PRC LAWS AND REGULATIONS

The online game industry and mobile game industry are subject to a number of PRC laws and regulations relating to the telecommunications services, Internet information services, electronic and Internet publications, online games and cultural products, and information security and censorship, and is regulated by various PRC government authorities, including:

- the Ministry of Industry and Information Technology, or MIIT (formerly the Ministry of Information Industry, or MII);
- the General Administration of Press, Publication, Radio, Film and Television of the State, or the GAPP (formerly the General Administration of Press and Publication of the PRC and the State Administration of Radio, Film and Television);
- the Ministry of Culture, or MOC;
- the National Copyright Administration, or NCAC;
- the Ministry of Public Security;
- the State Administration for Industry and Commerce, or SAIC;
- the Ministry of Commerce, or MOFCOM (formerly the Ministry of Foreign Trade and Economic Cooperation, or MOFTEC);
- the State Council Information Office, or SCIO; and
- the State Administration of Foreign Exchange, or SAFE.

The PRC State Council and these PRC government authorities have issued a series of rules that regulate a number of different substantive areas of our business, which are discussed below.

Regulations on the Catalogue of Industries for Guiding Foreign Investment

According to applicable PRC regulations on foreign-invested enterprises, capital contributions from a foreign holding company to its PRC subsidiaries, which are considered as foreign-invested enterprises (or foreign-funded enterprises), may only be made when the approval by the MOFCOM or its local counterpart is obtained. In approving such capital contributions, the MOFCOM or its local counterpart examines the business scope of each foreign-invested enterprise (or foreign-funded enterprise) to ensure that it complies with the Catalogue of Industries for Guiding Foreign Investment.

The Catalogue of Industries for Guiding Foreign Investment (外商投資產業指導目錄) promulgated on 30 November 2004 by the National Development and Reform Commission and the MOFCOM, was revised on 7 November 2007 and enforced on 1 December 2007 (the "2007 Industrial Guidance Catalogue") and later revised on 24 December 2011 and enforced on 30 January 2012 (the "2011 Industrial Guidance Catalogue"), which classifies industries in China into three categories:

"encouraged foreign investment industries", "restricted foreign investment industries" and "prohibited foreign investment industries". Those industries which do not fall within any of these three categories are regarded as "permitted foreign investment industries". According to the both the 2007 Industrial Guidance Catalogue and the 2011 Industrial Guidance Catalogue, the industries in which the PRC subsidiaries of the Company engage do not fall in any of the restricted foreign investment industries or prohibited foreign investment industries.

Regulations on Telecommunications Industry

Telecommunications Services

On 25 September 2000, the State Council of the PRC, or the State Council, promulgated the Regulations on Telecommunications of the PRC (中華人民共和國電信條例) (the "Telecom Regulations"), which regulate the telecommunications industry and telecommunication-related activities in the PRC. Pursuant to the Telecom Regulations, telecommunications business operations in the PRC are regulated and administered by the MIIT or its provincial counterpart, depending upon the different categories of services and geographic region of operation. Telecommunications services are divided into two main categories: basic telecommunications services and value-added telecommunications services. Pursuant to the Catalogue for Classification of Telecommunications Services (電信業務分類目錄) effective as of 1 April 2003, information services business falls within the value-added telecommunications business category.

On 5 March 2009, MIIT issued the Measures on Administration of Telecommunications Business Operation Licensing (電信業務經營許可管理辦法) (the "Telecom Licensing Measures"), which became effective on 10 April 2009 and repealed previous measures issued in 2001. The Telecom Licensing Measures provides the conditions, documents required and procedures for application for the telecommunications business operation license and specify the requirements on usage of the license and the code of conduct that telecommunications services providers must comply with. According to the Telecom Licensing Measures, an applicant for value-added telecommunications business must meet the following requirements: (i) the operator shall be a legally established company; (ii) it shall have capital and professionals commensurate with its proposed business activities; (iii) it shall have the reputation for, or the capability in, providing long-term services to its subscribers; (iv) its registered capital shall be equal to or above RMB1,000,000 if it operates within a single province, autonomous region, or municipality in the PRC; its registered capital shall be equal to or above RMB10,000,000 if it operates nationwide or in multiple provinces, autonomous regions, or municipalities in the PRC; (v) it shall have sites, facilities, and plans on technology; (vi) the company, its major investors and members of the management team shall have no record of illegal conduct in violation of the system of administration of telecommunications within the preceding three years; (vii) other requirements under the PRC law. Pursuant to the Telecom Licensing Measures, telecommunications services providers are also required to file certain documents with the competent authorities in first quarter of each year and go through the annual inspection process in respect of their operations during the previous year.

