

## AsianLogic Limited, i.e. the ALL Group (ALOG.L)

|                             |   |                                      |
|-----------------------------|---|--------------------------------------|
| <b>Registered Office</b>    | Tortola, British Virgin Islands                             |                                      |
| <b>Website</b>              | <a href="http://www.asianlogic.com">www.asianlogic.com</a>  |                                      |
| <b>Adviser/Broker</b>       | Collins Stewart Europe Limited; London                      |                                      |
| <b>Auditors</b>             | Baker Tilly Hong Kong                                       |                                      |
| <b>Solicitors (English)</b> | Berwin Leighton Paisner LLP; London                         |                                      |
| <b>Solicitors (BVI)</b>     | Harney Westwood & Reigels; Tortola, BVI                     |                                      |
| <b>Placing Solicitors</b>   | Shepherd and Wedderburn LLP; London                         |                                      |
| <b>Registrars</b>           | Computershare Investor Services (BVI Limited); Tortola, BVI |                                      |
| <b>Depository</b>           | Computershare Investor Services PLC; Bristol                |                                      |
| <b>Directors</b>            | Jong-Dae Lee  | <i>Non-executive Chairman</i>        |
|                             | Thomas Alexej Hall  | <i>Executive Vice Chairman</i>       |
|                             | Christopher John Parker                                     | <i>Chief Executive Officer</i>       |
|                             | Gary Underwood  | <i>Chief Financial Officer</i>       |
|                             | Robert Gregg Evans  | <i>Chief Operating Officer</i>       |
|                             | Itamar Shamshins  | <i>Chief Technology Officer</i>      |
|                             | Chi Kan Tang  | <i>Business Development Director</i> |
|                             | Jonathan Edward Hubbard                                     | <i>Non-executive Director</i>        |

### Corporate Organization

The Company was incorporated in the BVI on 12 June 2007, and on 12 December 2007, acquired the entire issued share capital of ESL, the previous group holding company. The ALL Group employs over 300 employees, the vast majority of whom are based in the Philippines.

### History of the ALL Group

The founders established ESL in 2002 with the belief that interactive gambling was likely to increase in popularity in the Region. They began assisting third parties to operate online gambling sites on a consultancy basis prior to the Group becoming an operator in its own right under the new interactive gambling jurisdiction established in the Cagayan Economic Zone in the Philippines, under the jurisdiction of CEZA. It was during this time that working relationships were developed with several gambling operators and software providers. In 2003, the Group entered into a management and revenue sharing agreement with Playtech in respect of live videostream casino gaming and also licensed directly its first online casino brand 'MegaSportCasino'. In the same year, it also began to assist Playtech with business development in the Region.

The ALL Group launched its first specifically Asian market focused casino, 'Dafa888' in early 2004, followed by several additional casino brands, and in 2006 launched its first Asian focused poker room, 'Dafapoker'.

The ALL Group's first online sportsbook operation commenced in 2004, initially utilizing locally acquired software and moving to the Laverock von Schoultz platform in 2006 after co-developing the features and backend systems required for the Asia Pacific marketplace.

The Group has continued to develop its online gambling offering by engaging celebrities, such as Tila Tequila of MySpace fame (2006) and Manny Pacquiao, Philippines Champion Boxer (2007), to attract new customers to its sites.

In early 2007, the ALL Group through its subsidiary, Asia Pacific Gaming Ltd., became what the Directors believe to be one of the first Asian-based online gambling operators to be regulated and commence operations in Alderney, a UK approved "White List" regulated jurisdiction. The 'Tila Casino' operates under this license.

In July 2007, the Group acquired long established Asian focused casino brands 'Zipang Casino' and '777Baby', thus further diversifying and enhancing its Asian player base.

Also in 2007, the Group formally launched its land-based sportsbook operations in the Philippines after a period of testing and trials with PAGCOR.

Since its inception, the Group's management team has utilized its financial markets experience and gambling sector knowledge to act as intermediaries or advisors in transactions involving various companies, including Betfair, NETeller, CY Foundation and Playtech. The ALL Group continues to be involved in the provision of these advisory services.

