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IGG INC

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 799)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2015

HIGHLIGHTS

	For the six months ended 30 June			
	2015		2014	
	<i>US\$'000</i>	<i>HK\$'000²</i>	<i>US\$'000</i>	<i>HK\$'000²</i>
	<i>(Unaudited)</i>		<i>(Unaudited)</i>	
Revenue	103,794	804,777	91,898	712,743
Profit for the period	24,833	192,545	32,939	255,468
Profit for the period attributable to owners of the parent	24,804	192,320	32,939	255,468
Adjusted net income ¹	26,257	203,586	33,669	261,130

— The Group's revenue for the Period was approximately US\$103.8 million, representing an increase of approximately 12.9% over the revenue of approximately US\$91.9 million for the corresponding period in 2014.

— The Group's profit for the Period was approximately US\$24.8 million, representing a decrease of approximately 24.6% over US\$32.9 million for the corresponding period in 2014.

— The Group's profit attributable to owners of the parent for the Period was approximately US\$24.8 million, representing a decrease of approximately 24.6% over US\$32.9 million for the corresponding period in 2014.

- The Group's adjusted net income for the Period was approximately US\$26.3 million, representing a decrease of approximately 22.0% over US\$33.7 million for the corresponding period in 2014.
- The Directors of the Company resolved to declare an interim dividend of HK4.0 cents per ordinary Share (equivalent to US0.5 cents per ordinary Share), amounting to approximately US\$7.4 million (six months ended 30 June 2014: interim dividend of HK5.6 cents per ordinary Share, equivalent to US0.7 cents per ordinary Share).

¹ *Adjusted net income represented profit excluding share-based compensation. It is considered a useful supplement to the condensed consolidated statement of profit or loss indicating the Group's profitability and operational performance for the financial periods presented.*

² *Amounts denominated in U.S. dollars have been converted into Hong Kong dollars at an exchange rate of HK\$7.7536 = US\$1.00 for the Period (six months ended 30 June 2014: HK\$7.7558 = US\$1.00), for illustration purpose only. Such conversions shall not be construed as representations that amount in U.S. dollars were or could have been or could be converted into Hong Kong dollars at such rates or any other exchange rates on such date or any other date.*

UNAUDITED INTERIM RESULTS

The Board of IGG Inc is pleased to announce the unaudited consolidated financial results of the Group for the six months ended 30 June 2015, together with the comparative figures for the corresponding period in the year of 2014. These results have been reviewed by the Company's audit committee, comprising one non-executive Director and three independent non-executive Directors, one of whom chairs the audit committee.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

		For the six months ended 30 June	
	<i>Notes</i>	2015	2014
		<i>US\$'000</i>	<i>US\$'000</i>
		<i>(Unaudited)</i>	<i>(Unaudited)</i>
REVENUE	5	103,794	91,898
Cost of sales		<u>(31,794)</u>	<u>(25,307)</u>
Gross profit		72,000	66,591
Other income and gains	5	1,146	1,415
Selling and distribution expenses		(22,488)	(19,095)
Administrative expenses		(10,365)	(6,401)
Research and development costs		(12,871)	(6,892)
Share of results of associates		(29)	—
Other expenses		<u>(677)</u>	<u>(238)</u>
PROFIT BEFORE TAX	6	26,716	35,380
Income tax expense	7	<u>(1,883)</u>	<u>(2,441)</u>
PROFIT FOR THE PERIOD		<u>24,833</u>	<u>32,939</u>
Attributable to:			
Owners of the parent		24,804	32,939
Non-controlling interests		<u>29</u>	<u>—</u>
		<u>24,833</u>	<u>32,939</u>
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	9		
(expressed in US\$ per share)			
Basic			
- For earnings for the period		<u>US\$0.0180</u>	<u>US\$0.0242</u>
Diluted			
- For earnings for the period		<u>US\$0.0173</u>	<u>US\$0.0229</u>

**INTERIM CONDENSED CONSOLIDATED STATEMENT OF
COMPREHENSIVE INCOME**

	For the six months ended 30 June	
<i>Notes</i>	2015	2014
	<i>US\$'000</i>	<i>US\$'000</i>
	<i>(Unaudited)</i>	<i>(Unaudited)</i>
PROFIT FOR THE PERIOD	24,833	32,939
OTHER COMPREHENSIVE INCOME/(LOSS)		
Other comprehensive income/(loss) to be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	(263)	(27)
Available-for-sale equity investment:		
Changes in fair value	12 (1,129)	2,909
Reclassification adjustments for gain/(loss) included in the interim condensed consolidated statement of profit or loss - gain on disposal	12 —	(1,112)
OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD, NET OF TAX	<u>(1,392)</u>	<u>1,770</u>
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	<u>23,441</u>	<u>34,709</u>
Attributable to:		
Owners of the parent	23,412	34,709
Non-controlling interests	<u>29</u>	<u>—</u>
	<u><u>23,441</u></u>	<u><u>34,709</u></u>

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	<i>Notes</i>	30 June 2015 (Unaudited) US\$'000	31 December 2014 (Audited) US\$'000
NON-CURRENT ASSETS			
Property, plant and equipment	10	2,985	2,896
Other intangible assets	11	716	905
Non-current assets		2,569	2,004
Interests in an associate		3,415	3,323
Available for sale investments	12	14,503	4,497
Deferred tax assets		<u>7</u>	<u>115</u>
Total non-current assets		<u>24,195</u>	<u>13,740</u>
CURRENT ASSETS			
Accounts receivable	13	942	2,375
Prepayments, deposits and other receivables	14	5,469	3,482
Funds receivable	15	13,322	16,889
Time deposits with original maturity of over three months		12,000	54,000
Cash and cash equivalents	16	<u>161,096</u>	<u>127,088</u>
Total current assets		<u>192,829</u>	<u>203,834</u>
CURRENT LIABILITIES			
Accounts payable	17	7,973	7,572
Other payables and accruals	18	5,432	4,476
Tax payable		4,038	4,820
Deferred revenue		<u>16,215</u>	<u>12,970</u>
Total current liabilities		<u>33,658</u>	<u>29,838</u>
NET CURRENT ASSETS		<u>159,171</u>	<u>173,996</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>183,366</u>	<u>187,736</u>

	<i>Notes</i>	30 June 2015 <i>(Unaudited)</i> <i>US\$'000</i>	31 December 2014 <i>(Audited)</i> <i>US\$'000</i>
NON-CURRENT LIABILITIES			
Deferred tax liabilities		<u>407</u>	<u>457</u>
Total non-current liabilities		<u>407</u>	<u>457</u>
NET ASSETS			
		<u>182,959</u>	<u>187,279</u>
EQUITY			
Issued capital	19	3	3
Reserves		174,838	186,777
Proposed dividends	8	<u>7,350</u>	<u>—</u>
		182,191	186,780
Non-controlling interests		<u>768</u>	<u>499</u>
Total equity		<u>182,959</u>	<u>187,279</u>