Foreign Investment Telecommunications Sector

Foreign investment in telecommunications sector is governed by the Regulations on Administration of Foreign Invested Telecommunications Enterprises (外商投資電信企業管理規定) (the "FITE Regulations"), which were promulgated by the State Council on 11 December 2001 and amended on 10 September 2008. Pursuant to the FITE Regulations, a foreign investor must establish a Chinese-foreign equity joint venture with a Chinese partner to invest in telecommunications industry. A foreign-invested telecommunications enterprise, or FITE, is allowed to be engaged in basic telecommunications business and value-added telecommunications business. The foreign investor's ultimate equity holding percentage in a value-added telecommunications business shall not exceed 50%. In addition, the FITE Regulations require a foreign investor to demonstrate a good track record and prior experience in providing value-added telecommunications services business before it can acquire any equity interest in a value-added telecommunications services business in the PRC.

On 13 July 2006, MIIT issued the Circular on Strengthening Administration of Foreign Invested Value-Added Telecommunications Business Operation (關於加強外商投資經營增資電信業務管理的通知) (the "MIIT Circular"). The MIIT Circular emphasizes that a foreign investor planning to invest in the value-added telecommunications sector in the PRC must set up an FITE and apply for the applicable telecommunications business operation license. A domestic value-added telecommunications services provider shall not lease, transfer or sell any telecommunications business operation license in any way to a foreign investor, or provide resources, sites, facilities or other conditions for a foreign investor to illegally operate a telecommunications business in the PRC.

Regulations on Online Games and Cultural Products

On 17 February 2011, MOC issued the revised Interim Regulations on Administration of Internet Culture (互聯網文化管理暫行規定) (the "Internet Culture Regulations") and effective as of 1 April 2011. According to the Internet Culture Regulations, the "Internet cultural products" are defined as including the online games specially produced for Internet and games reproduced or provided through Internet. Provision of Internet cultural products and related services is subject to the approval of MOC or its provincial counterpart. MOC issued the Circular on Implementation of the Newly Revised Interim Regulations on Administration of Internet Culture (關於實施新修訂《互聯網文化管理暫行規定》的通知) on 18 March 2011, which provides that temporarily the authorities will not accept applications by foreign-invested Internet content providers for operation of Internet culture business (other than online music business).

On 3 June 2010, MOC issued the Interim Measures on Administration of Online Games (網絡遊戲管理暫行辦法) (the "Online Game Measures"), which became effective from 1 August 2010. Pursuant to the Online Game Measures, a company intending to be engaged in operation of online games, including mobile games operated through wireless telecommunication networks, issuance of virtual currency and/or provision of virtue currency transaction services must have a registered capital of at least RMB10 million and obtain an Internet Culture Business License from the provincial counterpart of MOC.

The Online Game Measures place restrictions on the content of online games and MOC is responsible for conducting the content review. With respect to the online games developed in the PRC, the online game operators are required to complete filing procedures with MOC within thirty days after the online games are provided via Internet, and indicate the filing numbers at the designated places of their websites and in the games. Online game operators are also required to establish self-censorship systems and have dedicated personnel for the purpose to ensure the lawfulness of the content of online games.

The Online Game Measures require the online game operators to, based on the contents, functions and target users, formulate user guidance and warning information regarding the online games, and indicate such information at a conspicuous place of their websites and in the games. MOC has formulated the Essential Clauses of the Standard Agreement for Online Game Services (網絡遊戲服務格式化協議必備條款). Pursuant to the Online Game Measures, the service agreement entered into between an online game operator and a user must include all the essential clauses specified by MOC. Other clauses in the service agreement shall not contravene the essential clauses. Furthermore, the online game operators are required to take technical and managerial measures to ensure online information security, including preventing computer virus invasion, attack or damage, backing up important data and saving user registration information, operating information, maintenance logs and other information, and protect state secrets, trade secrets and users' personal information.