#### **Summary Financial Information (All figs. in US\$'000)**

|  | Yr 2005 | Yr 2006 | 6mos-Jun30, 07<br>(unaudited) |
|--|---------|---------|-------------------------------|
| Revenue                                      | 15,134  | 23,122  | 16,753                        |
| Gross profit                                 | 2,372   | 3,355   | 1,329                         |
| Profit before tax from continuing operations | 1,326   | 3,647   | 2,752                         |
| Profit after tax from continuing operations  | 1,324   | 3,633   | 2,742                         |
| Profit for the period                        | 1,324   | 4,225   | 2,748                         |

#### **Asia/Pacific Market**

The ALL Group currently accepts the majority of its online-derived revenue from Singapore, Malaysia, Japan and Indonesia. Only a small proportion of revenue is currently derived from China.

The Directors believe that the key drives of growth in the online gambling markets in its target region are:

- increased regulation of the online gambling industry;
- increased level of Internet and broadband penetration;
- the introduction of new gambling platforms;
- development of new entertainment options;
- availability of secure payment solutions;
- innovative marketing; and
- growing acceptance of online commerce and payment systems.

#### **Revenue Model**

The ALL Group currently generates revenues from various business activities. For the six months ended 30 June 2007, approximately 85 percent of the Group's revenues were generated from its online casino operations (principally from customers in Malaysia and Singapore).

The Group relies to a material extent on the activities of affiliates to introduce customers to its websites or land-based

operations, who in return receive a commission, based on either a percentage of amounts wagered or a share of the 'casino net revenue' generated by or from the players they have introduced (or a combination of both). The wagers placed through affiliates are primarily placed on a credit basis, whereby credit is extended by the Group to the affiliate and by the affiliate to the player. The Group sets the credit limit for each affiliate which in turn decides how to allocate this credit across the pool of customers introduced by it. Settlement of customers' outstanding balances (i.e. winnings and losses) is the responsibility of the affiliates.

### ***Online Casinos***

The Group operates a number of online casinos including, 'Megasport Casino', 'Dafa888', 'Asian Casino', 'Zipang Casino' and 'Tila Casino'. These casinos have a mostly Asian user base and utilize Playtech's software platform. They are licensed in the Philippines, Curacao or Alderney. The ALL Group's casino product has been designed and localized to attract and retain players in order to maximize profit potential.

Revenue from the Group's online casinos has grown significantly and is currently in excess of \$6.0 million per month. In addition to its own brands, the Group generates revenue by providing "white labels" or "skins" to a limited number of third party marketing partners, in exchange for a revenue sharing arrangement. Typically, the Group provides operators of skins with access to the relevant gaming system, certain customer services, payment processing, IT support and management reports, with the operator, at its own cost, providing its own 'front end' websites and marketing arrangements. All gaming takes place on the ALL Group's systems, which enables customers of the Group, including those referred by the skins' operators, to play on a common platform and access the same games and common progressive jackpots. Revenue generated from the Group's online casino activities constituted approximately 78 percent of the Group's total revenues in 2006.

### ***Casino Facility***

The ALL Group is actively involved in the development of live video streaming for online casinos. It operates what is in effect a casino without any players from its premises in Manila, with the live video feed streamed over the Internet to players of online casinos. This live videostream casino gaming facility allows the players to see the dealer's actions, such as spinning a roulette wheel, dealing cards or throwing dice in real-time, and also to interact with the dealers.

This facility operates 24 hours a day, 7 days a week and employs approximately 200 staff. It is run exclusively for Playtech, which offers this functionality to its licensees. Revenue is earned in three ways: facility fees, tips and royalties. Each licensee pays a facility fee of 50 percent of the theoretical casino net revenue that should be generated from their players' wagers. Thus the facility fee varies with turnover and is not affected if the operator suffers losses. There is a minimum monthly fee of \$2,000 per licensee, with a capped monthly fee for some licensees. Any tips given by the customers to the dealers are generally divided equally between the Group and the licensee.