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Attributable to owners of the parent												
	Share capital	Share premium	Share option reserve	Share award schemes	Available-for-sale equity investment revaluation reserve	Reserve funds	Other reserve	Exchange fluctuation reserve	Retained profits	Proposed dividends	Total equity	Non-controlling interests	Total equity
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
At 1 January 2015	3	185,236	3,685	(4,300)	(790)	88	8	(373)	3,223	—	186,780	499	187,279
Profit for the period	—	—	—	—	—	—	—	—	24,804	—	24,804	29	24,833
Other comprehensive income for the period:	—												
Changes in fair value of available-for-sale equity investments, net of tax	—	—	—	—	(1,129)	—	—	—	—	—	(1,129)	—	(1,129)
Exchange differences on translation of foreign operations	—	—	—	—	—	—	—	(263)	—	—	(263)	—	(263)
Total comprehensive income for the period	—	—	—	—	(1,129)	—	—	(263)	24,804	—	23,412	29	23,441
Contribution from non-controlling interests	—	—	—	—	—	—	—	—	—	—	—	240	240
Equity-settled share option arrangement	—	—	1,453	—	—	—	—	—	—	—	1,453	—	1,453
Exercise of share options	—	1,341	(453)	—	—	—	—	—	—	—	888	—	888
Vesting of awarded shares	—	104	(367)	263	—	—	—	—	—	—	—	—	—
Dividends received for share award schemes	—	—	—	—	—	—	118	—	—	—	118	—	118
2014 second interim dividend paid	—	—	—	—	—	—	—	—	(10,213)	—	(10,213)	—	(10,213)
2014 special dividend paid	—	—	—	—	—	—	—	—	(20,247)	—	(20,247)	—	(20,247)
2015 interim dividend proposed	—	—	—	—	—	—	—	—	(7,350)	7,350	—	—	—
At 30 June 2015 (unaudited)	<u>3</u>	<u>186,681*</u>	<u>4,318*</u>	<u>(4,037)*</u>	<u>(1,919)*</u>	<u>88*</u>	<u>126*</u>	<u>(636)*</u>	<u>(9,783)*</u>	<u>7,350</u>	<u>182,191</u>	<u>768</u>	<u>182,959</u>

* These components of equity comprise the consolidated reserves of US\$174,838,000 (31 December 2014: US\$186,777,000) in the consolidated statement of financial position as at 30 June 2015.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (continued)

	Attributable to owners of the parent												
	Share capital	Share premium	Share option reserve	Shares held for award schemes	Available-for-sale equity investment revaluation reserve	Reserve funds	Other reserve	Exchange fluctuation reserve	(Accumulated deficits)/ Retained profits	Proposed dividends	Total equity	Non-controlling interests	Total equity
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
At 1 January 2014	3	184,600	1,553	—	—	88	8	(93)	(53,265)	2,879	135,773	—	135,773
Profit for the period	—	—	—	—	—	—	—	—	32,939	—	32,939	—	32,939
Other comprehensive income for the period:													
Changes in fair value of available-for-sale equity investments, net of tax	—	—	—	—	2,909	—	—	—	—	—	2,909	—	2,909
Reclassification adjustments for gain included in the consolidated statement of profit or loss-gain on disposal (note 5)	—	—	—	—	(1,112)	—	—	—	—	—	(1,112)	—	(1,112)
Exchange differences on translation of foreign operations	—	—	—	—	—	—	—	(27)	—	—	(27)	—	(27)
Total comprehensive income for the period	—	—	—	—	1,797	—	—	(27)	32,939	—	34,709	—	34,709
Contribution from non-controlling interests	—	—	—	—	—	—	—	—	—	—	—	480	480
Equity-settled share option arrangement	—	—	730	—	—	—	—	—	—	—	730	—	730
Shares purchased for share award schemes (note 19)	—	—	—	(2,300)	—	—	—	—	—	—	(2,300)	—	(2,300)
Exercise of share options	—	151	(45)	—	—	—	—	—	—	—	106	—	106
Final 2013 dividend paid	—	—	—	—	—	—	—	—	—	(2,879)	(2,879)	—	(2,879)
2014 interim dividend proposed	—	—	—	—	—	—	—	—	(9,835)	9,835	—	—	—
At 30 June 2014 (unaudited)	<u>3</u>	<u>184,751</u>	<u>2,238</u>	<u>(2,300)</u>	<u>1,797</u>	<u>88</u>	<u>8</u>	<u>(120)</u>	<u>(30,161)</u>	<u>9,835</u>	<u>166,139</u>	<u>480</u>	<u>166,619</u>

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	<i>Notes</i>	30 June 2015 <i>US\$'000</i>	30 June 2014 <i>US\$'000</i>
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax:		26,716	35,380
Adjustments for:			
Interest income		(330)	(201)
Fair value gain, net: Available for sale investments		(91)	—
Dividend income from listed investments		(688)	—
Loss on disposal of items of property, plant and equipment	10	84	16
Depreciation	10	626	485
Amortisation of other intangible assets	11	217	66
Equity-settled share compensation costs		<u>1,453</u>	<u>730</u>
		27,987	36,476
(Increase)/decrease in funds receivable		3,567	(1,456)
Decrease in due from related parties		—	114
(Increase)/decrease in accounts receivable		1,433	(2,267)
Increase in prepayments, deposits and other receivables		(1,987)	(1,099)
Increase/(decrease) in other non-current assets		(565)	4
Increase in accounts payable		401	492
Increase in deferred revenue		3,245	2,918
Increase/(decrease) in other payables and accruals		<u>956</u>	<u>(1,295)</u>
Cash flows generated from operations		35,037	33,887
Interest received		330	201
Income tax paid		<u>(2,607)</u>	<u>(335)</u>
Net cash flows from operating activities		<u><u>32,760</u></u>	<u><u>33,753</u></u>

	<i>Notes</i>	30 June 2015 US\$'000	30 June 2014 US\$'000
CASH FLOWS FROM INVESTING ACTIVITIES			
Dividends received from listed investments		688	—
Purchases of items of property, plant and equipment	10	(798)	(1,332)
Purchases of other intangible assets	11	(28)	(303)
Purchases of available-for-sale investments		(11,649)	(12,366)
Proceeds from disposal of available-for-sale investments		515	4,607
(Increase)/decrease in short term deposits with original maturity of over three months		<u>42,000</u>	<u>(54,000)</u>
Net cash flows provided by (used in) investing activities		<u>30,728</u>	<u>(63,394)</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from exercise of share options		888	106
Dividends declared and paid to then existing shareholders		(30,342)	(2,579)
Capital contribution from non-controlling interests		<u>240</u>	<u>480</u>
Net cash flows used in financing activities		<u>(29,214)</u>	<u>(1,993)</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS			
		34,274	(31,634)
Cash and cash equivalents at beginning of year		127,088	135,488
Effect of foreign exchange rate changes, net		<u>(266)</u>	<u>(313)</u>
CASH AND CASH EQUIVALENTS AT END OF PERIOD		<u><u>161,096</u></u>	<u><u>103,541</u></u>

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. CORPORATE INFORMATION

IGG Inc (the “Company”) was incorporated in the Cayman Islands on 16 August 2007 as an exempted company with limited liability under the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. The registered address of the Company is Floor 4, Willow House, Cricket Square, P.O. Box 2804, Grand Cayman, KY1-1112, Cayman Islands. The shares of the Company were listed on the Growth Enterprise Market (the “GEM”) of the Stock Exchange of Hong Kong Limited on 18 October 2013. The Company has its primary listing on the Main Board of the Stock Exchange of Hong Kong Limited on 7 July 2015.

The principal activity of the Company is investment holding. The Group was principally engaged in the development and operation of mobile, browser and client-based online games in the international market. There has been no significant change in the Group’s principal activities during the year.

On 1 January 2015, a share transfer agreement has been dated among IGG Singapore Pte. Ltd. (“IGG Singapore”), the Company and Tap Media Technology Inc. (“Tapcash Cayman”), pursuant to which IGG Singapore agrees to transfer all its shares in Tapcash Cayman to the Company and as the consideration, the Company agrees to pay US\$720,000 to IGG Singapore, amounting to the original investment contributed by IGG Singapore to Tapcash Cayman or its subsidiaries.

On 14 January 2015, IGG Korea Ltd. (“IGG Korea”) was established under the laws of Korea as a wholly-owned subsidiary of the Group. IGG Korea will mainly engage in local liaison and business survey services.

On 5 February 2015, G-BOX Inc. (“IGG Japan”) was established under the laws of Japan as a wholly-owned subsidiary of the Group. IGG Japan will mainly engage in research and development of online games.

2. BASIS OF PREPARATION

The interim condensed consolidated financial statements for the six months ended 30 June 2015 have been prepared in accordance with the International Accounting Standards (“IAS”) 34 “Interim Financial Reporting”.