Regulations on Internet Publication

On 27 June 2002, GAPP and MIIT jointly issued the Interim Regulations on Administration of Internet Publication (互聯網出版管理暫行規定) (the "Internet Publication Regulations"), which became effective from 1 August 2002. These regulations require business operations involving Internet publishing to be approved by GAPP prior to applying for the relevant approval from the MIIT. Under the Notice on Implementing the Provisions of the State Council on "Three Determinations" and the Relevant Explanations of the State Commission Office for Public Sector Reform and Further Strengthening the Administration of the Pre-approval of Online Games and Examination and Approval of Imported Online Games (關於貫徹落實國務院《"三定"規定》和中央編辦有關解釋，進一步加強網絡遊戲前置審批和進口網絡遊戲審批管理的通知) issued by GAPP and other government authorities on 28 September 2009, provision of online games via Internet is regarded as an Internet publishing activity and subject to the prior approval by GAPP. With such approval, the online game operator will be granted an Internet Publishing License specifically allowing online games operation. The notice prohibits any direct foreign investment in online games operation business. Furthermore, it prohibits foreign control or participation in domestic companies' online game operation business in an indirect way such as entering into relevant agreements or providing technical support, or in any other disguised manner.

Regulations on Software Products

On 5 March 2009, MIIT issued the Measures on Administration of Software Products (軟件產品管理辦法) (the "Software Measures"), which took effect as of 10 April 2009 and replaced the previous measures concerning the same subject matter issued on 27 October 2000. The Software Measures regulate development, production, sales, import and export of software products in the PRC in a view

to promoting the development of China's software industry. The Software Measures brought into place a registration and filing system for software products. Software products developed in China shall be registered with the provincial counterpart of MIIT and filed with MIIT, and be granted the Software Product Registration Certificates. According to the Circular on Purifying Online Games (關於淨化網絡遊戲工作的通知) jointly issued by MOC, MIIT, SAIC and other relevant government authorities on 9 June 2005, if an online game is not registered and filed under the Software Measures, it is not allowed to be operated in the PRC.

Regulations on Internet Security and Privacy

On 28 December 2000, the Standing Committee of the National People's Congress introduced legislation for protection of the Internet security. The legislation prohibits use of the Internet that violates the PRC laws and regulations or damages the public security. It also prohibits dissemination of illegal or socially destabilizing content or leakage of state secrets through the Internet, or infringement on trade secret or other legal rights and interests. According to the Regulations on Protection of Computer Information System Security (計算機信息系統安全保護條例) issued by the State Council and effective as of 18 February 1994, the public security authorities are responsible for supervising, inspecting and guiding the Internet security protection work of the information system users and investigate and penalize activities breaching the mandatory Internet security requirements.

On 11 December 1997, the State Council approved the Measures for Administration of Security Protection of Internet and Computer Information Network (計算機信息網絡國際聯網安全保護管理辦法), and the measures took effect on 30 December 1997. The measures require internet service providers to provide a monthly report of certain user information to the public security authority and assist the public security authority in investigating incidents involving breach of laws and regulations on the Internet security.

On 13 December 2005, the Ministry of Public Security issued the Regulations on Technological Measures for Internet Security Protection (互聯網安全保護技術措施規定) (the "Internet Protection Measures"), which took effect from 1 March 2006. The Internet Protection Measures require ICP operators to take proper measures including anti-virus, data back-up and other related measures, and keep records of certain information about its users (including user registration information, log-in and log-out time, IP address, content and time of posts by users) for at least 60 days, and detect illegal information, stop transmission of such information, and keep relevant records. Internet services providers are prohibited from unauthorized disclosure of users' information to any third parties unless such disclosure is required by the laws and regulations. They are further required to establish management systems and take technological measures to safeguard the freedom and secrecy of the users' correspondences.

Internet cafes are required to obtain a license from the MOC and the SAIC, and are subject to requirements and regulations with respect to location, size, number of computers, age limit of customers and business hours. The PRC government has promulgated several regulations administrating Internet cafes illustrating its intention of intensifying the regulation of Internet cafes, which are currently the primary venue for our players to play online games. The State Council issued the Notice on the Special Regulation against Internet Cafes and Other Internet Access Service Business (國務院辦公廳轉發文化部等部門關於開展網吧等互聯網上網服務經營場所專項整治意見的

通知) in February 2004 to overhaul Internet cafes and suspend the issuance of new Internet cafe licenses for a period. In November 2004, the SAIC issued the Circular for Further Strengthening the Special Regulation against Internet Cafes (關於進一步深化網吧專項整治工作的通知) further tightening the restrictions on the establishment of Internet cafes. In February 2007, fourteen PRC governmental agencies, including the MOC, MIIT and GAPP jointly promulgated the Circular for Further Strengthening the Administration of Internet Cafe and Online Games (關於進一步加強網吧及網絡遊戲管理工作的通知) (the "**Circular**"). According to the Circular, no new Internet cafe should be approved in 2007, and the regulation of existing Internet cafes should be strengthened.

