057/5, 357/15, 357/11, 1060/4 of 1 and 1055/2, Česká Kubice, Czech Republic	Parking lot — <i>Palasino Furth im Wald</i>	5,774	CZK208,679.52 (equivalent to HK\$72,710.63) per year	1 October 2021 to 30 September 2031
2.	Plot no. 564 of 1, Česká Kubice, Czech Republic	Advertisement — <i>Palasino Furth im Wald</i>	174	CZK20,000 (equivalent to HK\$6,968.64) per year	Unlimited period of time from 1 November 2009
3.	Construction plot no. 160/1 of 463, Česká Kubice, Czech Republic	Accommodation for employees and storage for materials — <i>Palasino Furth im Wald</i>	1,330	CZK35,000 (equivalent to HK\$12,195.12) per month	Unlimited period of time from 1 February 2011
4.	Three apartments standing on construction plot no. 160/1 of 463, Česká Kubice, Czech Republic	Accommodation for employees and storage for materials — <i>Palasino Furth im Wald</i>	145	CZK7,000 (equivalent to HK\$2,439.02) per month	Unlimited period of time from 23 May 2020
5.	Building no. 141 standing on plot no. 353 of 10001, Dolní Dvořiště, Czech Republic	Accommodation for employees — <i>Palasino Wulowitz</i>	572	CZK25,000 (equivalent to HK\$8,710.80) per month	1 November 2021 to 31 October 2029
6.	Building no. 140 standing on plot no. st. 202 of 10001, Dolní Dvořiště, Czech Republic	Accommodation for employees — <i>Palasino Wulowitz</i>	442	CZK18,000 (equivalent to HK\$6,272) per month	9 June 2019 to July 2029
7.	Building No. 170 and Plot No. 81/1, Chvalovice, Czech Republic	Accommodation for employees — <i>Palasino Savannah Resort</i>	1,594	CZK45,000 (equivalent to HK\$15,679.44) per month	Unlimited period of time from 1 June 2006

BUSINESS

Location	Usage	GFA (sq.m.)	Rent	Terms of lease
8. No. 16, Level 8, Melfar Buildings, Triq C de Brocktorff, Msida, Malta and for three parking spaces in Casa Agius, Msida, Malta	Office (together with three parking spaces)	300 (for the three parking spaces: approximately 43.2)	Year 1: EUR 51,000 (equivalent to HK\$436,050) Year 2: EUR 54,000 (equivalent to HK\$461,700) Year 3: EUR 56,160 (equivalent to HK\$480,168) Year 4: EUR 58,406 (equivalent to HK\$499,371) Year 5: EUR 60,742 (equivalent to HK\$519,344) (For the three parking spaces: EUR 450 (equivalent to HK\$3,848) per year)	The first fixed term: 1 November 2021 to 31 October 2023 The second fixed term: 1 November 2023 to 31 October 2024 The third fixed term: 1 November 2024 to 31 October 2025 The fourth fixed term: 1 November 2025 to 31 October 2026 (For the three parking spaces: 1 July 2023 to 31 October 2026)

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

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

THE NEW CZECH GAMBLING ACT

Background

The parliament of the Czech Republic has approved the proposed amendments to the Czech Gambling Act submitted by the government to (i) impose new licencing and deposit requirements; (ii) better protect the players; and (iii) make administrative changes to the previous Czech Gambling Act. The new Czech Gambling Act has come into effect on 1 January 2024. For details of the Czech Gambling Act, please refer to the section headed "Regulatory Overview — Overview of Regulatory Framework of Gaming Operations in the Czech Republic — Gambling Act" in this document.

BUSINESS

Major amendments to the Czech Gambling Act

For illustration purposes only, set out below is a summary of (i) the major amendments to the previous Czech Gambling Act; (ii) their relevant implications on our business operations and financial position; and (iii) the follow-up actions taken/to be taken by our Group:

