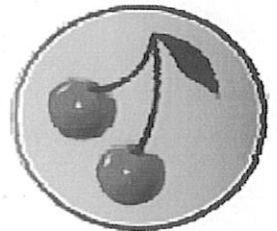


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PIONEER *Slots*



YING LIQUORLAND (PTY)LTD

1 EXECUTIVE SUMMARY

1.1 Introduction

Ying Liquorland (Pty)Ltd Trading as **777 Sports Bar** is [REDACTED] owned by a previously disadvantaged individual. These premises will offer a range of attractions including a bar facility under a valid liquor license. The applicant took the decision to apply for a Type-C licence in Grahamstown, after assessment of the feasibility with the, focusing on the demographics and economics of this part of the Eastern Cape.

The detailed proposal in response to the Request for Proposal (RFP) issued by the Board (the Board) in September 2022 and Pioneer Slots has adhered closely to the prescribed requirements as described within the RFP

777 Sports Bar will be the only premises operating a Type C LPM operation in this part of Grahamstown, Eastern Cape. The perfect location of this site allows for easy access to local retail outlets as well as the many local restaurants, in the midst of which it is situated.

In adherence to the requirements of Regulation 60 (2) of the Act, the company decided to give the name "777 Sports Bar" to the business, which does not depict any dominance of gambling over the rest of the primary business.

The business has security of tenure in the form of a 5-year lease agreement, signed by all parties, providing proof of a long-term commitment. The secured tenure is owned by Ying Trading (Pty)Ltd (Kindly refer to Annexure I – Title Deed, lease agreement). The site is an establishment with a liquor license, a licenced bars and entertainment facilities. The financial models, which demonstrate the sustainability of the proposed primary business and secondary LPM operation, are based upon conservative projections.

We request the following key considerations to be taken into account by the ECGB in considering Ying Liquorland (Pty)Ltd trading as 777 Sports Bar Grahamstown application for the Type-C licence in question, as we demonstrate both the value-added benefits inherent in the bid, and the sustainability of the proposed business and LPM operations:

- A) The existing services in the specific area of the site are limited to the restaurants, sale of foodstuffs and catering services and no entertainment that meets the stringent eligibility criteria stipulated in the applicable legislation for licensed participation in the LPM industry.
- B) Although there are a number of respectable or sustainable entertainment facilities in Grahamstown as a whole, 777 Sports Bar will cater for entertainment seekers who expect a wider variety in the entertainment arena.
- C) Although there is known Type B in the area, they are not in close proximity. The introduction of a Type C site will introduce a new form of entertainment and afford

- patrons with a wider variety and freedom of choice. According to our Management Team, there is no cause for concern regarding over-saturation of gambling in the town.
- D) The presence of the LPMs in this particular area would also be an added advantage for the shoppers – saving them time and effort of going out of their shopping route to go and play elsewhere.
 - E) The Applicant and its Management Team have the capital resources required to implement the projects seamlessly and boast the necessary expertise to maximise GGR returns within a socially responsible framework.
 - F) **Ying Liquorland (SOUTH AFRICA) (Pty) Ltd** will proactively monitor and assist in the closure of illegal gambling activities as this has a negative impact in the economy.