During the Track Record Period and up to the Latest Practicable Date, we did not operate any Internet cafes.

Regulations on Virtual Currencies

In February 2007, 14 governmental authorities, including the MOC, MIIT and GAPP, jointly promulgated the Circular for Further Strengthening the Administration of Internet Cafe and Online Games (關於進一步加強網吧及網絡遊戲管理工作的通知) (the "**Circular**"). According to the Circular, the administration of the PBOC on virtual currencies issued by online game operators for the players' use in online games has been emphasized in order to avoid the potential impact of such virtual currencies on the live financial system. The volume of issuance and purchase of such virtual currencies shall be limited and such virtual currencies shall not be used for purchase of any physical products or refunded with a premium or otherwise illegally traded.

On 4 June 2009, the MOC and the MOFCOM jointly issued the Notice on Strengthening the Administration of Virtual Currencies for Internet Games (關於加強網絡遊戲虛擬貨幣管理工作的通知) (the "**Notice on Virtual Currencies**"). According to the Notice on Virtual Currencies, companies engaged in the issuance of virtue currencies for Internet games should follow the relevant rules and regulations, and should apply and receive the necessary approvals from the local counterparts of MOC.

During the Track Record Period and up to the Latest Practicable Date, we have received the approval from the Cultural Bureau of Fujian Province with respect to our issuance of virtual currencies for Internet games and have been in compliance with the relevant regulation on virtual currencies.

Regulations on Intellectual Property

Copyright

The Copyright Law of the PRC (中華人民共和國著作權法), adopted in 1991 and revised respectively in 2001 and 2010, protects copyright and explicitly covers computer software copyright. On 20 December 2001, the State Council promulgated the new Regulations on Computer Software Protection (計算機保護條例), effective from 1 January 2002, which are intended to protect the rights and interests of the computer software copyright holders and encourage the development of software industry and information economy. In the PRC, software developed by PRC citizens, legal person or other organizations is automatically protected immediately after its development, without an application or approval. Software copyright may be registered with the designated agency and if registered, the certificate of registration issued by the software registration agency will be the

preliminary evidence of the ownership of the copyright and other registered matters. On 20 February 2002, the NCAC introduced the Measures on Computer Software Copyright Registration (計算機軟件著作權登記辦法), which outline the operational procedures for registration of software copyright, as well as registration of software copyright license and transfer agreements. The Copyright Protection Center of China is mandated as the software registration agency under the regulations.

Trademark

The Trademark Law of the PRC (中華人民共和國商標法), adopted in 1982 and revised respectively in 1993 and 2001, protects registered trademarks. The China Trademark Office under the SAIC is responsible for trademark registrations. Upon the registration of a trademark, the register will have the right to exclusively use the trademark. Registered trademark license agreements are required to be filed with the China Trademark Office for record.

Patent

The National People's Congress adopted the Patent Law of the PRC (中華人民共和國專利法) in 1984 and amended it in 1992, 2000 and 2008, respectively. A patentable invention, utility model or design must meet three conditions: novelty, inventiveness and practical applicability. Patents cannot be granted for scientific discoveries, rules and methods for intellectual activities, methods used to diagnose or treat diseases, animal and plant breeds or substances obtained by means of nuclear transformation. The Patent Office under the State Intellectual Property Office is responsible for receiving, examining and approving patent applications. A patent is valid for a twenty-year term for an invention and a ten-year term for a utility model or design, starting from the application date. Except under certain specific circumstances provided by law, any third party user must obtain consent or a proper license from the patent owner to use the patent, or else the use will constitute an infringement of the rights of the patent holder.

Domain Name

Internet domain name registration and related matters are primarily regulated by the Implementing Rules on Registration of Domain Names (域名註冊實施細則) issued by China Internet Network Information Center (the "CNNIC"), the domain name registrar of the PRC, which became effective on 29 May 2012, the Measures on Administration of Domain Names for the Chinese Internet (中國互聯網域名管理辦法), issued by MIIT on 5 November 2004 and effective as of 20 December 2004, and the Measures on Domain Name Disputes Resolution (域名爭議解決辦法) issued by CNNIC on 28 May 2012 and effective as of 28 June 2012. Domain name registrations are handled through domain name service agencies established under the relevant regulations, and the applicants become domain name holders upon successful registration.