Previous Czech Gambling Act	New Czech Gambling Act	Relevant implications on our business operations and/or financial position and the follow-up actions taken/to be taken by our Group
A. Administrative changes		
Licensing regime		
1. Two-level licence		
<p>(1) Basic licence</p> <ul style="list-style-type: none"> - a prerequisite to obtain the next level of licence, which is the basic licence - <i>Purpose:</i> (i) to certify the competence of a gaming operator to operate gambling activities, including but not limited to its ownership and organisational structure, the integrity of the operator and its ultimate beneficial owners, and assets of the gaming operator 	<p>(1) Initial licence</p> <ul style="list-style-type: none"> - a prerequisite to obtain the next level of licence, which is the basic licence - <i>Purpose:</i> to certify the competence of a gaming operator to operate gambling activities, including but not limited to its ownership and organisational structure, the integrity of the operator and its ultimate beneficial owners, assets of the gaming operator 	<p>Our Group is required to comply with the three-levels licence regime.</p> <p>As advised by our Czech Legal Advisers,</p> <ul style="list-style-type: none"> (i) the operator is obliged to submit an application for assessment of the fulfilment of the conditions for issuing an initial licence under the new Czech Gambling Act within six months from the effective date of the new Czech Gambling Act (i.e. 1 January 2024); (ii) all basic licences issued by the Ministry of Finance of the Czech Republic pursuant to the previous Czech Gambling Act will remain in force until the expiry date if the operator applies for change of the basic licence before 1 April 2025. The operator is obliged to apply to the Ministry of Finance for the change of the basic licence by submission of game plans as well as other required documents under the new Czech Gambling Act by 1 April 2025; and (iii) the premises licences granted by the relevant municipal authorities according to the previous Czech Gambling Act will remain valid under the new Czech Gambling Act.
<p>(2) Gaming premises licence</p> <ul style="list-style-type: none"> - <i>Purpose:</i> to grant authorisation to operate the relevant gambling activities in a specific location 	<p>(2) Basic licence</p> <ul style="list-style-type: none"> - a prerequisite to obtain the next level of licence, which is the gaming premises licence - <i>Purpose:</i> to grant authorisation to operate a specific type of gambling 	<p>We are required to apply for the initial licence not later than 30 June 2024 and the change of the basic licences not later than 1 April 2025 by the new Czech Gambling Act. Based on the understanding of the current requirements of the new Czech Gambling Act and the previous experience of our management, we plan to submit the application couple of months before June 2024 and April 2025 for the initial licence and the change of the basic licences respectively, to leave the authority sufficient time to process our applications. The Ministry of Finance has absolute discretion to decide on whether and when to issue the initial licence and approve the change of the basic licences after assessing the application documents. As advised by our Czech Legal Advisers, as long as we make the applications on time, our operations comply with all relevant laws and regulations and we fulfil all applicable requirements and conditions and adhere to the procedures set forth in the new Czech Gambling Act, the Ministry of Finance shall issue decision on the change of basic licences which will remain valid until their expiry date, i.e. 31 October 2029, and our existing premises licences issued pursuant to the previous Czech Gambling Act remain valid until their expiry date, i.e. 31 October 2026.</p> <p>As advised by our Czech Legal Advisers, we are of the view that there is no foreseeable difficulties in our Group's application for the initial licence and the change of the basic licences so long as we meet the applicable requirements and conditions and adhere to the procedures set forth in the new Czech Gambling Act, given that as advised by our Czech Legal Advisers (i) the three-level licence scheme is administrative in nature in order to streamline the licensing process to reduce administrative cost; (ii) our Group has not breached relevant laws and regulations in material respect in the Czech Republic during the Track Record Period, and that one of the matters considered by the authorities for granting these licences is the Group's previous clean compliance history in all material aspects on the Czech Gambling Act; and (iii) save as the security deposit, there is no material change to the licensing conditions and requirements under the new Czech Gambling Act.</p> <p>Our Directors are of the view that our Group will be able to operate with our licences granted under the previous Czech Gambling Act until their expirations and remain in compliance with relevant laws and regulations in the Czech Republic, given that (i) the management of our Group has extensive experience on operating and managing gaming business under relevant laws and regulations in the Czech Republic together with their deep understanding of the gaming laws and regulations in the Czech Republic, the management team of our Group is able to monitor and ensure compliance with licensing requirements, reporting obligations, responsible gaming practices, AML requirements, and other relevant regulations in all material respects, (ii) as advised by our Czech Legal Advisers, our Group has not breached relevant laws and regulations in material respect in the Czech Republic during the Track Record Period, (iii) our Group has obtained the current basic licences in August 2023 and premises licences in October 2023 from the relevant government authorities, and that one of the matters considered by the authorities for granting such licences is the Group's previous clean compliance history in all material aspects on the Czech Gambling Act. As advised by the Czech Legal Advisers, the three-level licence scheme is to streamline the licensing process to reduce administrative cost. Save as the security deposit, there is no material change to the licensing conditions and requirements under the new Czech Gambling Act, (iv) the Czech Gambling Act was previously amended in 2022, and our Group was able to adapt to the new requirements at the material time, and (v) we will continue to engage different professional parties, including legal advisers in the Czech Republic to advise us on ongoing compliance matters regarding the new Czech Gambling Act.</p>

BUSINESS

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

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

Based on the cash and cash equivalents on hand as at 31 January 2024 and our bank guarantee with a maximum amount of CZK120 million (equivalent to HK\$43.2 million) as at the Latest Practicable Date, our Group confirms that we are in a position to meet this requirement. The increase in the required security deposit may potentially have an adverse impact to our Group's working capital and financial positions in the future, despite that our Group currently has sufficient working capital for operations.

According to the category we currently belong to and as advised by our Czech Legal Advisers, our Group is required to provide a security deposit of CZK150 million (equivalent to HK\$54 million) in the form of cash or bank guarantee to the Ministry when applying for the initial licence. The category is divided into below four levels and the classification depends on the amount of gaming tax which is the last known tax as at the last day of the gaming tax period immediately following the gaming tax period in which the tax obligation arose.

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

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

Palasino Furth im Wald fulfilled the new general play space requirements before the new requirement came into effect. Additional temporary walls and glass screens have been installed in Palasino Excalibur City and Palasino Wallowitz in order to block the view from the registration area to the gaming area.

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

Our Group is required to set up permanent user accounts for non-Czech Republic citizens. Our CMS has been modified and the existing temporary user accounts in our CMS have been converted to permanent user accounts for non-Czech citizens.

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

Palasino Furth im Wald fulfilled the new general play space requirements before the new requirement came into effect. Additional temporary walls and glass screens have been installed in Palasino Excalibur City and Palasino Wallowitz in order to block the view from the registration area to the gaming area.

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

New Czech Gambling Act

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

Category	Amount of security deposit	Not less than	Gambling tax	Not more than
1	CZK 20,000,000	CZK0		CZK 5,000,000
2	CZK 70,000,000	CZK 5,000,000		CZK 50,000,000
3	CZK 150,000,000	CZK 50,000,000		CZK 200,000,000
4	CZK 300,000,000	CZK 200,000,000		

No temporary user account
 A gaming operator shall establish a temporary user account for a non-Czech Republic citizen, which may be active for a maximum period of 90 days.