The financial information prepared under the historical cost convention, except for certain available-for-sale investments, equity investments at fair value through profit or loss and derivative financial assets which have been measured at fair value. The financial information is presented in United States Dollar and all values are rounded to the nearest thousand except when otherwise indicated.

The interim condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group’s annual financial statements as at 31 December 2014.

3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the audited consolidated financial statements of the Group for the year ended 31 December 2014, except for the adoption of the new or revised standards, interpretation and amendments as of 1 January 2015, noted below:

Amendments to IAS 19	Defined benefit plans: Employee contributions
Annual Improvements 2010-2012 Cycle	Amendments to a number of IFRSs
Annual Improvements 2011-2013 Cycle	Amendments to a number of IFRSs

The adoption of the above new or revised standards, interpretation and amendments has had no material financial effect on the accounting policies of the Group and the methods of computation in the interim condensed consolidated financial statements.

The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

4. OPERATING SEGMENT INFORMATION

The Group was principally engaged in the development and operation of mobile games and online games in the international market.

IFRS 8 Operating Segments requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision-maker in order to allocate resources to segments and to assess their performance. The information reported to the directors of the Company, who are the chief operating decision-makers, for the purpose of resource allocation and assessment of performance, does not contain separate profit or loss information for the development and operation of mobile games and online games and the directors reviewed the financial results of the Group as a whole reported under IFRSs. Therefore, no further information about the operating segment is presented.

Geographical information

(a) Revenue from external customers based on the IP locations of the game players

	For the six months ended 30 June	
	2015	2014
	<i>US\$'000</i>	<i>US\$'000</i>
	<i>(Unaudited)</i>	<i>(Unaudited)</i>
North America	40,384	36,513
Europe	32,040	23,173
Asia	26,042	26,563
South America	2,318	1,911
Oceania	2,220	3,353
Africa	<u>790</u>	<u>385</u>
	<u>103,794</u>	<u>91,898</u>

(b) Non-current assets other than financial instruments and deferred tax assets

	30 June 2015	31 December 2014
	<i>US\$'000</i>	<i>US\$'000</i>
	<i>(Unaudited)</i>	<i>(Audited)</i>
Greater China including PRC, Taiwan and Hong Kong	1,556	1,075
North America	1,234	1,577
Singapore	175	218
The Philippines	<u>20</u>	<u>26</u>
	<u>2,985</u>	<u>2,896</u>

The non-current assets information above is based on the locations of the assets and excludes financial instruments.

Information about major customers

No revenue from a single external customer amounted to 10% or more of the Group's revenue during the financial periods presented.

5. REVENUE, OTHER INCOME AND GAINS

Revenue, which is also the Group's turnover, represents the services rendered after allowances for chargebacks, and the royalties derived from licensing agreements.

An analysis of revenue, other income and gains of the Group is as follows:

	For the six months ended 30 June	
	2015	2014
	<i>US\$'000</i>	<i>US\$'000</i>
	<i>(Unaudited)</i>	<i>(Unaudited)</i>
Revenue		
Online game revenue	101,234	88,226
Joint operation revenue	2,014	2,878
Licensing revenue	275	208
Others	<u>271</u>	<u>586</u>
	<u>103,794</u>	<u>91,898</u>
Other income and gains		
Fair value gains, net		
Available-for-sale investments	—	1,112
Equity investment at fair value	91	—
Dividend income from available-for-sale investments	688	—
Government Grant*	—	17
Bank interest income	330	201
Others	<u>37</u>	<u>85</u>
	<u>1,146</u>	<u>1,415</u>

* Government grants were received from the government of the PRC mainly for subsidising the staff training costs incurred by the Group for its service outsourcing and technology export businesses. There are no unfulfilled conditions or contingencies relating to the grants.

6. PROFIT BEFORE TAX

The Group's profit before tax from continuing operations is arrived at after charging/(crediting):

	Notes	For the six months ended 30 June	
		2015	2014
		US\$'000 (Unaudited)	US\$'000 (Unaudited)
Channel cost		27,600	22,397
Royalty fee		857	560
Depreciation		626	485
Amortisation of other intangible assets		217	66
Minimum lease payments under operating leases of buildings		2,834	1,305
Employee benefit expense (including directors' and chief executive's remuneration):			
Salaries and wages		12,215	9,185
Staff welfare expenses		214	370
Equity-settled share compensation costs		1,453	730
Pension scheme contributions		502	395
Foreign exchange differences, net		438	313
Fair value gains, net:			
Available-for-sale investments		—	(1,112)
Equity investments at fair value		(91)	—
Dividend income from available-for-sale investments		(688)	—
Loss on disposal of items of property, plant and equipment		84	16
Bank interest income	5	(330)	(201)
Government grants	5	—	(17)

7. INCOME TAX

The Company was incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law of the Cayman Islands and accordingly is not subject to income tax.

Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the jurisdictions in which the Group operates.

IGG Singapore is subject to the prevailing corporate tax rate of 17% in Singapore and is entitled to a preferential tax rate of 5% on qualifying income derived during the period ended 30 June 2015.

No provision for Hong Kong profits tax has been made as the Group had no assessable profits derived from or earned in Hong Kong during the six months ended 30 June 2015 (2014: nil).

Under the relevant income tax law, the PRC subsidiaries are subject to income tax at a statutory rate of 25% for the period ended 30 June 2015 on their respective taxable income. Fuzhou Tianmeng was certified as a Software Enterprise and is entitled to 50% reduction in taxation for the period ended 30 June 2015. Fuzhou Tianji was certified as Software Enterprise and is exempted from income tax for two years starting from the first year in which it generate taxable profit, followed by a 50% reduction for the next three years. In the year ended 31 December 2014, Fuzhou Tianji started generating taxable profit and therefore is exempted from income tax for the year ended 31 December 2014 and the period ended 30 June 2015.

IGG US, a subsidiary of the Company in the United States, was subject to federal income tax at graduated rates ranging from 15% to 39%. In addition, IGG US is also subject to the California state income tax rate of 8.84%.

Corporate income tax provision has been provided for the six months ended 30 June 2015 for the entities within the Group, which were incorporated in East Asia and North America to the extent that there were estimated assessable profits under these jurisdictions. There is no significant amount of assessable profits derived from those subsidiaries.

	For the six months ended 30 June	
	2015	2014
	<i>US\$'000</i>	<i>US\$'000</i>
	<i>(Unaudited)</i>	<i>(Unaudited)</i>
Group:		
Current year provision:		
US	82	118
Singapore	1,719	2,515
Canada	<u>24</u>	<u>—</u>
Subtotal of current tax	<u>1,825</u>	<u>2,633</u>
Deferred tax		
US	(20)	(70)
Singapore	24	(123)
PRC	<u>54</u>	<u>1</u>
Subtotal of deferred tax	<u>58</u>	<u>(192)</u>
Total tax charge for the period	<u><u>1,883</u></u>	<u><u>2,441</u></u>

8. DIVIDENDS

	30 June 2015	31 December 2014
	<i>US\$'000</i>	<i>US\$'000</i>
	<i>(Unaudited)</i>	<i>(Audited)</i>
Proposed and paid 2014 interim dividend — HK5.6 cents per ordinary share	—	9,885
Proposed and paid 2014 second interim dividend — HK5.7 cents per ordinary share	10,213	—
Proposed and paid 2014 special dividend — HK11.3 cents per ordinary share	20,247	—
Proposed 2015 interim dividend — HK4.0 cents per ordinary share	<u>7,350</u>	<u>—</u>
	<u>37,810</u>	<u>9,885</u>

At the board meeting held on 9 March 2015, the directors declared the second interim dividend of HK5.7 cents per ordinary share for the six months from 1 July to 31 December 2014 and a special dividend of HK11.3 cents per ordinary share, amount to HK\$236,065,080 (equivalent to approximately US\$30,460,010) and was subsequently paid on 30 April 2015.

At the board meeting held on 27 August 2015, the directors declared the interim dividend of HK4.0 cents per ordinary share for the six months from 1 January to 30 June 2015, amount to HK\$56,962,500 (equivalent to approximately US\$7,350,000).

9. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

The calculation of basic earnings per share amounts is based on the respective earnings attributable to ordinary equity holders of the parent, and the weighted average numbers of ordinary shares in issue.

The calculation of diluted earnings per share is based on the profit for the six months ended 30 June 2015 and 2014 attributable to ordinary equity holders of the parent. The weighted average number of ordinary shares used in the calculation is the number of ordinary shares in issue during the six months ended 30 June 2015 and 2014, as used in the basic earnings per share calculation, and the weighted average number of ordinary shares assumed to have been issued at no consideration on the deemed exercise of all dilutive potential ordinary shares into ordinary shares.

The calculations of basic and diluted earnings per share are based on:

	For the six months ended 30 June	
	2015	2014
	<i>US\$'000</i>	<i>US\$'000</i>
	<i>(Unaudited)</i>	<i>(Unaudited)</i>
Earnings attributable to ordinary equity holders of the parent used in the basic and diluted earnings per share calculation:	<u>24,804</u>	<u>32,939</u>
Weighted average number of ordinary shares in issue during the period used in the basic earnings per share calculation	1,377,774,411	1,358,572,156
Effect of dilution — weighted average number of ordinary shares:		
Share options	54,735,438	79,970,656
Awarded shares	<u>2,144,035</u>	<u>86,187</u>
Weighted average number of ordinary shares used in the diluted earnings per share calculation	<u><u>1,434,653,884</u></u>	<u><u>1,438,628,999</u></u>

10. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2015, the Group acquired leasehold improvements, computer equipment, office equipment and furniture with a cost of US\$798,000 (six months ended 30 June 2014: US\$1,332,000) on additions to property, plant and equipment.

Assets with a net book value of US\$87,000 were disposed of by the Group during the six months ended 30 June 2015 (six months ended 30 June 2014: US\$16,000), resulting in a net loss on disposal of US\$84,000 (six months ended 30 June 2014: loss of US\$16,000).

11. OTHER INTANGIBLE ASSETS

During the six months ended 30 June 2015, the Group acquired other intangible assets such as trademarks and domain names, software, copyright and prepaid royalty fees with a cost of US\$28,000 (six months ended 30 June 2014: US\$303,000).

No intangible assets were disposed of by the Group during the six months ended 30 June 2015 (six months ended 30 June 2014: nil).

12. AVAILABLE-FOR-SALE INVESTMENTS

	30 June 2015	31 December 2014
	<i>US\$'000</i>	<i>US\$'000</i>
	<i>(Unaudited)</i>	<i>(Audited)</i>
Listed equity investments, at fair value the United States	11,603	2,497
Unlisted equity investments, at cost	<u>2,900</u>	<u>2,000</u>
	<u>14,503</u>	<u>4,497</u>

During the six months ended 30 June 2015, the gross loss in respect of the Group's available-for-sale investments recognized in other comprehensive income amounted to US\$1,129,000 (six months ended 30 June 2014: the gross gain of US\$2,909,000).

As at 30 June 2015, certain unlisted equity investments with a carrying amount of US\$2,900,000 (31 December 2014: US\$2,000,000) were stated at cost less impairment because the range of reasonable fair value estimates is so significant that the directors are of the opinion that their fair value cannot be measured reliably. The Group does not intend to dispose of them in the near future.

The above investments consist of investments in equity securities which were designated as available-for-sale financial assets and have no fixed maturity date or coupon rate.

13. ACCOUNTS RECEIVABLE

	30 June 2015	31 December 2014
	<i>US\$'000</i>	<i>US\$'000</i>
	<i>(Unaudited)</i>	<i>(Audited)</i>
Accounts receivable	<u>942</u>	<u>2,375</u>

The Group's trading terms with its customers are mainly on cash settlement, except for well established, corporate customers in the advertising business and the online game joint operation business, for which the credit term is generally one to six months. The Group seeks to maintain strict control over its outstanding receivables to minimise credit risk. Overdue balances are reviewed regularly by senior management. The Group does not hold any collateral or other credit enhancements over its accounts receivable balances. Accounts receivable are non-interest-bearing.

An aged analysis of the accounts receivable as at the end of the reporting period, based on the invoice date, is as follows:

	30 June 2015	31 December 2014
	<i>US\$'000</i>	<i>US\$'000</i>
	<i>(Unaudited)</i>	<i>(Audited)</i>
Within 3 months	924	1,944
3 months to 6 months	2	—
6 months to 1 year	<u>16</u>	<u>431</u>
	<u>942</u>	<u>2,375</u>

No provision has been made for impairment of accounts receivable during the six months ended 30 June 2015 (six months ended 30 June 2014: nil).

The aged analysis of the accounts receivable that are not individually nor collectively considered to be impaired is as follows:

	30 June 2015	31 December 2014
	<i>US\$'000</i>	<i>US\$'000</i>
	<i>(Unaudited)</i>	<i>(Audited)</i>
Neither past due nor impaired	924	2,375
Less than 1 year past due	<u>18</u>	<u>—</u>
	<u>942</u>	<u>2,375</u>

Receivables that were neither past due nor impaired relate to a number of customers for whom there was no recent history of default.

Receivables that were past due but not impaired relate to a number of independent customers that have a good track record with the Group. Based on past experience, the directors of the Company are of the opinion that no provision for impairment is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable.

14. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	30 June 2015	31 December 2014
	<i>US\$'000</i>	<i>US\$'000</i>
	<i>(Unaudited)</i>	<i>(Audited)</i>
Prepayments	1,972	2,191
Rental deposits	261	220
Other receivables	<u>3,236</u>	<u>1,071</u>
	<u><u>5,469</u></u>	<u><u>3,482</u></u>

None of the above assets is either past due or impaired. The financial assets included in the above balances relate to receivables for which there was no recent history of default.

15. FUNDS RECEIVABLE

Funds receivable represent balances due from third-party payment service providers for the cash collected from game players that purchased virtual currency. The Company carefully considers and monitors the creditworthiness of the third-party payment service providers.

An allowance for doubtful accounts is recorded in the year in which a loss is determined to be probable. Receivable balances are written off after all collection efforts have been exhausted. As at 30 June 2015, no allowance for doubtful accounts was provided for the funds receivable (31 December 2014: nil).

As at the end of the reporting period, the funds receivable were aged within 3 months.

16. CASH AND CASH EQUIVALENTS

	30 June 2015	31 December 2014
	<i>US\$'000</i>	<i>US\$'000</i>
	<i>(Unaudited)</i>	<i>(Audited)</i>
Cash and bank balances	119,096	97,550
Time deposits with original maturity of less than three months	<u>42,000</u>	<u>29,538</u>
	<u><u>161,096</u></u>	<u><u>127,088</u></u>

At the end of the reporting period, the cash and bank balances of the Group denominated in Renminbi (“RMB”) amounted to approximately US\$8,405,882 (31 December 2014: US\$7,192,768). The RMB is not freely convertible into other currencies, however, under Mainland China’s Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorized to conduct foreign exchange business.

Cash at banks earns interest at floating rates based on daily bank deposit rates. Short term time deposits are made for varying periods of between seven days and three months depending on the immediate cash requirements of the Group, and earn interest at the respective short term time deposit rates. The bank balances and non-pledged time deposits are deposited with creditworthy banks with no recent history of default.

17. ACCOUNTS PAYABLE

An aged analysis of the accounts payable as at the end of the reporting period, based on the invoice date, is as follows:

	30 June 2015	31 December 2014
	<i>US\$’000</i>	<i>US\$’000</i>
	<i>(Unaudited)</i>	<i>(Audited)</i>
Within 3 months	4,796	6,404
3 to 6 months	2,736	564
6 months to 1 year	376	544
Over 1 year	<u>65</u>	<u>60</u>
	<u><u>7,973</u></u>	<u><u>7,572</u></u>

The accounts payable are non-interest-bearing and are mainly settled within three months.