1.2 APPLICANT AND PROJECT TEAM

THE APPLICANT

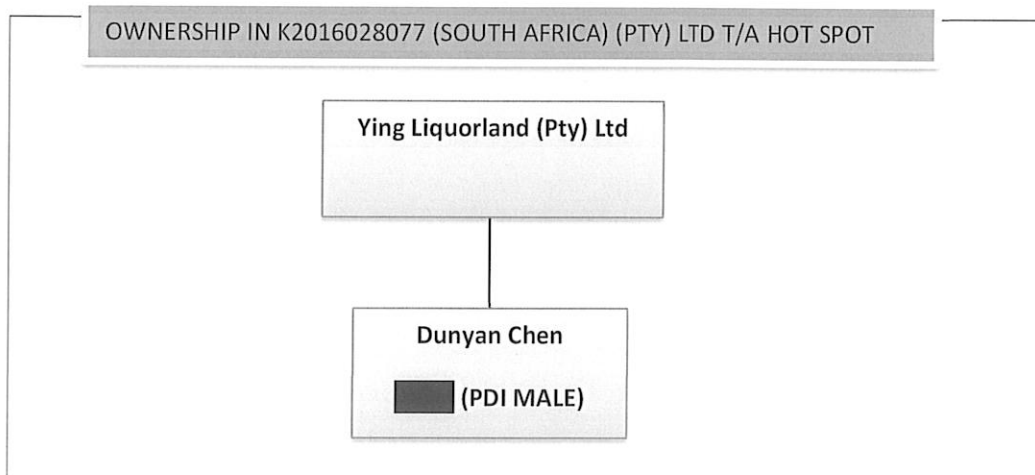
The pertinent details of the Applicant are:

Full names	Ying Liquorland (Pty)Ltd
Trading name	777 Sports Bar
Company Registration.	[REDACTED]
Income tax reference no.	[REDACTED]
Vat no:	N/A
Proposed site address:	No 5 Beaufort Street, Grahamstown, Eastern Cape
Residential address	No 5 Beaufort Street, Grahamstown, Eastern Cape
Telephone no.	[REDACTED]

Refer to the Personal History Disclosure attached to this application as Appendix G for further information on the Applicant.

Member Interest

Applicant is 100% held by a PDI Person, as illustrated in the organogram in *Figure 1.2* below.



Developers

The developers to perform works to the proposed site as summarised in section 1.4 below will be sourced from Grahamstown. The Applicant commits to seek Black SMME developers who are also willing to create employment opportunities while the development works are in progress. The aim is to assist the unemployed with an opportunity of employment, albeit on a temporary basis as a start.

Route Operator

Name: Pioneer Slots
Reg. No: [REDACTED], (Route Operator)

Financiers

Name: First National Bank
Business address: 293 Cape Road, Newtown Park, Port Elizabeth, 6045

1.3 DEVELOPMENT AND OPERATING EXPERIENCE

(a) A summary of the qualifications, experience and ability of the Applicant to successfully manage the primary business

Dunyan Chen

[REDACTED]
[REDACTED]
[REDACTED]
[REDACTED]

Pioneer Slots (Pty) Ltd

The extensive knowledge and experience of the Applicant’s Management Team will, however, also be significantly complemented by that of Pioneer Slots (Pty) Ltd. Reg. 2011/103218/07, 54, 24 Evatt Street, Central, Port Elizabeth which, has a formidable track record in the gaming industry.

Through Pioneer Slots, the Applicant will have access to:

A dedicated provincial component, in the form of the licensed route operator, focusing on site retention and business development;

- licensing and operational compliance;
- technical maintenance, and
- training of site owners and their staff.

A fully-fledged provincial Head Office, comprising 20 staff members, providing on-going assistance and resources in respect of:-

- project planning, establishment of infrastructure and operations, and assistance in the roll-out process;
- national licence and compliance issues;
- on-going skills transfer to site-based staff;
- financial administration;
- information technology, and
- human resources.

An established and fully functional Technical & Call Centre component, which provides a 24-hour Call Centre, incorporating:-

- a 24-hour technical helpline;
- customer relations service;
- co-ordination of technical assistance to sites;
- an LPM testing centre;
- an LPM pre-installation testing centre (for quality control purposes), and
- a research and development centre.