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

Our Group is required to set up permanent user accounts for non-Czech Republic citizens. Our CMS has been modified and the existing temporary user accounts in our CMS have been converted to permanent user accounts for non-Czech citizens.

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

General play space requirements
 No relevant provision under the Czech Gambling Act.

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

Palasino Furth im Wald fulfilled the new general play space requirements before the new requirement came into effect. Additional temporary walls and glass screens have been installed in Palasino Excalibur City and Palasino Wallowitz in order to block the view from the registration area to the gaming area.

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

BUSINESS

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

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

As advised by our Czech Legal Advisers, as the government allows a transitional period of six months, our Group is obliged to update the diagram of camera system by 1 July 2024. Our Group has engaged a software services provider to update the diagram of our camera systems in each of the three casinos pursuant to the new Czech Gambling Act. Given the change is solely administrative in nature, our Group confirms that there will be no material impact on our business operations nor financial position.

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

Our Group has attended meetings with the Ministry of Finance where they have explained the purpose of the Panic Button and how they envision this function to be performed, and the manner of fulfilling and interpretation of this provision. Our Company confirms that the Panic Button can be an application which serves the function of alerting the excluded person based on his/her record of self-exclusion registration in the CMS database.

As advised by our Czech Legal Advisers, as the government allows a transitional period, our Group is obliged to implement part of the Panic Button Feature by 1 July 2024. The other amendments shall be implemented within six months from the publication of technical specifications, which has been issued on 30 January 2024 by the Ministry of Finance. As at the Latest Practicable Date, the Panic Button application development has been initiated and we have formulated the specifications for the application development. As phase one, we have commenced crafting the technical documentation for the development of the application. Following the completion of phase one, which is expected to be done by the end of March 2024, we will proceed to phase two, which will be the development of both the front-end and back-end of the application and expected to be completed by the required implementation time. It is estimated that the total cost to be incurred for full installation of the Panic Button Feature is CZK1.1 million (equivalent to HK\$0.4 million).

New Czech Gambling Act

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

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

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

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

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

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

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

The final technical specifications of the Panic Button Feature have been announced by the Ministry of Finance.

Note: under the previous Czech Gambling Act, players can only apply directly to the Ministry for lifetime self-exclusion. Under the new Czech Gambling Act, players can opt for lifetime self-exclusion at the gaming operator premises by using the Panic Button Feature.

Previous Czech Gambling Act

Diagram of the camera system

- No relevant provision under the Czech Gambling Act.

B. Players protection

Panic button

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

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Previous Czech Gambling Act	New Czech Gambling Act	Relevant implications on our business operations and/or financial position and the follow-up actions taken/to be taken by our Group
<p>Legal restrictions</p> <p>7. No relevant provision under the Czech Gambling Act.</p>	<p>An operator shall not encourage a person registered to participate in a gambling game who has previously notified the operator that he or she does not wish to be approached with incentives to participate in the gambling game. This applies equally to a person who has been registered for that gambling within the last 3 years.</p>	<p>Our Group is prohibited to encourage a player to participate in gambling who has previously informed us that he or she does not wish to be approached with incentives to participate in gambling.</p>
<p>8. In connection with the operation of a gambling game, the operator shall be prohibited from providing any advantage in the form of food, beverages, tobacco products or stimulants to a gambling participant.</p>	<p>In connection with the operation of a gambling game, the operator is prohibited from providing any advantage to a gambling participant in the form of</p> <ul style="list-style-type: none">(i) a food, drink, tobacco product or stimulant; or(ii) the prohibited risk premium set out in the Decree. <p>Under the Decree, the followings are considered as risk bonuses (risk premium):</p> <ul style="list-style-type: none">(i) A prohibited risk bonus is a risk bonus that meets at least one of the following conditions: (a) the offer to obtain the bonus or any other promotional communication relating to the bonus does not include at least a brief description of the conditions for the players to obtain or use the bonus, (b) the conditions for obtaining or using the bonus are not demonstrably communicated to the players before the bonus is obtained.(ii) A prohibited risk bonus is always a bonus,<ul style="list-style-type: none">(a) the terms and conditions of which encourage competition based on a comparison of the frequency of participation, the amount of stakes or the winnings of the players, if (1) the competition relates to participation in a technical game; or (2) the aggregate of the deposits of an individual player in all competitions relating to that type of gambling game with that operator exceeds CZK1,000 per calendar day;(b) the acquisition or use of which is conditional upon the player not withdrawing funds or any part thereof from the user's account; or(c) which is provided after the operator receives a request to cancel the user account.	<p>We will not encourage a person to participate in a gambling game who has previously notified us that he or she does not wish to be approached with incentives to participate in the gambling game. Going forward, our marketing department will check with every record of the player before providing any incentive from time to time.</p> <p>Given the change is solely administrative in nature, our Group confirms that there will be no material impact on our business operations nor financial position because there will not be material cost incurred to fulfil this restriction.</p> <p>The loyalty program provided by our Group can no longer provide any bonus which falls within the definition of "risk bonus" to our players.</p> <p>Our Company confirms that our current loyalty program has complied with the requirements under the new Czech Gambling Act and does not need to be modified. We have updated the registration form to inform all players about the conditions to award the bonuses, and make it clear to the players that there is no "risk bonus" to be provided in our casinos.</p> <p>Our Group confirms that the update of our registration form will have no material impact on our business operations nor financial position.</p>

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For item (1), based on the advice from our Czech Legal Advisers that (i) the three-level licence scheme is administrative in nature in order to streamline the licencing process to reduce administrative cost; (ii) our Group has not breached relevant laws and regulations in material respect in the Czech Republic during the Track Record Period, and that one of the matters considered by the authorities for granting these licences is the Group's previous clean compliance history in all material aspects on the Czech Gambling Act; and (iii) save as the security deposit, there is no material change to the licencing conditions and requirements under the new Czech Gambling Act, our Company is of the view that there is no foreseeable difficulties in our Group's application for the initial licence and the change of the basic licences so long as we meet the applicable requirements and conditions and adhere to the procedures set forth in the new Czech Gambling Act.