18. OTHER PAYABLES AND ACCRUALS

	30 June 2015	31 December 2014
	<i>US\$’000</i>	<i>US\$’000</i>
	<i>(Unaudited)</i>	<i>(Audited)</i>
Other tax payables	2,072	543
Other payables	1,420	746
Provision for chargebacks	138	307
Salary and welfare payables	1,716	2,704
Other accruals	<u>86</u>	<u>176</u>
	<u><u>5,432</u></u>	<u><u>4,476</u></u>

Other payables are non-interest-bearing and are mainly settled within three months. The salary and welfare payables are non-interest-bearing and payable on demand.

19. SHARE CAPITAL

Shares

	30 June 2015	31 December 2014
	<i>US\$'000</i>	<i>US\$'000</i>
	<i>(Unaudited)</i>	<i>(Audited)</i>
Authorized:		
2,000,000,000 (31 December 2014: 2,000,000,000) ordinary shares of US\$0.0000025 (31 December 2014: US\$0.0000025) each	<u>5</u>	<u>5</u>
Issued and fully paid or credited as fully paid:		
1,394,045,930 (31 December 2014: 1,370,485,599) ordinary shares	<u>3</u>	<u>3</u>

A summary of the transactions during the period in the Company's issued share capital is as follows:

	Number of shares in issue	Number of treasury shares	Number of shares outstanding	Issued capital US\$'000 (Unaudited)	Share premium account US\$'000 (Unaudited)	Shares held for share award scheme US\$'000 (Unaudited)
At 1 January 2015	1,370,485,599	—	1,370,485,599	3	185,236	(4,300)
Vesting of awarded shares	—	—	—	—	104	263
Share options exercised (note 20)	<u>23,560,331</u>	<u>—</u>	<u>23,560,331</u>	<u>—</u>	<u>1,341</u>	<u>—</u>
At 30 June 2015	<u>1,394,045,930</u>	<u>—</u>	<u>1,394,045,930</u>	<u>3</u>	<u>186,681</u>	<u>(4,037)</u>
At 1 January 2014	1,358,852,099	—	1,358,852,099	3	184,600	—
Share options exercised (note 20)	2,326,900	—	2,326,900	—	151	—
Shares purchased for share award scheme (note 20)	—	—	—	—	—	(2,300)
At 30 June 2014	<u>1,361,178,999</u>	<u>—</u>	<u>1,361,178,999</u>	<u>3</u>	<u>184,751</u>	<u>(2,300)</u>

20. SHARE OPTION SCHEME

The Company adopts a pre-IPO share option scheme (the "Pre-IPO Share Option Scheme") and a share option scheme (the "Post-IPO Share Option Scheme I"), approved by the written resolution of shareholders passed on 16 September 2013 (the "Resolution").

Pre-IPO Share Option Scheme

The Pre-IPO Share Option Scheme was adopted by the Company on 12 November 2008 and amended on 16 September 2013 by the Resolution. The purpose of the Pre-IPO Share Option Scheme is to offer eligible persons an opportunity to acquire a proprietary interest in the success of the Group's operations, or to increase such interest by purchasing ordinary shares of the Company. Eligible participants of the Pre-IPO Share Option Scheme include employees, the Company's outside directors and consultants. Only employees, the Company's outside directors and consultants are eligible for the grant of non-statutory options or the direct award or sale of shares. Only employees are eligible for the grant of incentive share options. The Pre-IPO Share Option Scheme became effective on 31 October 2008 and, unless otherwise cancelled or amended, will remain in force for 10 years from that date.

The maximum numbers of shares that are subject to options or other rights outstanding at any time under the Pre-IPO Share Option Scheme shall not exceed the number of shares that then remain available for issuance under the Pre-IPO Share Option Scheme. The Company, during the term of the Pre-IPO Share Option Scheme, shall at all times reserve and keep available sufficient authorised but unissued shares to satisfy the requirements of the Pre-IPO Share Option Scheme.

Generally the option is exercisable to the extent of the option that has been vested. Certain options are exercisable to the extent of the options that have been vested following the IPO and subject to the conditions and terms of the Pre-IPO Share Option Scheme.

The exercise price of share options is determinable by the board of directors at its sole discretion, but may not be less than the fair value of a share at the date of grant, or, if higher, the par value of such share.

Share options do not confer rights on the holders to dividends or to vote at shareholders' meetings.

The following share options were outstanding under the Pre-IPO Share Option Scheme during the period:

	For six months ended 30 June 2015		For six months ended 30 June 2014	
	Weighted average exercise price per share	Number of options	Weighted average exercise price per share	Number of options
	<i>(Note)</i>	<i>(Note)</i>	<i>(Note)</i>	<i>(Note)</i>
	<i>US\$</i>		<i>US\$</i>	
	<i>(Unaudited)</i>	<i>(Unaudited)</i>	<i>(Unaudited)</i>	<i>(Unaudited)</i>
At 1 January	0.0527	73,674,500	0.0516	86,058,000
Forfeited during the period	0.0718	(589,000)	0.0724	(530,000)
Exercised during the period	<u>0.0376</u>	<u>(23,560,331)</u>	<u>0.0458</u>	<u>(2,326,900)</u>
At 30 June	<u>0.0597</u>	<u>49,525,169</u>	<u>0.0516</u>	<u>83,201,100</u>

Note: The weighted average exercise price per share and number of options have been adjusted retroactively as a result of the Shares Subdivision as if the Shares Subdivision had taken place on 1 January 2013.

Nil consideration was payable by each grantee to the Company for grant of the options under the Pre-IPO Share Option Scheme. Save for the options which have been granted, no further option will be granted under the Pre-IPO Share Option Scheme. The exercise prices and exercise periods of the share options outstanding, adjusted retroactively as a result of the Shares Subdivision as if the Shares Subdivision had taken place on 1 January 2013, as at the end of the reporting period are as follows:

30 June 2015		
Number of options	Exercise price per share*	Exercise period
	<i>US\$</i>	
3,536,669	0.0038	01-07-2008 to 30-06-2017
2,261,000	0.0078	Since IPO to 30-06-2018
4,000,000	0.0378	05-12-2009 to 04-12-2018
6,041,000	0.0500	Since IPO to 31-07-2019
60,000	0.0525	Since IPO to 17-04-2021
12,197,000	0.0525	Since IPO to 20-04-2021
30,000	0.0525	Since IPO to 24-04-2021
120,000	0.0525	Since IPO to 02-05-2021
148,000	0.0525	Since IPO to 15-05-2021
400,000	0.0525	Since IPO to 02-07-2021
2,258,000	0.0865	Since IPO to 13-08-2021
2,247,000	0.0865	Since IPO to 14-01-2022
6,117,000	0.0865	Since IPO to 21-05-2022
<u>10,109,500</u>	0.0865	Since IPO to 31-03-2023
<u>49,525,169</u>		

* The exercise price of the share options is subject to adjustment in the case of stock split or a reverse of stock split, or other similar changes in the Company's share capital.

No equity-settled share options under Pre-IPO Share Option Scheme have been granted during six months ended 30 June 2015 and 2014, respectively.

Share options exercised during the six months ended 30 June 2015 resulted in the issuance of 23,560,331 (six months ended 30 June 2014: 2,326,900) ordinary shares of the Company and share premium of US\$1,341,160 (six months ended 30 June 2014: US\$151,000), as further detailed in note 19 to the financial statements.

At the end of the reporting period, the Company had 49,525,169 share options outstanding under the Pre-IPO Share Option Scheme. The exercise in full of the outstanding share options would, under the present capital structure of the Company, result in the issuance of 49,525,169 additional ordinary shares of the Company and share premium of US\$2,957,696 (before issuance expenses).

Post-IPO Share Option Scheme I

The Company operates a share option scheme (the “Post-IPO Share Option Scheme I”) for the purpose of giving eligible persons an opportunity to have a personal stake in the Company and help motivate them to optimize their future performance and efficiency to the Group and/or to reward them for their past contributions, to attract and retain or otherwise maintain on-going relationships with such eligible persons who are significant to and/or whose contributions are or will be beneficial to the performance, growth or success of the Group, and additionally in the case of Executives (defined as below), to enable the Group to attract and retain individuals with experience and ability and/or to reward them for their past contributions.