### ***Online Peer-to-Peer Gaming***

At present, the Group's online P2P gaming business principally consists of poker, although Asian P2P games have recently been launched (such as Mahjong, Cho-Da-Di, Do-Di-Zhu and 13 Card Poker). These Asian games are all currently offered by the ALL Group via its website [www.lfc888.com](http://www.lfc888.com). The Group also controls several other websites, including [www.asiangames.com](http://www.asiangames.com) and [www.asian-games.com](http://www.asian-games.com), which the Directors intend to use as gaming portals for both "play for fun/points" and "play for money" products.

The ALL Group currently operates 'DafaPoker' and 'TilaPoker', which are part of the iPoker network. This network allows the Group's players to play against other players within the broader poker network, increasing the pool of players available at any particular time.

The ALL Group's revenue from P2P games comprises the rake from ring games and the entry fees that it charges players for participation in poker tournaments. There has been compound monthly growth in the Group's average daily rake of over 20 percent in the last 12 months.

### ***Sportsbook***

Through its 60 percent interest in Orient Capital Ventures, Inc., the Group runs land-based sportsbook operations via betting terminals under its 'MegaSportsWorld' brand in the Philippines, as approved by PAGCOR. The terminals are

licensed to accept bets on basketball, boxing and golf. It is anticipated that further sports will be authorized for betting by PAGCOR in the future. The ALL Group is also in negotiations with the Manila Jockey Club to provide a number of terminals in their outlets, which will be used for non-horse race sports betting. The Directors believe there is scope for further expansion of both these operations.

#### ***Slot-machine and server-based gaming systems distribution***

The ALL Group is also a distributor/reseller of gaming machines into the Region, on a revenue share model, for both Videobet (a subsidiary of Playtech), and for ID Games. The ALL Group has received approval from PAGCOR to offer Videobet machines to PAGCOR casinos and VIP clubs in the Philippines. The Directors believe that an opportunity may also exist to place ID Games' slot-machines into PAGCOR casinos.

#### ***Reseller Commission***

The ALL Group acts as an agent for Playtech in the Region, and in this capacity it introduces new customers for which it receives a commission based on a percentage of the ongoing royalty revenue generated from each customer. These reseller commission payments continue for as long as the licensee remains with Playtech.

#### ***Other Gaming Revenues***

The ALL Group owns the 'Mahjong World Tour' brand, under which it proposes to organize land-based Mahjong tournaments in Asia under local licenses. The Directors consider that opportunities may exist to enter into contracts with local Mahjong associations and potentially to sell the TV rights. In addition to the 'Mahjong World Tour', the Group is currently negotiating with the holders of the 'Asian Poker Tour' brand to organize tournaments under that brand.

The ALL Group has a 20 percent stake in Must Read Publications Limited, a media company which owns the 'Inside Asian Gaming' publication, through which it is looking to generate commission revenues in its role as an agent introducing advertisers. It also has a relationship with 'StatsOnSport' (a UK based sports betting advisory site) for the distribution of its content into the Region. The Group is currently in the process of repackaging the sports statistics content in a variety of languages for several different media formats, and the Directors anticipate that such activity may lead to subscription and usage fees from both corporate and end-user clients.

#### ***Advisory***

Since inception, the Group has used its network of contacts with operators and regulators to provide an advisory service to investors and operators seeking to gain exposure to the gambling industry in the Region. It also provides consultancy services assisting companies as they prepare for flotation on a public market and publishes seven branded global and Asian gambling indices related to the quoted gambling sector.

The ALL Group has advised on a variety of transactions, including pre-IPO and public deals. In certain circumstances, the Group has made direct investments in the sector, typically in private companies with management occasionally taking board positions in the investee companies. The Group advisory revenues comprise introductory fees and consultancy fees.

#### **Key Strengths**

The Directors believe that the ALL Group has a number of key strengths that provide it with a competitive advantage when compared to other market participants and potential market entrants. These key strengths include:

- an experienced management team with an extensive network of relationships with operators and regulators in the Region;
- access to the Asia Pacific marketplace, being well positioned for gaming growth in the Region;
- operations in both the online and land-based gambling sectors;
- diversified revenue streams within the gambling sector, with gambling operator revenues, commissions and royalty revenues from its reseller activities and corporate finance advisory fees;
- profitability and potential for fast growing future earnings;
- robust and scalable core gambling systems through utilisation of industry leading third party gambling software and system providers;
- Asia Pacific Gaming Ltd., a member of the Group which operates the 'Tila Casino' brand, is licensed in Alderney, a UK approved "White List" regulated jurisdiction.