Regulations on Foreign Currency Exchange

The principal regulations governing foreign currency exchange in the PRC are the Regulations on Administration of Foreign Exchange (外匯管理條例) (the "Foreign Exchange Regulations"), promulgated by the State Council in 1996 and amended in 1997 and 2008. Under the Foreign Exchange Regulations, RMB is freely convertible for current account items, such as dividends distributions,

interest payments, and trade and service-related foreign exchange transactions, on a basis of true and lawful transactions; as for capital account items, such as direct investments, loans, repatriation of investments, and investments in securities outside the PRC, the prior approval of, or registration with, SAFE is required.

Pursuant to the Rules on Administration of Settlement, Sale and Payment of Foreign Exchange Provisions (結匯、售匯及付匯管理規定), issued by the PBOC on 20 June 1996 and effective from 1 July 1996, foreign-invested enterprises in the PRC may purchase foreign currency, subject to a cap approved by SAFE, to settle current account transactions, without the approval from SAFE. Foreign exchange transactions under capital account are still subject to limitations and require approvals from or registrations with SAFE.

SAFE Circular 75

On 21 October 2005, SAFE issued the Circular on Relevant Issues Concerning Foreign Exchange Control on Domestic Residents' Financing and Roundtrip Investment through Offshore Special Purpose Vehicles (關於境內居民通過境外特殊目的公司融資及返程投資外匯管理有關問題的通知) (the "SAFE Circular 75"), which became effective as of 1 November 2005. Pursuant to the SAFE Circular 75, a PRC resident (whether a natural or legal person) is required to complete the initial registration with the local SAFE counterpart before incorporating or acquiring control of an offshore special purpose vehicle, or SPV, with assets or equity interests in an onshore company located in the PRC, for the purpose of offshore equity financing. The PRC resident is also required to amend the registration or make filings upon (i) injection of the assets or equity interests in an onshore company or undertaking of offshore financing, and (ii) a material change that may affect the capital structure of the SPV.

Under the SAFE Circular 75, the fulfillment of the initial and amended SAFE registrations as described above is a prerequisite for other regulatory approvals and registrations required for relevant cross-border investment activities and capital flows, such as the offshore entity's inbound investment or provision of shareholder's loans to the onshore entity and the onshore entity's payment of dividends or repatriation of liquidation proceeds, equity interests disposal proceeds or capital reduction to the offshore entity.

Regulations on Labor and Social Security

On 29 June 2007, the PRC government promulgated the PRC Labor Contract Law (中華人民共和國勞動合同法), which became effective on 1 January 2008. Pursuant to the PRC Labor Contract Law and the PRC Labor Law, which became effective on 1 January 1995, (i) employers must execute written labor contracts with full-time employees, (ii) employers are prohibited from forcing employees to work overtime unless they pay overtime payment to the employees and the hours worked beyond the standard working hours are within the statutory limits, (iii) employers are required to pay salaries to employees on time and the salaries paid to employees shall not be lower than the local minimum salary standard, and (iv) employers shall establish its work safety and sanitation system, and

provide employees with workplace safety training. In addition, in accordance with the relevant laws and regulations on social security, employers in the PRC are required to make contributions to various social insurances (including medical, pension, unemployment, work-related injury and maternity insurance) and the housing fund on behalf its employees.

Pursuant to the Social Insurance Law of the PRC (中華人民共和國社會保險法) (the "New Social Insurance Law") promulgated on 28 November 2010 by the NPCSC and implemented on 1 July 2011, the Interim Regulations Concerning the Collection and Payment of Social Insurance Premiums (社會保險費征繳暫行條例) promulgated and implemented on 22 January 1999 by the State Council, the Interim Measures Concerning the Maternity Insurance of Employees of an enterprise (企業職工生育保險試行辦法) promulgated on 14 December 1994 and implemented on 1 January 1995 by former Ministry of Labor, the Regulation on the Administration of Housing Provident Fund (住房公積金管理條例) promulgated and implemented on 3 April 1999 and amended on 24 March 2002 by the State Council, the Regulation on Occupational Injury Insurances (工傷保險條例) promulgated on 27 April 2003 by the State Council and implemented on 1 January 2004 and amended on 20 December 2010 by the State Council, and regulations on pension insurance, medical insurance and unemployment insurance in the provincial and municipal level, the employer shall pay pension insurance fund, basic medical insurance fund, unemployment insurance fund, occupational injury insurance fund, maternity insurance fund and housing fund for the employees. After the New Social Insurance Law became effective, where an employer fails to pay social insurance premiums on time or in full amount, it will be ordered by the collection agency of social insurance premiums to pay or make up the deficit of premiums within a prescribed time limit, and a daily late fee at the rate of 0.05% of the outstanding amount from the due date will be imposed; and if it still fails to pay the premiums within the prescribed time limit, a fine of 1 to 3 times the outstanding amount might be imposed by the relevant administrative department.