Eligible persons of the Post-IPO Share Option Scheme I include a) any executive director of, manager of, or other employee holding an executive, managerial, supervisory or similar position in any member of the Group (“Executives”), any full-time or part-time employee, or a person for the time being seconded to work full-time or part-time for any member of the Group; b) a director or proposed director (including a non-executive director and/or an independent non-executive director) of any member of the Group; c) a direct or indirect shareholder of any member of the Group; d) a supplier of goods or services to any member of the Group; e) a customer, consultant, business or joint venture partner, franchisee, contractor, agent or representative of any member of the Group; f) a person or entity that provides design, research, development or other support or any advisory, consultancy, professional or other services to any member of the Group; g) an associate of any of the persons referred to in paragraphs (a) to (c) above; and h) who, in the sole opinion of the board of directors, will contribute to or have contributed to the Group.

The Post-IPO Share Option Scheme I became effective on 18 October 2013 and, unless otherwise cancelled or amended, will remain in force for 10 years from that date.

The maximum number of shares to be issued upon exercise of all share options to be granted under the Post-IPO Share Option Scheme I and any other scheme of the Company shall not in aggregate exceed 10% of the total number of shares in issue on the Listing Date (assuming that the Over-allotment Option is not exercised) and 30% of the shares of the Company in issue from time to time. The maximum number of shares issuable under share options to each eligible participant in the Post-IPO Share Option Scheme I within any 12-month period is limited to 1% of the shares of the Company in issue at any time. Any further grant of share options in excess of this limit is subject to shareholders’ approval in a general meeting.

Share options granted to a director, chief executive or a substantial shareholder of the Company, or to any of their respective associates, are subject to approval in advance by the independent non-executive directors, excluding the independent non-executive directors who or whose associates are the grantee. In addition, any share options granted to a substantial shareholder or an independent non-executive director of the Company, or to any of their respective associates, in excess of 0.1% of the shares of the Company in issue at any time and with an aggregate value (based on the closing price of the Company’s shares at the date of grant) in excess of HK\$5,000,000, within any 12-month period, are subject to shareholders’ approval in advance in a general meeting.

The offer of a grant of share options may be accepted within 28 days from the date of offer, upon payment of a nominal consideration of HK\$1.0 in total by the grantee. The exercise period of the share options granted is determinable by the board of directors in its absolute discretion, and commences after a certain vesting period and ends on a date which is not later than ten years from the date of grant of the share options.

The exercise price in respect of any particular option shall be such price as the board of directors may in its absolute discretion determines at the time of grant of the relevant option (and shall be stated in the letter containing the offer of the grant of the option) but the exercise price shall be at least the highest of: (a) the closing price of a share as stated in the Stock Exchange's daily quotation sheet on the offer date, which must be a business day; (b) the average closing price of a share as stated in the Stock Exchange's daily quotation sheets for the five business days immediately preceding the offer date; and (c) the nominal value of a share on the offer date.

Share options do not confer rights on the holders to dividends or to vote at shareholders' meetings.

The following table lists the inputs to the model used for equity-settled share options granted under Post-IPO Share Option Scheme I during the six months ended 30 June 2015.

	For six months ended 30 June 2015
Dividend yield (%)	5.32
Expected volatility (%)	47.57 - 48.96
Risk-free interest rate (%)	1.36-1.40
Forfeiture rate (%)	4.26
Weighted average share price (HK\$ per share)	3.51 - 8.96

The expected forfeiture rate is based on the historical data and is not necessarily indicative of the exercise patterns that may occur. The expected volatility reflects the assumption that the historical volatility is indicative of future trends, which may also not necessarily be the actual outcome.

No other feature of the options granted was incorporated into the measurement of fair value.

The following share options were outstanding under the Post-IPO Share Option Scheme I during the six months ended 30 June 2015.

	For six months ended 30 June 2015	
	Weighted average exercise price per share HK\$	Number of options
	<i>(Unaudited)</i>	<i>(Unaudited)</i>
At 1 January	6.40	11,674,500
Granted during the period	3.90	440,000
Replacement options granted during the period (note 1)	3.90	5,899,000
Cancelled during the period (note 1)	6.78	(9,742,500)
Forfeited during the period	<u>6.47</u>	<u>(350,000)</u>
At 30 June	<u><u>3.92</u></u>	<u><u>7,921,000</u></u>

HK\$1.0 consideration was payable by each grantee to the Company for grant of the options under the Post-IPO Share Option Scheme I.

30 June 2015		
Number of options	Exercise price per share HK\$	Exercise period
415,000	5.47	11-08-2015 to 11-08-2024
1,167,000	3.51	21-11-2015 to 21-11-2024
<u>6,339,000</u>	3.90	23-03-2016 to 23-03-2025
<u><u>7,921,000</u></u>		

Share Award Scheme

The Share Award Scheme of the Company was adopted by the Board on 24 December 2013 (the “Adoption Date”). The purpose of the Share Award Scheme is to recognize the contributions by certain selected grantees and to give incentives thereto in order to retain them for the continuing operation and development of the Group, and to attract suitable personnel for further development of the Group. The awarded shares shall be either (i) allotted and issued by the Company or (ii) acquired by the Computershare Hong Kong Trustees Limited, as the trustee (“Trustee”) from the open market by utilizing the Company’s resources provided to the Trustee, subject to the absolute discretion of the Board. The vesting period of the awarded share is determined by the Board. The awarded shares granted shall vest in the grantees in accordance with the schedule as determined by the Board.

The fair value of an awarded share is the spot price of the Company's ordinary share as of the Valuation Date minus the present value of the expected dividends per share during the vesting periods. The fair value of the awarded shares newly granted on 23 March 2015 was assessed to be US\$978,311.

The main inputs to the valuation model are given as follows:

	For six months ended 30 June 2015
Expected dividend schedule (%)	4.22 - 4.72
Risk-free interest rate (%)	0.10 - 1.06

Movements in the number of shares held for the Share Award Scheme and awarded shares for the six months ended 30 June 2015 are as follows:

	Number of shares held for the Share Award Scheme (Unaudited)	Number of awarded shares (Unaudited)	Total (Unaudited)
At 1 January 2015	3,098,848	2,630,152	5,729,000
Granted	(1,944,079)	1,944,079	—
Forfeited	40,000	(40,000)	—
Replacement awarded shares granted (note 1)	(991,165)	991,165	—
Vested	<u>—</u>	<u>(350,250)</u>	<u>(350,250)</u>
At 30 June 2015	<u>203,604</u>	<u>5,175,146</u>	<u>5,378,750</u>
Vested but not transferred as at 30 June 2015			<u>—</u>

The fair value of the Awarded Shares was calculated based on the market price of the Company's shares at the respective grant date. The expected dividends during the vesting period have been taken into account when assessing the fair value of these awarded shares.

The weighted average fair value of Awarded Shares granted during the six months ended 30 June 2015 was HK\$5.24 per share.

The Awarded Shares granted during the six months ended 30 June 2015 and outstanding as at the period then ended will vest in anniversary of grant date with each of 25% being vested annually.

Note 1: modification of stock option

On 23 March 2015, the Company's board of directors and remuneration committee approved to amend the terms of 9,742,500 stock options:

- 5,899,000 options with exercise price from HK\$5.47 to HK\$8.96 were replaced by 5,899,000 options with exercise price of HK\$3.9 and new graded vesting term of four years. The options would vest as to 25% annually since 23 March 2015;
- 870,000 options were settled by delivery of cash of HK\$1,131,000; and
- 2,973,500 options with exercise price from HK\$3.51 to HK\$8.96 were replaced by 991,165 rewarded shares with graded vesting term of four years. The rewarded shares would vest as to 25% annually since 23 March 2015.