- track record of assisting distribution partners in meeting their objectives in the Region, which the Directors believe should lead to additional partnership opportunities; and
- history of successful early stage investment and acquisitions in the gambling sector.

## Strategy

The ALL Group intends to pursue a strategy aimed at delivering sustainable growth in earnings. The Directors believe that the current fragmentation and growth of the Asian gambling market provides further opportunities for expanding the Group's business. The key elements of this strategy are to:

- continue to promote and market core casino and P2P products online;
- continue to develop both land-based and online business opportunities to maximise cross marketing and promotional opportunities;
- continue to develop and offer a market leading range of products and services utilising some of the industry's most respected providers;
- continue to create and expand marketing and promotional channels;
- create a fully regulated and compliant sportsbook offering with an established presence in Asia;
- expand methods of product delivery through new technology channels;
- expand the Group's online sportsbook activities as more jurisdictions begin to licence and regulate online sports betting, leveraging off the Group's sports content interests;
- continue to leverage the Group's industry knowledge, understanding and relationships to provide ongoing deal flow in the gambling sector for corporate finance related activities;
- launch and manage a 'Gaming and Gaming Related Technology Fund'.

## Reason for Admission and use of Proceeds

It is intended that the net proceeds of the placing of the Subscription Shares will be used by the Company for the following purposes:

- to acquire additional online gambling operations and integrate them into ALL's existing online operations;
- to establish a 'Gaming and Gaming Related Technology Fund'. It is proposed that ALL will seed the fund with \$25m of the net proceeds of the Placing and will take a majority stake in the management company. The fund will invest in both public and private businesses;
- to acquire a 24 percent stake in a consortium which is looking to roll out four to five slot machine and digital gambling outlets in Macau in conjunction with a major casino group;
- to acquire a stake in ID Games, an innovative slot-machine manufacturer, for which it acts as a distributor/reseller in the Region; and
- to invest in other companies in the gambling industry where appropriate opportunities arise, some of which have already been identified by the Group.

## The company, its subsidiaries and associate companies

The Company is the holding company of the Group and has the following principal subsidiaries and associate companies:

| <i>Name</i>                       | <i>Country of registration or incorporation</i> | <i>percentage of issued shares held directly or indirectly</i> |
|-----------------------------------|---|--|
| ESL                               | Turks & Caicos                                  | 100  |
| Bayview Technologies Ltd          | BVI   | 100  |
| Bayview Technologies Inc          | Philippines                                     | 100  |
| Internet Sports Marketing Limited | Hong Kong                                       | 100  |
| S-Tech Ltd                        | BVI   | 100  |

|                                   |                |     |
|-----------------------------------|----------------|-----|
| Mahjong Corporation Ltd           | BVI            | 100 |
| Slotlogic Limited                 | BVI            | 100 |
| Linkway Services Limited          | BVI            | 100 |
| Leisure & Entertainment N.V.      | Curacao        | 100 |
| Lhotse Enterprise Ltd             | BVI            | 100 |
| Village Enterprise Limited        | BVI            | 100 |
| Interactive Asian Games Limited   | BVI            | 100 |
| Asia Pacific Gaming Ltd           | Alderney       | 100 |
| Osmila N.V.                       | Curacao        | 100 |
| Holmes Marketing Limited          | BVI            | 100 |
| Gamebuilders Inc                  | Philippines    | 100 |
| Resume Investments Limited        | Cyprus         | 100 |
| Video Technology Limited          | Turks & Caicos | 80  |
| Orient Capital Ventures Ltd       | BVI            | 60  |
| Orient Capital Ventures Inc       | Philippines    | 60  |
| Omis Co Ltd                       | Thailand       | 50  |
| Elberfield Management Limited BVI | BVI            | 50  |
| Copernicus Trading Limited        | BVI            | 31  |
| APE Group Limited                 | BVI            | 25  |
| Must Read Publications Limited    | Macau          | 20  |