Regulations on Taxation

Enterprise Income Tax

The Enterprise Income Tax Law of PRC (中華人民共和國企業所得稅法), promulgated by the National People's Congress (the "NPC") on 16 March 2007 and effective as of 1 January 2008, and the Regulations to the Enterprise Income Tax Law of PRC (中華人民共和國企業所得稅法實施條例), promulgated by the State Council on 28 November 2007 and effective as of 1 January 2008, provides that the enterprise income tax ("EIT") rate applicable to all enterprises, resident or non-resident, shall be 25% generally except for individual-invested single-proprietorship and partnership established under PRC laws and regulations. Resident enterprises, including but not limited to companies, institutes, associations, and other entities established under PRC laws and regulations, should pay EIT in connection with their income from PRC and abroad; non-resident enterprises with branch(es) within PRC, including but not limited to companies and other entities established under laws of foreign countries/regions, should pay EIT in connection with any income of such branch(es) from PRC, or out of PRC but of substantial connection with such branch(es); non-resident enterprises without any branch in PRC should pay EIT in connection with their income from PRC, at the tax rate of 10%.

Business Tax

According to the prevailing Business Tax (the "BT") regulation effective 1 January 2009, any unit or individual providing services as prescribed in the rules, transferring intangible assets or selling immovable properties within the territory of the PRC will be subject to BT on the income derived from BT taxable activities. BT rate on transfer of intangible assets and sales of immovable property is 5%, while those on taxable services range from 3% to 20%, depending on the nature of the industry of the services.

Fuzhou Tianmeng was recognised as a software enterprise and was granted with the Software Enterprise Certificate on 23 September 2008 by Fujian Provincial Bureau of Information Industry (福建省信息化局). Pursuant to the Several Policies on Encouraging the Development of the Software Industry and the Integrated Circuit Industry (關於鼓勵軟件產業和集成電路產業發展的若干政策) promulgated by the State Council on 24 June 2000 and effective as of 1 July 2000 and the Circular of the State Council on Printing and Distributing Policies for Further Encouraging the Development of the Software Industry and the Integrated Circuit Industry (國務院關於印發進一步鼓勵軟件產業和集成電路產業若干政策的通知) promulgated by the State Council on 28 January 2011. Fuzhou Tianmeng can enjoy tax benefits of being exempt from taxation for two years starting from the first year of its being profitable and a 50% reduction in taxation for three succeeding years. It was exempted from paying the enterprise income tax between 2012 and 2013 and has been entitled to pay 50% of the enterprise income tax from 2014 to 2016.

SINGAPORE LAWS AND REGULATIONS

Video Game Development

The authority that regulates the online gaming industry in Singapore is the Media Development Authority of Singapore (the "**MDA**"). As at the Latest Practicable Date, the MDA has not enacted any specific laws to regulate this industry.

Gambling Laws

As at the Latest Practicable Date, there are no specific laws enacted to regulate online gambling and online gaming in Singapore. However, there are certain gambling-related statutes, a summary of which is provided below.

Common Gaming Houses Act

The Common Gaming Houses Act (Cap. 49) makes it an offence for any person to own, occupy, manage or permit a place which he is the owner or occupier of to be used as a common gaming house. Common gaming houses include (i) places that are used for gambling that the public may have access to and (ii) places kept or used for habitual gambling or used for the purpose of public lottery whether or not the public has access to such place. It is also an offence under the Common Gaming Houses Act to game in a common gaming house or in public. There are, however, no specific definitions in the Common Gaming Houses Act which pertain to online gambling or online gaming.

Betting Act

It is an offence under the Betting Act (Cap. 21) to own, occupy, manage, permit a place which he is the owner or occupier of to be used as a common betting-house or betting information centre. The Betting Act also makes betting or wagering in a common betting-house or with a bookmaker in any place an offence. Betting information centres are used for receiving or transmitting by telephone information relating to horse-race or other sporting events for the purposes of betting or wagering, whilst common betting-houses include places used for (i) betting or wagering on events relating to horse-race or any sporting event to which the public has access to, (ii) places used for habitual betting or wagering for the aforesaid purposes, whether or not the public has access and (iii) places used by bookmakers to receive or negotiate bets or wagers for the aforesaid purposes. There are no specific definitions in the Betting Act pertaining to online gambling and online gaming.