This was accounted for as a share option modification and required the remeasurement of these share options. This remeasurement resulted in a total incremental share-based compensation of US\$480,650, of which US\$69,411 was recognized in the six months ended 30 June 2015 and the remaining will be recognized ratably over the remaining vesting period of the award.

21. CONTINGENT LIABILITIES

As at 30 June 2015 and 31 December 2014, neither the Group nor the Company had any significant contingent liabilities.

Certain subsidiary of the Group is subject to legal proceedings and claims arising in the ordinary course of business. A motion to dismiss the relevant legal proceeding has been filed by the Group at the relevant court. The Directors consider the outcome of such proceedings and claims as quite uncertain and any possible loss is not reasonably estimable. Consequently, no provision has been made for any expenses that might arise from such legal proceedings and claims.

22. OPERATING LEASE ARRANGEMENTS

As lessee

The Group leases certain of its office premises and warehouses under operating lease arrangements. Leases for these properties are negotiated for terms ranging from one to five years.

At the end of the reporting period, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	30 June 2015	31 December 2014
	<i>US\$'000</i>	<i>US\$'000</i>
Within one year	1,695	1,903
In the second to fifth years, inclusive	5,204	4,774
After five years	<u>3,509</u>	<u>4,167</u>
	<u>10,408</u>	<u>10,844</u>

23. CAPITAL COMMITMENTS

The Group had several capital commitments as at 30 June 2015 and 31 December 2014.

In addition to the operating lease commitments detailed in note 22 above, the Group had the following capital commitments at the end of the reporting period:

	30 June 2015	31 December 2014
	<i>US\$'000</i>	<i>US\$'000</i>
Contracted, but not provided for: Leasehold improvements	<u>1,893</u>	<u>261</u>

24. RELATED PARTY TRANSACTIONS

(a) In addition to the transactions detailed elsewhere in these financial statements, the Group had the following transactions with related parties during the period:

		For the six months ended 30 June	
	<i>Notes</i>	2015	2014
		<i>US\$'000</i>	<i>US\$'000</i>
Consulting services fee paid to Hongbin You	(i)	28	24
Research and development services fee paid to GameCoreTech	(ii)	<u>—</u>	<u>230</u>
		<u>28</u>	<u>254</u>

The abovementioned related party transactions constitute continuing connected transactions as defined under Chapter 20 of the GEM Listing Rules.

Notes:

(i) Hongbin You is a company wholly owned by Ms. Hongbin You, who is a sister-in-law of Mr. Hong Zhang, an executive Director and a member of the Controlling Shareholders.

The consulting services fee is determined based on the amounts agreed by the mutual parties.

(ii) GameCoreTech Software Corporation (“GameCoreTech”) is a company wholly owned by Mr. Neng Xu, who is Mr. Yuan Xu’s brother. Mr. Yuan Xu is an executive Director and a member of the Controlling Shareholders.

The research and development services fee is determined based on the amounts agreed by the mutual parties.

- (b) Outstanding balance with a related party

The balance with a related party is unsecured, interest-free and payable on demand.

- (c) Compensation of key management personnel of the Group is as follows:

	For the six months ended 30 June	
	2015	2014
	<i>US\$'000</i>	<i>US\$'000</i>
	<i>(Unaudited)</i>	<i>(Unaudited)</i>
Short term employee benefits	836	766
Equity-settled share option expense	<u>355</u>	<u>106</u>
	<u>1,191</u>	<u>872</u>

- (d) Capital increase of a subsidiary with several individual shareholders

Capital contribution injected to Tapcash Cayman from key management is amounted to US\$240,000. Tapcash Cayman is a 60% owned subsidiary by IGG Inc.

25. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

The carrying amounts and fair values of the Group's and the Company's financial instruments, other than those with carrying amounts that reasonably approximate to fair values, are as follows:

Group	Carrying amounts		Fair values	
	30 June 2015	31 December 2014	30 June 2015	31 December 2014
	<i>US\$'000</i>	<i>US\$'000</i>	<i>US\$'000</i>	<i>US\$'000</i>
Financial assets				
Interests in an associate				
- non-redeemable convertible preferred shares	2,811	2,720	2,811	2,720
Available-for-sale investments-listed equity instruments (note 12)	11,603	2,497	11,603	2,497
Other non-current assets	<u>717</u>	<u>374</u>	<u>714</u>	<u>370</u>
	<u>15,131</u>	<u>5,591</u>	<u>15,128</u>	<u>5,587</u>

Management has assessed that the fair values of cash and cash equivalents, time deposits, accounts receivable, funds receivable, accounts payable, financial assets included in prepayments, deposits and other receivables, financial liabilities included in other payables and accruals approximate to their carrying amounts largely due to the short term maturities of these instruments.

The Group's finance department headed by the finance manager is responsible for determining the policies and procedures for the fair value measurement of financial instruments. The finance manager reports directly to the chief financial officer. At each reporting date, the corporate finance department analyses the movements in the values of financial instruments and determines the major inputs applied in the valuation. The valuation is reviewed and approved by the chief financial officer. The valuation process and results are discussed with the audit committee twice a year for interim and annual financial reporting.

The fair values of non-current assets have been calculated by discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities.

The fair values of listed equity investments are based on quoted market prices.

Below is a summary of significant unobservable inputs to the valuation of financial instruments together with a quantitative sensitivity analysis as at 30 June 2015:

	Valuation technique	Significant unobservable input	Range	Sensitivity of fair value to the input
Interest in an associate - non-redeemable convertible preferred shares (note 12)	Discounted cash flow and option pricing method	Long term operating margin	2015: (normalised) 17% to 34%	10% increase (decrease) in operating margin would result in increase (decrease) in fair value by US\$101,000 (US\$566,000)
		Weighted average cost of capital (WACC)	2015: 29%	5% increase (decrease) in WACC would result in decrease (increase) in fair value by US\$754,000 (US\$907,000)
		Discount for lack of marketability	2015: 30%	5% increase (decrease) in discount would result in decrease (increase) in fair value by US\$114,000 (US\$112,000)

The discount for lack of marketability represents the amounts of premiums and discounts determined by the Group that market participants would take into account when pricing the investments.

Fair value hierarchy

The following tables illustrate the fair value measurement hierarchy of the Group's financial instruments:

Assets measured at fair value:

Group

As at 30 June 2015

	Fair value measurement using			Total US\$'000
	Quoted prices in active markets (Level 1) US\$'000	Significant observable inputs (Level 2) US\$'000	Significant unobservable inputs (Level 3) US\$'000	
Available-for-sale investments — listed equity instruments (note 12)	11,603	—	—	11,603
Interests in an associate - non-redeemable convertible preferred shares	—	—	2,811	2,811
	<u>11,603</u>	<u>—</u>	<u>2,811</u>	<u>14,414</u>

Assets measured at fair value:

Group

As at 31 December 2014

	Fair value measurement using			Total US\$'000
	Quoted prices in active markets (Level 1) US\$'000	Significant observable inputs (Level 2) US\$'000	Significant unobservable inputs (Level 3) US\$'000	
Available-for-sale investments — listed equity instruments (note 12)	2,497	—	—	2,497
Interests in an associate - non-redeemable convertible preferred shares	—	—	2,720	2,720
	<u>2,497</u>	<u>—</u>	<u>2,720</u>	<u>5,217</u>

The movements in fair value measurements in Level 3 are as follows:

Group	2015 <i>US\$'000</i>
Interests in an associate - non-redeemable convertible preferred shares:	
At 1 January	2,720
Addition	—
Total gain recognised in the statement of profit or loss	<u>91</u>
At 30 June	<u><u>2,811</u></u>

Group	2014 <i>US\$'000</i>
Interests in an associate - non-redeemable convertible preferred shares:	
At 1 January	—
Addition	2,720
Total gain/(loss) recognised in the statement of profit or loss	<u>—</u>
At 31 December	<u><u>2,720</u></u>

During the six months ended 30 June 2015, there were no transfers of fair value measurements between Level 1 and Level 2 fair value measurements, and no transfers into or out of Level 3.