For item (2), our Group has already set aside the required security deposit of CZK150 million (equivalent to HK\$54 million) to obtain the gaming licences, which is one-off in nature and non-recurring. It is currently expected that there will be sufficient working capital for our operations after such payment. However, the increase in the required security deposit may potentially have an adverse impact to our Group's working capital and financial positions in the future. For details, please refer to the paragraph headed "Risk Factors — Our business operation, financial results and our cashflow may be adversely affected if the government is of the view that the measures we adopted or to be adopted do not comply with the new Czech Gambling Act" in this document.

For items (3), (5) and (7) which are solely administrative changes in nature, and item (4) which is a minor construction change, it is expected that the administrative costs of HK\$3.0 million will be incurred for the year ending 31 March 2024.

For item (6), as at the Latest Practicable Date, the detailed technical requirements have been officially confirmed. Our Company confirms that the Panic Button can be an application which serves the function of alerting the excluded person based on his/her record of self-exclusion registration in the CMS database. It is estimated that the total cost to be incurred for full installation of the Panic Button Feature is CZK1.1 million (equivalent to HK\$0.4 million).

For item (8), there will be no material impact on our business operations nor financial position, because (i) our current loyalty program has complied with the requirements under the new Czech Gambling Act and does not need to be modified, (ii) the loyalty program is not the primary channel for attracting customer traffic to our business, as each customer will automatically become a member of our loyalty program after completing the compulsory registration process, (iii) our Group has a variety of marketing and promotional events to attract customers, such as poker tournaments, events for Halloween, Chinese New Year and Palasino Anniversary Party. We have also commenced advertising campaigns by using radio and billboards in Austria. For details, please refer to "Business — Marketing and Promotion Events" in this document, (iv) the financial impact to our Group is limited as the contract liability in relation to the loyalty

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program was HK\$33,000, HK\$1.3 million, HK\$1.2 million and HK\$2.0 million for the three years ended 31 March 2023 and six months ended 30 September 2023, respectively, and (v) there will not be material cost incurred to fulfil the restriction.

Based on the above, our Directors consider and the Sole Sponsor concurs that, save as the one-off in nature security deposit, the potential financial and operational impact brought by the new Czech Gambling Act to our Group is not material.

In addition, based on our understanding of the requirements of the new Czech Gambling Act and given that the major amendments mainly concern the casino operators and has no material impact on gaming experience from the players' perspective, save as items (6) (i.e. the Panic Button Feature) which is an extra option of voluntary player protection feature which kicks in after the player opts out from playing and would not affect the gaming experience of the players who do not self-exclude themselves, our Company is of the view that the new Czech Gambling Act would not have material impact on players in term of gaming experience and exposure, and would not bring about material impact on our Group's business operation.

Although these requirements will take effect at a later stage with the details stated above under the new Czech Gambling Act, as advised by our Czech Legal Advisers, there are no foreseeable material difficulties for our Group to comply with those requirements and to obtain the licences (based on the reasons discussed above) as long as we make the applications on time, our operations comply with all relevant laws and regulations and we fulfil all applicable requirements and conditions and adhere to the procedures set forth in the new Czech Gambling Act. Based on the understanding of the requirements of the new Czech Gambling Act, and the aforementioned reasons, with respect to the changes of items (1), (2), (5) and (6), for which the government allows a transitional period for operators to comply with after the effective date of 1 January 2024, our Directors do not foresee, and the Sole Sponsor concurs, any material difficulties in meeting such requirements of the new Czech Gambling Act during the transitional period.

Please refer to the paragraph headed "Risk Factors — Our business operation, financial results and our cashflow may be adversely affected if the government is of the view that the measures we adopted or to be adopted do not comply with the new Czech Gambling Act" in this document for further details of the risks relating to the implementation of the new Czech Gambling Act.

BUSINESS

Internal control measures for the new Czech Gambling Act

In relation to the requirements under the new Czech Gambling Act, as at the Latest Practicable Date, our Group has been formulating several internal control measures, for example (i) CZK150 million has been set aside for the purpose of applying for the initial licence, (ii) our CMS has been modified in order to convert the existing temporary user accounts to permanent user accounts for non-Czech citizens, (iii) additional temporary walls and glass screens have been installed in *Palasino Excalibur City* and *Palasino Wulowitz* to block the view from the registration area to the gaming area, (iv) we have engaged a software services provider to update the diagram of our camera systems in each of our three casinos, (v) our staff will not approach any customer who has indicated that he/she does not wish to be approached with incentives to participate in the gaming, and (vi) we have updated the registration form to inform all players about the conditions to award the bonuses, and make it clear to the players that there is no "risk bonus" to be provided in our casinos.

In order to comply with the new Czech Gambling Act, the management of our Group has been continuously communicating with the relevant regulators and services providers to understand the updated requirements and measures for compliance, and has been reviewing and updating our existing internal control manuals to ensure full compliance with the details of the new Czech Gambling Act. In addition, pursuant to our internal audit policy, our internal audit department is responsible to ensure the compliance with relevant laws and regulations, including the new Czech Gambling Act, through continuous monitoring and evaluation of our internal controls measures. As confirmed by our Czech Legal Advisers, there is a transitional period for our Group to implement the internal control measures with respect to the implementation of update of diagram of camera system and the Panic Button Features in order to ensure full compliance with the new Czech Gambling Act.