Intellectual Property Laws

Copyright

Copyrights in Singapore are governed by the Singapore Copyright Act (Cap. 63). In Singapore, a copyright exists immediately upon its creation. There is no system of registration of copyrights in Singapore and there are no formal steps required to be taken in order for a copyright to exist. The general position is that the person who created the work in question is the owner of the copyright and, in the case of a work created in the course of employment, the copyright would belong to the employer.

Trademark

The formal system for trade mark registration in Singapore is governed by the Singapore Trade Marks Act (Cap. 332). For registration under the Trade Marks Act, the trade mark in question has to be registered with the Singapore Registry of Trade Marks. Upon registration, the registrant will have exclusive rights to use the trademark in Singapore and this lasts for 10 years and can be renewed for additional 10-year periods.

Patents

Patents in Singapore are governed by the Singapore Patents Act (Cap. 221). Patent registration in Singapore can be either by way of a application filed in Singapore with the Intellectual Property Office of Singapore or an international application filed in accordance with the Patent Cooperation Treaty. A patent may be granted, provided the invention in question is (i) new, (ii) involves an inventive step, (iii) is capable of industrial application and (iv) the publication or exploitation of the invention would not generally be expected to encourage offensive, immoral or anti-social behavior. If a patent is granted, the patent has a duration of 20 years although it will be necessary for the patent owner to renew the patent before the expiry of the 4th year and for every year after.

Employment of Foreign Manpower Act of Singapore ("EFMA") (Chapter 91A)

The availability and the employment cost of skilled and unskilled foreign workers are affected by the government's policies and regulations on the immigration and employment of foreign workers in Singapore. The policies and regulations are set out in, inter alia, the EFMA and the relevant Government Gazettes.

Under the work permit conditions, employers are required to provide acceptable accommodation for their foreign workers. Such accommodation must meet the statutory requirements set by various government agencies, including the National Environment Agency, the Public Utilities Board, the Singapore Civil Defence Force and the Building and Construction Authority ("**BCA**").

An employer of foreign workers is also subject to, inter alia, the provisions as set out in the Employment Act, Chapter 91 of Singapore, the Immigration Act, Chapter 133 of Singapore ("**Immigration Act**") and the regulations issued pursuant to the Immigration Act.

Since 1 January 2008, employers have been required to purchase and maintain insurance for the medical expenses of their work permit holders during their stay in Singapore. The requirement for employers to purchase and maintain insurance is included as a condition of the work permit.

Singapore Taxation

The following is a discussion of certain tax matters arising under the current tax laws in Singapore and is not intended to be and does not constitute legal or tax advice. While this discussion is considered to be a correct interpretation of existing laws in force, no assurance can be given that courts or fiscal authorities responsible for the administration of such laws will agree with this interpretation or that changes in such laws will not occur. The discussion is limited to a general description of certain tax consequences in Singapore with respect to ownership of our Shares by Singapore investors, and does not purport to be a comprehensive nor exhaustive description of all of the tax considerations that may be relevant to a decision to purchase our Shares. Prospective investors should consult their tax advisors regarding Singapore tax and other tax consequences of owning and disposing our Shares. It is emphasised that neither our Company, our Directors nor any other persons involved in the Invitation accepts responsibility for any tax effects or liabilities resulting from the subscription for, purchase, holding or disposal of our Shares.

Singapore Income Tax

Corporate income tax

Singapore resident and non-resident corporate taxpayers are subject to Singapore income tax on:

(i) income accruing in or derived from Singapore; and

(ii) foreign-sourced income received or deemed received in Singapore, unless otherwise exempted.

Foreign-sourced income in the form of branch profits, dividends and service income received or deemed received in Singapore by a Singapore tax resident corporate taxpayer are exempted from Singapore income tax if certain prescribed conditions are met.

A company is regarded as a tax resident in Singapore if the control and management of its business is exercised in Singapore.

The first S$300,000 of chargeable income is exempt from tax as follows:

(i) 75% of up to the first S$10,000 of chargeable income; and

(ii) 50% of up to the next S$290,000 of chargeable income.

The remaining chargeable income (after deducting the applicable tax exemption of the first S$300,000 of chargeable income) will be taxed at the prevailing corporate tax rate, currently 17%.

Dividend Distributions

Singapore currently adopts the One-Tier Corporate Taxation System ("**One-Tier System**"). Under the One-Tier System, the tax paid by a Singapore tax resident company is a final tax and its after-tax profits can be distributed to shareholders as Tax Exempt (One-Tier) dividends.