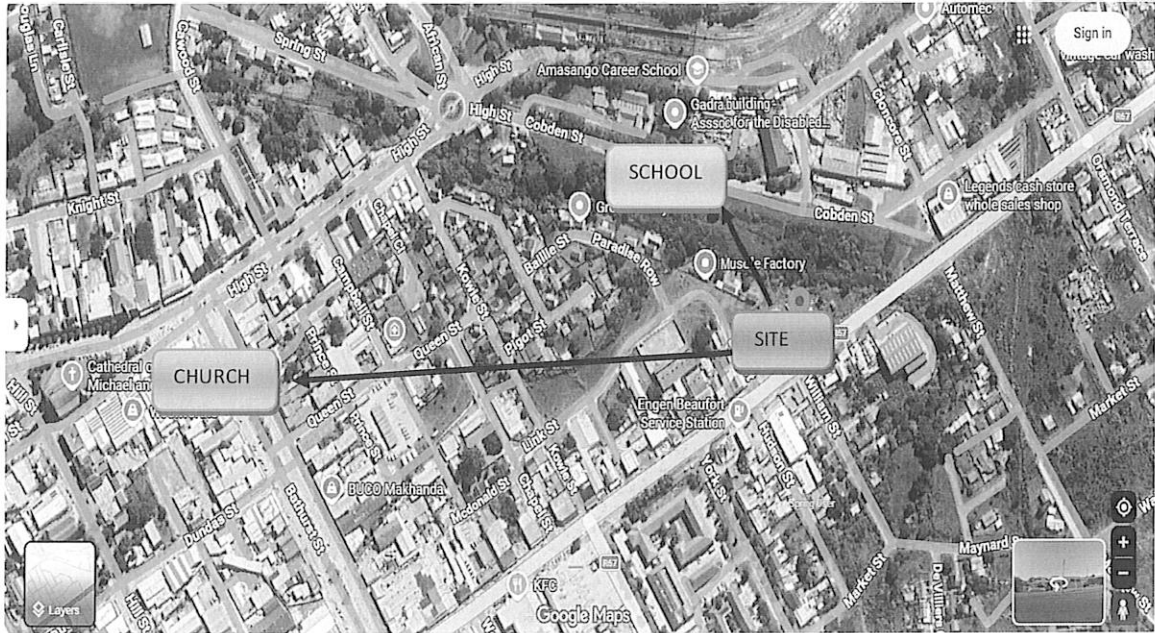
Hot Spot has entered into a site agreement with Pioneers slots (Kindly refer to Appendix J – Standard Site Agreement).

1.4 Summary of project concept

a) Proposed location of 777 Sports Bar Projects

A Lease Agreement, in respect of the premises and located at No.5 Beaufort Street, Grahamstown is attached. The building consisting of [REDACTED] has been secured of which [REDACTED] will be allocated for the gaming area

777 Sports Bar, 5 Beaufort Street, Grahamstown, Eastern Cape, Locality Map

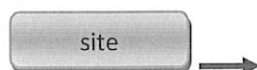


- site → 777 Sports Bar
- school → 238m from Site TO Amasango Career School
- church → 782m from Site TO Cathedral of St Micheal and St George

Site Lease Agreement (See Annexure I)

b) Project concept and the development schedule

The primary business of the 777 Sports Bar provides an innovative successful mix of facilities: a licensed Sports bar with satellite television. The mix will only creatively diversify the business



The procurement, which is, relative to key items required for the development of the site, estimated at the value of [REDACTED] is estimated to create **5 direct and indirect** jobs from within the local community.

The final aspect of the project is skills development and training of key management and site employees. With the majority of job creation being derived from previously disadvantaged background, the individuals will be exposed to a well regulated environment and lucrative industry, and it is the objective of the site owner, together with Pioneer Slots, to empower these individuals throughout the period of the proposed license.

777 Sports Bar is to develop a preferential procurement plan, which will materially advance the development of the local SMME's and their participation in the local economy. Subject only to the on-going availability of the relevant goods and services, the applicant will procure the majority of goods and services from the SMME's with preference being given to locally-based SMME's with BEE credentials.

1.5 Project viability and financial returns

(a) Summary of sourcing, level and nature of financing and the ability to meet financial obligations inclusive

It is estimated that **777 Sports Bar** will require funding relating to the project as follows:

	R
Non-refundable application fee	1,000
Investigation deposit	35,000
Licencing of key employees 3 x employees @ R1805 each	5415
Licencing of gaming employees 2 x employees @ R925 each	1850
Site development costs	[REDACTED]
TOTAL	[REDACTED]

Minimal site development costs will be needed, as most of the features already exist. The outstanding costs will be funded by shareholders.