The Internal Control Consultant has reviewed all relevant policies and procedures for managing the compliance with the new Czech Gambling Act, and has not noted any material deficiency on the design of these policies and procedures.

In view of the abovementioned internal control measures implemented and to be implemented, the Internal Control Consultant is not aware of any material concern on such policies for the new Czech Gambling Act, our Directors are of the view and the Sole Sponsor concurs that our Group is able to comply with the internal control requirements under the new Czech Gambling Act in material aspects, and is not aware of any material deficiencies in relation to the internal control measures of our Group in this regard.

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. Due to technical issues with the original system infrastructure provider, our Group decided to terminate the partnership in November 2022 and engaged a new system infrastructure provider in January 2023. To facilitate this change, we applied for a voluntary suspension of the online gaming licence, which was approved by the MGA in December 2022 for a validity period until December

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2023. The re-activation of our online gaming licence has been approved by the MGA on 24 November 2023. 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 approved by the MGA. It is planned that the soft launch of the Online Gaming Business will take place during the first half of 2024. The soft launch will only be available 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.

During the three years ended 31 March 2021, 2022 and 2023 and the six months ended 30 September 2023, the total expenses incurred by Palasino Malta amounted to nil, HK\$5.6 million, HK\$13.1 million and HK\$8.2 million, respectively. The expenses were primarily attributable to the operating expenses, which includes employee benefit expenses, gaming operation expenses relating to platform licence, licence application, cloud service and office expenses. During the Track Record Period, Palasino Malta did not recorded any revenue.

Our future plan, which included expansion of our online gaming business to regulated jurisdictions, has not incurred any material cost as at the Latest Practicable Date. Material cost may be incurred when we expand our online gaming business.

For details, please refer to the paragraph headed "Risk Factor — The online gaming industry is a rapidly evolving industry, which makes it difficult to evaluate our business and financial prospects". Going forward, we will exercise caution and evaluate the expenses before entering into new jurisdictions.

Our platform is monitored continuously to ensure that access is only limited to an IP address located in Malta. Any player attempting to access our online gaming platform by unauthorised access (such as VPN, proxy servers or other similar gateways) would be detected and attempted registrations will be blocked.

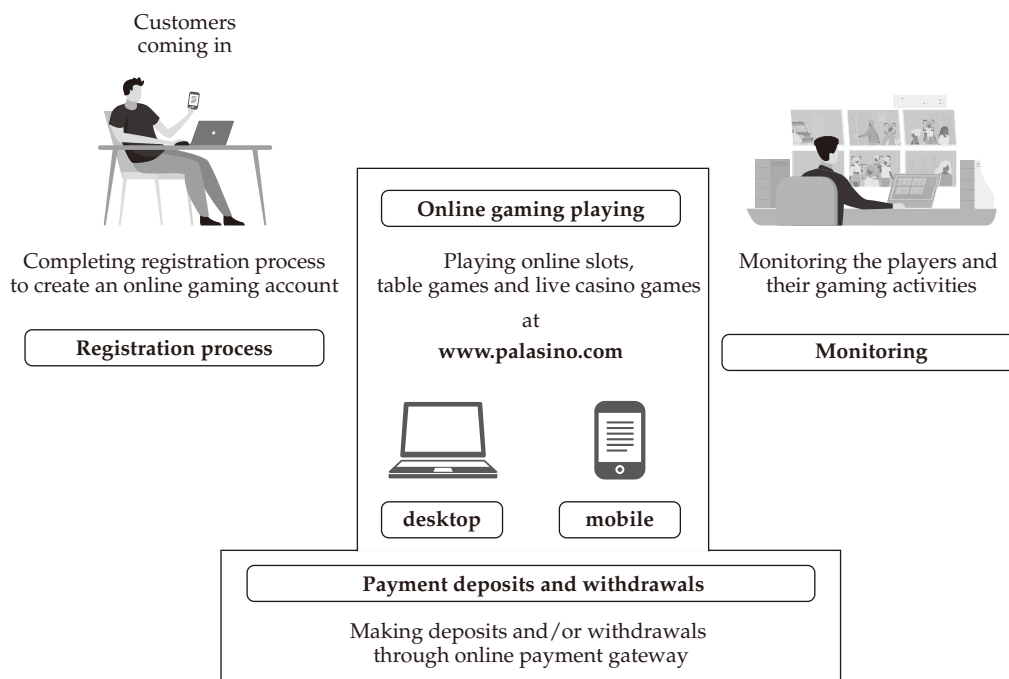
As to the future plans on the online gaming business, it is the current intention of our Group to target on the regulated jurisdictions including those in Central Europe, subject to satisfactory feasibility study of such regulated market or any possible potential market aware of by our Group in the future. Our Group continuously conducts research to (i) identify potential target jurisdiction, (ii) evaluate market size, regulatory environment and relevant legal requirements for licencing and AML, (iii) check the availability of service providers (such as service providers for the online gaming platform) and (iv) estimate the financial costs, etc. in order to assess the potential success rate of entering into a specific new jurisdiction. Such plan is only the preliminary plan based on the current circumstances and information available to our Group. Same as having the online gaming licence in Malta, in respect of those regulated markets that our Group is proposing to tap into, certain requirements must be met, and online gaming licences must be sought. Our Group will continuously monitor the regulatory development of the jurisdictions where our Group operates in or intends to operate in to ensure that its Online Gaming Business are in compliance with the latest relevant and available rules and regulations.