Dividends paid by our Company will be exempt from Singapore income tax in the hands of Shareholders, regardless of the tax residence status or the legal form of the Shareholders. However, foreign Shareholders are advised to consult their own tax advisors to take into account the tax laws of their respective countries of residence and the existence of any double taxation agreement which their country of residence may have with Singapore.

US LAWS AND REGULATIONS

Gambling Laws

Gambling activities in the United States is subject to the concurrent jurisdiction of both Federal government and the state government where a participant is physically located. Both the Federal and state governments have laws governing gambling. With the notable exception of the Federal Wire Act, which only applies to sports wagering, rather than preempting state gambling laws, Federal laws that govern gambling crimes were designed to aid individual states in the enforcement of state gambling laws. Each of the Federal gambling laws—the Travel Act, the Illegal Gambling Business Act, and the Unlawful Internet Gambling Enforcement Act—require *violating a state law* as a predicate to violating Federal law.

The Wire Act

The Wire Act prohibits the knowing use of a wire communication facility to transmit in interstate or foreign commerce bets or wagers, information assisting in placing bets or wagers or any information that entitles the recipient to money or credit resulting from such a wager, on any sporting event or contest. A recent opinion from the Department of Justice's Office of Legal Counsel analyzed the scope of the Wire Act and concluded it is limited only to sports betting and does not apply to any interstate wagering not involving sports. Casinos games, including poker, are not sporting events and not subject to the Wire Act.

The Travel Act

The Travel Act prohibits any person from using any facility in interstate or foreign commerce intending to promote, manage, establish, carry on or facilitate unlawful activity. Unlawful activity is defined as "any business enterprise involving gambling *in violation of state or federal laws*." As no Federal law directly prohibits casino games, prosecution of an offender could not be based on a violation of a Federal law. A prosecution under the Travel Act therefore must be based on a predicate violation of state law.

The Illegal Gambling Business Act

The Illegal Gambling Business Act prohibits any person from financing, owning or operating an illegal gambling business. An illegal gambling business is defined as an operation *that violates state law*, involves five or more persons, and either is in substantially continuous operation for over 30 days or has a gross revenue of more than $2,000 in any single day. Therefore, like the Travel Act, violating the Illegal Gambling Business Act can only occur if the activity violates a state law. If no predicate violation of state law exists, then there is no violation of the Illegal Gambling Business Act.

The Unlawful Internet Gambling Enforcement Act of 2006

The Unlawful Internet Gambling Enforcement Act of 2006 ("UIGEA") provides that no person engaged in the business of betting or wagering may knowingly accept most payments including credit, the proceeds of credit, credit card payments, electronic fund transfers or the proceeds from EFTs, checks, drafts or similar instruments, or the proceeds from any other financial transaction from a player for unlawful Internet gambling. Unlawful Internet gambling is defined as "to place, receive, or otherwise knowingly transmit a bet or wager by any means which involves the use, at least in part, of the Internet *where such bet or wager is unlawful under any applicable Federal or State law* in the state in which the bet or wager is initiated, received, or otherwise made." Again, as no Federal law directly prohibits casual, casino games that do not include the element of prize, there are no existing Federal statutes that prosecution of an offender could be based on. A prosecution under the UIGEA therefore must be based on violating state law.

Federal gambling law thus does not prohibit all gambling transactions. With the possible exception of the Wire Act, which has been opined to only apply to sporting events and is not applicable to casino games, including poker, Federal gambling laws merely prohibit transactions in violation of a state law in which they occur.

States have commonality in the general approach to gambling. Prohibited gambling offenses generally involve activities in which each of the following elements are present: (1) the award of a prize, (2) determined on the basis of chance, (3) where consideration was paid. If any of the three elements of gambling—consideration, prize or chance—is removed, the activity is generally lawful. Accordingly, if the elements of consideration and chance are present in an activity but the award of a prize is legitimately eliminated, the activity is ordinarily permitted under U.S. gambling law. We have therefore structured and operated our online casino games, such as Texas HoldEm Poker Deluxe and Slot Machines by IGG, in such a way that players winning virtual currency cannot redeem it or other virtual items for either cash, prizes or other thing of value.

A prize is universally considered to constitute something of value. Something of value is often defined as "any money or property, any token, object or article exchangeable for money or property or any form of credit or promise directly or indirectly contemplating transfer of money or property or of any interest therein." When considering whether something has value two issues arise. The first is whether the item awarded has a market value. While a prize does not have to consist of money, courts have required it have a reasonably determined value. The second is whether the item, despite having no defined market value, can be exchanged for cash or an item of value.