(b) Summary of the estimated financial returns from the project over the licence period

Were the site to be licensed and commence operations in June 2026, it is estimated to provide [REDACTED] in the GGR over the license period, of which [REDACTED] relate to the site's share after deductions. It is also estimated that the primary business will generate revenue of [REDACTED] over the license term as the direct result of the introduction of the LPMs. The projected net revenue not only enhances the profitability and cash flow of the site, it also generates an estimated [REDACTED] in contribution to Corporate Social Investment over the term of the license. As the major capital expenditure is incurred at the commencement of the project and estimated to be settled within five years of commencement of operations, all profits will be a direct contribution to the cash flow of the entity.

In addition to the above, it is estimated that the site will contribute:

- **R4,150,800** to the ECGBB in respect of gaming taxes (R3,839,000) and licence fees (R311,800); and
- **R9, 804,600** to SARS in respect of income taxes (R3, 708,800), VAT (R3, 780,900), Dividends Tax (R1287, 500) and Payroll Taxes (R1, 027,500).

Key assumptions used in the forecasts are:

Gross Gaming Revenue (GGR) per machine per month	R8,000
Number of LPMs installed	19
Annual revenue growth in primary and secondary businesses	
Year 1	17%
Years 2-5	7%
Year 6 to termination	6%
% increase in operating costs	7%
Statutory tax rate	28%
VAT	14%

Project viability is forecast by the market demand assumptions that have been used to determine revenue scenarios. The basis for the market demand study is an analysis of the tendency to gamble among South Africans, expressed as a percentage of the collective disposable income. Various research studies have indicated that the prevailing propensity to gamble is 1.05% of disposable income.

The attached Financial Projections clearly illustrate the financial viability and sustainability of various aspects of the project. (See Appendix D)

1.6 BENEFITS TO THE ECONOMY

Summary of the key benefits

Participation in the ownership by PDIs – The beneficial interest in the Applicant depicts true, local empowerment of the previously disadvantaged, in that Mr Dunyan Chen owns 100% and residing in the Eastern Cape.

Promotion of Tourism and the provision of entertainment facilities to members of the public – The Applicant will provide a much-needed gaming and entertainment facility to Grahamstown and the surrounding areas. It will create an entertainment hub in a town that does not have much to offer visitors or residents.

Creation of sustainable employment – The Applicant plans to employ a minimum of 5 employees throughout the term of the Site Licence. The company will seek to employ individuals primarily of a previously disadvantaged background and from within the Local community.

Provision of training and skills – The Applicant has estimated spending toward the training and development of its employees. Empowerment is key to the Applicant's and Route Operator's management and philosophy, and with employment geared mainly for young PDIs from within the community, transfer of skills will be aimed at those who currently require them most.

Stimulation of the Local economy – Preference for all works will be given to companies within the Eastern Cape, particularly to any SMME's in Grahamstown. Once in operation, SMME's from Grahamstown will be used for the following services, to name a few:

- general site maintenance – plumbing, electrical, painters;
- security; and
- cleaning

Social Economic Development ("SED") -The Applicant, together with the Route Operator, is passionate about community projects and will continue to do so in this community. As such, the Applicant has committed to contribute a minimum of 1.15% of the Gross Gaming Revenue to social economic development. The total contribution to such projects is estimated at R20 000 over the Licence Period.

Prevention of incidents of illegal gambling – The Applicant will at all times ensure compliance to the Licence Conditions if issued a Site Licence. It also believes that this type of establishment would discourage illegal gambling as it raises awareness of responsible gambling and the benefits thereof, most importantly, the contributions made towards SED and the community.

The meaningful economic empowerment of local, black-owned small, medium and micro enterprises (“SMME's”), through the consistent application of a well-developed preferential procurement plan designed to promote the accessibility to SMME's of goods and services to be procured by the Applicant in the operation of its business, and Locally-based enterprise development initiatives, as contemplated in Section 14.2.1.3 of the RFP.