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Online Gaming Operation

Palasino Malta provides its online gaming service through the website www.palasino.com, which is available on both desktop and mobile device channels. Through our online gaming platform, we provide various digital games and entertainment options to players over the internet. Our online gaming platform is supported by a software development company. We also engage various game service providers to provide the gaming contents, which are integrated to our online gaming platform. Both the software development company and the game service providers have obtained the licences or approval granted by the MGA. We also have (i) customer relationship management platform to provide the functions of communication with the players, (ii) AML monitoring platform to assess and manage AML requirements, and (iii) payment gateways through which payment service providers are integrated to provide the online payment services.

The flowchart below sets out the operation of our Online Gaming Business:



Registration process

The registration process is conducted through completing the registration form in the required fields by the new players in accordance with the relevant Maltese laws and regulations, such as name, date of birth, gender, address, email and mobile number, during the initial registration process. To create an account, the player is also requested to read and accept the terms and conditions (the “**Terms and Conditions**”), privacy policy and cookie policy of our online gaming platform. The Terms and Conditions include terms that require the player to declare and confirm that he/she has provided true and accurate information, including but not limited to age, nationality and address. Pursuant to the Terms and Conditions, among other things, (i) a person must not use the website to play

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games if he/she is under 18 years old. Any funds deposited by such person will be returned to the individual after the account has been closed by Palasino and any winnings will be forfeited, (ii) a player warrants and represents that he/she is at least 18 years old, and he/she has not been excluded from gaming (e.g. self-excluded, blocked from our website or services, or excluded in a National Self Exclusion Register), and (iii) by registering as a player, a player must confirm that he/she is not a resident in the countries that are expressly prohibited from using the online gaming website and/or any other jurisdiction where his/her participation of the online gaming would be in conflict with any applicable laws or rules. It is the sole responsibility of the player to understand the laws in his/her jurisdiction of residence relating to all aspects of playing any games and/or services provided by Palasino Malta. The player is responsible for his/her compliance with the local laws which is applicable to him/her, and Palasino Malta makes no representation that the online gaming on the platform is appropriate, available or allowed in his/her jurisdiction.

At the end of the registration process, players are automatically presented with responsible gaming information along with a list of responsible gaming tools, such as deposit limits, session limits, playing time checks, and self-exclusion setting, etc., through our gaming website.

As a first step of customer due diligence and AML procedure, we will check all the new registrations by using screening tools to ensure the new players are not politically exposed persons, or appeared in the sanction lists or adverse media. After going through the know-your-client and AML procedure, players will have their own accounts at our online gaming platform. For details, please refer to the paragraph headed "Internal control measures for our Online Gaming Business" below.

Online games playing

Once a player is successfully logged in to his account using either a username/password or email/password combination created during the registration process, he may access to various types of games among the three main categories, namely (i) slots games, (ii) table games and (iii) live casino games. The games in the categories of slots and table games are operated based on RNG, while the live casino games are operated by real dealers streamed from studios which are set up to replicate the experience in a real land-based casino. In order to enhance the players' experience, we will make available for the players a range of filters, both simple and advanced search function by category and game provider, to surf through the wide range of games in a timely manner in order to select their most favourite game. All of the games provided in our website have been tested and approved by the MGA.

After logging-in to their accounts on our website to play online games, players can log out at any time they want to do so. For security purpose, Palasino Malta is required to automatically log out players after 30 minutes of inactivity, of which the players will be informed in advance accordingly. Players will need to input username/password or email/password to log in again.

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Payment deposits and withdrawals

The players can make deposits to their accounts via online payment gateways integrated with our platform and start playing. The players can choose from the following payment methods to make a deposit: debit card, credit card or online e-wallet licenced within the European Economic Area. The player's balance is displayed at all times and is also updated when a bet is placed and as applicable, when the player wins. All the amounts are displayed together with the respective currency symbol. Players can also withdraw the balance in their accounts through the online payment gateways. A withdrawal request with the payment method the same as the deposit can be processed automatically, or a proof of identification will be required to process for the withdrawal exceeding certain amount. If the payment method of a withdrawal request differs from that of the original deposit, a proof of ownership of the account the amount is withdrawn to is required for the withdrawal process. Transaction history, such as deposits, bonuses, placed bets, won bets, lost bets and/or withdrawals, is made available to the players at all times in their accounts in our website.

Monitoring

The monitoring and review of the players and their gaming activities, including deposit, withdrawal and game playing, are conducted constantly and continuously. This is achieved by a partially automated monitoring system with technical means catered for the online casino, and further manual monitoring conducted by our operation department. The back office is equipped with all players' activity histories, where each transaction can link to a player. This allows us to determine if any suspicious or illegal activity has occurred. Large amount deposits, large winnings, suspicious payments are automatically flagged by the system on which our website is operating and escalated to our operation department for further action. A record of a player's history, from registration to termination of transaction, with all of the player's playing activities, is required to be kept for continuous evaluation on the player to ensure the activities conducted by the player is consistent with the knowledge we have on the player and the player's risk profile, and to identify any deviation from the norm and suspicious activity. Such records shall be kept for ten years after the business relationship with a player is terminated.

Measures to prevent unauthorised access

In order to ensure only the Maltese residents located in Malta can participate the online games of our Group, our Group has installed certain blocking software in the system infrastructure of our online gaming platform to block unauthorised access, including VPN. To participate in online games, a player must access to the online gaming platform and make deposits to his/her account via online payment gateways integrated with our Group's online gaming platform. As per the testing conducted by the Internal Control Consultant together with the Sole Sponsor, our Company's online gaming website (i.e. www.palasio.com) has successfully blocked the fake Malta IP address by the use of VPN. Based on the test result, there is no circumstance that could lead our Company, the Internal Control Consultant and the Sole Sponsor to believe that the blocking software is not effective.

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Our Maltese Legal Advisers advised that under our Terms and Conditions, which are legally binding between Palasino Malta and player who accepts our Terms and Conditions, such player shall be solely responsible for his/her own compliance with the laws and rules to the jurisdiction(s) where he/she situated in. In the event a player situated in a jurisdiction that online gaming is prohibited, participates in gambling activities on the Palasino Malta's online gaming platform, based on the measures implemented by Palasino Malta to detect and block non-Maltese IP address from accessing the online gaming platform of Palasino Malta for participating in online gaming activities by way of VPN, the Maltese Legal Advisers are of the view that it is highly remote that any material regulatory measures by the Maltese regulator would be imposed on Palasino Malta.

Internal control measures for our Online Gaming Business

Measures to prevent underaged players from playing

To prevent underaged players (i.e. below 18 years old) from playing our online games, our Group has adopted the following internal control measures:

- when registering an online gaming account, the player must agree to the Terms and Conditions stated in our online gaming website, and indicate his/her date of birth and confirm that he/she is over the age of 18;
- the gaming management system can continue monitoring and identify suspicious behaviour based on a set of predefined rules, such as unusual transaction records and gaming activities. Our staff will investigate and commence the customer verification process, if necessary for the material matter(s), once alerts are received from our gaming management system for any suspicious behaviour detected. The customer verification process includes the checking of identity document, proof of payment method, proof of source of wealth and proof of address, and completing a source of wealth questionnaire depending on the risk level of the player and the relevant trigger event. Any false information provided by the player, such as fake age, will be detected during the customer verification process, which can be triggered at anytime whenever suspicious behaviour is detected by the gaming management system of our Group; and
- in respect of any player who is found to have provided false information, breached the Terms and Conditions, or made misstatement on the "over the age of 18" confirmation, we will immediately terminate the account of such player and prohibit him/her from playing our online games.

Measures to monitor vulnerable persons

To monitor vulnerable persons in playing our online games, our Group has adopted the following internal control measures:

- Palasino Malta has provided responsible gaming tools to players, of which had different effects to limit the access of players to different functionalities of

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our gaming platform, including deposit limit, wagering limit, loss limit, session limit, regular reality check notifications (summary of wins, losses and money wagered), time out and self-exclusion, during or after the registration process. During the excluded period, such players will not be able to access their accounts. Players are given three different options for exclusion: (i) for the next 24 hours, (ii) for a specified period chosen by the player, and (iii) for an indefinite period until further notice;

- Palasino Malta maintains a register of those self-excluded players with appropriate records, including name, address and account details. Palasino Malta will also put a flag in the system informing that this particular player has chosen to be self-excluded. Such players cannot gain access to any of the gaming activities. Revoking the time out and self-exclusion was not permitted;
- a player safety early detection system with AI machine learning algorithms has been installed at our online gaming platform to calculate the probability and flag players at potential risk of self-exclusion by analysing certain predictions at an early stage. Such system analyses bets, payment types, wins, withdrawals, deposits and jackpots (where applicable) of the players across different time periods and group players into four exclusion risk categories (i.e. unsuspecting, low risk, medium risk and high risk) under certain probability thresholds. Accounts with medium and high risk which are triggered by this system will receive automated on-screen messages (OSM) and are reviewed by player safety team to detect any potential problematic gaming behaviour; and
- in order to detect any potential problematic gaming behaviour at early stage, Palasino Malta has also introduced additional technical measures to assist the responsible gaming strategy. A real-time alert system reacts to the indicators on the following potential problems:
 - (i) if a player revises previously set limits, he/she runs the risk to lose control regarding his/her own gaming behaviour. At any instance where limits are reached, the player is informed accordingly via the player interface indicating that the limits have been reached;
 - (ii) the automated system considers the frequency of logged in as an indication of high frequency of gaming, which will trigger evaluation by our staff;
 - (iii) players who make deposits which are cancelled due to insufficient funds are closely monitored by our staff; and
 - (iv) gaming transactions are recorded and analysed in order to identify signs of excessive participation. Such signs could be, for example, playing very frequently or with increasing frequency, playing at different times of the day, and playing for very long or increasingly long periods.

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Upon alerts are flagged, our staff will act in accordance with the level of risk attributed to the players to change or control their gaming behaviour.

Measures to prevent players in jurisdictions that prohibit online gaming from playing

To prevent players in jurisdictions that prohibit online gaming from playing our online games, our Group has adopted the following internal control measures:

- when registering an online gaming account, the player must indicate his/her country of residence from a drop-down menu, which only contains the jurisdictions that allow online gaming and the jurisdictions where Palasino Malta are allowed to operate its Online Gaming Business. At the soft launch stage, only Malta will be shown in the drop-down menu;
- responsible personnel of Palasino Malta will continuously monitor the registration data and the operating data to identify any suspicious activities over the online gaming. For example, we will check the country of residence indicated during the registration against the IP address of the actual place where the player places bets. Frequent changes in IP address and logins from blacklisted IP address of a player may lead to immediate termination of the account of such player; and
- a geo-location lock has been implemented where the IP used to access the site (prior to registration and/or login) is a non-Maltese IP address, which will consequently prevent registration and/or log in with such IP.

There will be enhanced customer due diligence when a player reaches the threshold of EUR2,000 in cumulative deposits since his/her account registration within a rolling period of 180 days, where such player must complete a detailed know-your-client ("KYC") questionnaire, present a valid government-issued identity card or passport and proof of residential address to us. Enhanced customer due diligence on players requiring further verification documents and proof will also be performed if suspicious activities, such as when the login IP address is different from the indicated country of residence at account registration, or when a player has been identified as high-risk customer according to our relevant internal control and AML policies.

Given that (i) Palasino Malta has obtained the online gaming licence from MGA, which indicated that Palasino Malta has satisfied the statutory licencing requirements and has the operational capacity to meet the obligations prescribed by the relevant law and policy in Malta, and (ii) the internal policies and procedures and the system audit of Palasino Malta have been approved in July 2022, and further approved in July 2023 due to the voluntary licence suspension and new technical platform, by the MGA, which has led to the re-activation of the online gaming licence, our Directors are satisfied with the effectiveness of the internal control measures for our Online Gaming Business.

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We will adopt the following measures to further improve our internal control measures for our Online Gaming Business:

- establishing an internal control team to (i) check the information provided by the potential players in the account registration procedures, (ii) continually monitor the suspicious activities, and (iii) enhance risk awareness among key managers in our Group;
- continually monitoring our Online Gaming Business to ensure its compliance with our established internal control measures; routinely evaluating the operation of our internal control measures, and categorising the potential defects identified in the evaluation into high, medium and low levels based on the impact of the defects and determine the rectification time accordingly;
- engaging our Maltese Legal Advisers to advise on the compliance of our internal control measures with all regulatory requirements, including any updated applicable laws and regulations; and
- developing additional measures, including implementation of internal control policy and provision of training programs to the relevant personnel.

The Internal Control Consultant has obtained and reviewed all relevant policies and procedures (including blocking unauthorised access from restricted jurisdiction) for managing the Online Gaming Business of Palasino Malta, and has not noted any material deficiency on the design of these policies and procedures.

Based on the above, our Directors are of the view and the Sole Sponsor concurs that our Group has complied with the internal control requirements for the Online Gaming Business (including blocking unauthorised access from restricted justification) in all material aspects, and are not aware of any material deficiencies in relation to the internal control measures of our Group in this regard.

COMPLIANCE WITH THE GENERAL PRINCIPLES ON SUITABILITY FOR [REDACTED]

Land Based Gaming Business

Our Land Based Gaming Business is operated through three casinos located at the Czech Republic. Licence is required to operate games of chance in the Czech Republic. As advised by our Czech Legal Advisers, (i) our Group has maintained all the licences necessary for the operation of its Land Based Gaming Business and complies in all material respects with the conditions stipulated in the licences; (ii) during the Track Record Period and up to the Latest Practicable Date, our Group has complied with the relevant laws and regulations in the Czech Republic with respect to the operations of gambling activities and anti-money laundering in all material aspects.

On the basis that our Land Based Gaming Business (i) takes place only in the Czech Republic and outside Hong Kong; and (ii) the bookmaking transactions of our Land Based Gaming Business take place outside Hong Kong and the parties to such transactions (i.e.

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the players and the operator, being Palasino Group) are not in Hong Kong, our Hong Kong Legal Advisers are of the view that our Land Based Gaming Business is not unlawful under the Gambling Ordinance.

Based on the above, our Land-Based Gaming Business complies with the general principles and requirements set out in Chapter 4.7 "Gambling Activities" of the Guide for New Listing Applicants.

Online Gaming Business

On the basis that (i) all online gaming activities conducted by our Group take place outside Hong Kong; and (ii) the bookmaking transactions of our Online Gaming Business take place outside Hong Kong and the parties to such transactions (i.e. the players and the operator, being Palasino Malta) are not in Hong Kong, our Hong Kong Legal Advisers are of the view that our Online Gaming Business is not unlawful under the Gambling Ordinance. In giving their advice, our Hong Kong Legal Advisers have also noted (i) the legal opinion from the Maltese Legal Advisers that all applicable laws and regulations in relation to online gaming in Malta have been complied with by Palasino Malta in all material respects, and (ii) the Internal Control Consultant not having noted any material deficiency in the design of our Group's policies and procedures for managing the Online Gaming Business (including its measures to prevent players in jurisdictions that prohibit online gaming from playing, such as Hong Kong).

Our Online Gaming Business is operated through the online game platform of Palasino Malta. The MGA is the regulatory body responsible for overseeing and regulating the gaming industry in Malta. 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. Given that (i) Palasino Malta has obtained the online gaming licence from the MGA, which indicated that Palasino Malta has satisfied the statutory licencing requirements and has the operational capacity to meet the obligations prescribed by the relevant law and policy in Malta, and (ii) the internal policies and procedures of Palasino Malta have been approved in July 2022, and further approved in July 2023 due to the voluntary licence suspension and new technical platform has been approved following a system audit, by the MGA, which has led to the re-activation of the online gaming licence, our Maltese Legal Advisers advised that all applicable laws and regulations in relation to online gaming in Malta have been complied with by Palasino Malta in all material respects since its incorporation and up to the Latest Practicable Date.

Our Group has complied with the internal control requirements for the Online Gaming Business in all material aspects. Based on the above, our Company is of the view and the Sole Sponsor concurs that, our Online Gaming Business complies with the general principles and requirements set out in Chapter 4.7 "Gambling Activities" of the Guide for New Listing Applicants. Unless the Gambling Ordinance is amended to the extent which permits the online gaming activities and bookmaking transactions of online gaming business in Hong Kong, our online gaming platform will not be available to people located in Hong Kong.