Assets for which fair values are disclosed

Group

As at 30 June 2015	Fair value measurement using			
	Quoted prices in active markets (Level 1) <i>US\$'000</i>	Significant observable inputs (Level 2) <i>US\$'000</i>	Significant unobservable inputs (Level 3) <i>US\$'000</i>	Total <i>US\$'000</i>
Non-current rental deposits	<u>—</u>	<u>714</u>	<u>—</u>	<u><u>714</u></u>

Assets for which fair values are disclosed

Group

As at 31 December 2014

	Fair value measurement using			Total US\$'000
	Quoted prices in active markets (Level 1) US\$'000	Significant observable inputs (Level 2) US\$'000	Significant unobservable inputs (Level 3) US\$'000	
Non-current rental deposits	<u>—</u>	<u>370</u>	<u>—</u>	<u>370</u>

26. APPROVAL OF THE FINANCIAL STATEMENTS

The interim condensed consolidated financial statements were approved and authorised for issue by the board of directors on 27 August 2015.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The Group is a rapidly growing developer and publisher of mobile online games with a global presence and international customer base. The Group has its headquarters in Singapore with regional offices in the United States, mainland China, Hong Kong, Canada, Japan, Korea, Thailand and the Philippines, with customers from over 200 countries and regions around the world.

The Group offers free-to-play mobile, browser and client-based online games in 15 different languages, the majority of which are produced by its own development teams. The bulk of the Group's technical and game development personnel are based in China to tap the large talent pool there and to leverage cost advantages. This has enabled the Group to develop games more cost-effectively compared to other companies. At the same time, to ensure that its games are of the highest quality and suit the tastes of gamers worldwide, the Group has its own game producers, designers, art directors and other high caliber creative talents in its offices located in Singapore, North America and Korea.

During the Period, the global games industry remained highly competitive. To pursue its overall corporate strategy for 2015, the Group has maintained its focus on (i) developing mobile games, and (ii) marketing and operating the Group's mobile games globally, including setting up local teams in key markets around the world to tap into local knowledge for more effective game operations, using the Group's mobile advertising platform and game publishing expertise to market third party developers' games globally.

Mobile Game

During the Period, the Group kept on developing new games based on its strong game research and development capabilities and spirit of continuous innovation. During the Period, the Group focused on the development of mobile games applications.

Revenue from mobile games accounted for approximately 93.4% of the total revenue for the Period, as compared to approximately 81.5% from the corresponding period in 2014. In particular, the Group's hit title "Castle Clash", a fast-paced tower defense game, has enjoyed widespread popularity. It ranked top five in 14 countries and regions and top ten in 42 countries and regions in terms of daily revenue rankings generated at Google Play as at 31 July 2015, according to Appannie.com, an independent third party provider of mobile application analytics. The Group has been able to extend the lifespan of "Castle Clash" by regularly introducing new game features, rapidly resolving technical issues, and consistently providing excellent customer service, and building a large community of loyal gamers around the world along the way. In the first half of 2015, the Group released the Arabic and Vietnamese versions of "Castle Clash". The game is now available in 15 languages on Android, iOS, Amazon and Windows Phone platforms, making it easily accessible to a majority of gamers in many parts of the world. As of 30 June 2015, the MAU of the game was approximately 10 million.

The Group's another mobile game, "Clash of Lords II", which is a fantasy strategy game with a wide array of cannons, traps and defenses, has continued to enjoy widespread popularity among gamers. It ranked top ten in 8 countries and regions in terms of daily revenue rankings generated at Google Play as at 31 July 2015, according to Appannie.com. With the release of the Spanish and Italian versions of "Clash of Lords II" in the first half of 2015, the game is now available in 9 languages. In addition, the MAU for the "Clash of Lords" series was approximately 2.8 million as at 30 June 2015.

"Deck Heroes", a card-based strategy game with a Western mythology theme, has been performing well since its English and traditional Chinese versions were released

on the Android platform in 2014. In addition, such game was made available in German and French versions on the Android platform, as well as English version on the iOS App Store, in the first half of 2015. The MAU for the “Deck Heroes” surpassed 800,000 as at 30 June 2015.

“Final Fable”, another of the Group’s self-developed games, has been very popular among the game players since its launch in June 2015. The game is a semi-realtime RPG card game adopting the themes of fairy-tale fantasies. The MAU for the game has reached over 1.0 million as at 30 June 2015.

In addition to self-publishing, the Group also co-publishes its games on game platforms in selected markets, including Korea, Taiwan and the Middle East. Each of these platforms has its own community of gamers, making it a fast and effective channel to reach the target audience. Working with game platforms complements the Group’s self-publishing efforts.

Global Presence

To strengthen its presence in Asia, the Group has set up regional offices in Korea, Japan and Thailand in the first half of 2015, recruiting local talents for game development and operation. It will boost the Group’s ability to produce and launch games to suit local market tastes and demands effectively. As at 30 June 2015, the Group has regional offices in 9 countries and regions. The Group also has outsourcing arrangements in place with companies in mainland China, Korea and Taiwan to develop new games and operate its own games.

During the Period, the Group has players with IP addresses from more than 200 countries and regions around the world, emphasizing the Group’s international reach. The Group continued to design, develop and launch games in multiple languages, distribute and promote the games in different countries in accordance with its global marketing strategy. As at 30 June 2015, the user community of the Group consisted of over 260 million player accounts around the world, including a total MAU of approximately 17.3 million. During the Period, approximately 38.9%, 30.9% and 25.1% of the total revenue of the Group was generated from players with IP addresses in North America, Europe and Asia, respectively.

The Group took part in the 13th annual China Digital Entertainment Expo and Conference (“Chinajoy”) in the end of July 2015 and had its own booth to showcase its products. Chinajoy is jointly organized by the General Administration of Press and Publication, the Ministry of Commerce and other related government agencies of the PRC. Chinajoy is a leading global event well attended by people in the games industry from around the world. Besides “Castle Clash”, “Clash of Lords II” and other existing games, the Group also showcased its new products for 2015, including

“Final Fable” and “Lords Online”. Compared to the mature markets in North America and Europe, the rapidly growing mobile games market in Southeast Asia has tremendous potential due to its large population and its relatively low smart phone penetration rate. The Group is seeking business partnership and co-operation opportunities, including licensing, outsourcing and investments in Asia. This will raise the Group’s brand awareness and reputation in China, Japan, Korea and Southeast Asia.

New European Union value-added tax changes

The new European Union (EU) value-added tax (VAT) changes took effect on 1 January 2015. Game revenue derived by the Group are subject to VAT starting from 1 January 2015 at respective tax rates as applied in different EU countries, ranging from 17% to 27%. The imposition of the new VAT rules in EU countries has resulted in the Group paying additional VAT and had an impact on the Group’s business. Similar to the new EU VAT changes, more tax authorities worldwide are contemplating similar VAT practices which could have an adverse effect on the Group’s operations.

Prospects

For existing games, the Group will focus on increasing revenue from “Castle Clash” on the iOS platform, where the game still has considerable growth potential. At the same time, the development team will continue to introduce new modes of play for the game, including multi-player gauntlet-style defense, a “Coliseum” mode that focuses on dueling, and “ambushes” to increase the tactical complexity of battles. The Group will continue to release “Clash of Lords II” in more languages and seek co-publishing opportunities with well-known game platforms. In the short to medium-term, the game should see continued revenue growth from newly-acquired users.

The Group expects to launch about 10 games in the second half of 2015, consisting of both self-developed and outsourced mobile games ranging from mid-core games such as SLG, Trading Card and ARPG types to casual games such as Shooting and Marble types. Starting from July 2015, the Group expects to launch a number of new blockbusters. They include a war-strategy role playing game “Lords Online”, which is expected to become the Group’s new revenue growth engine.

To facilitate interaction and communication among gamers and offer maximum value to users, the Group launched LINK, an instant messaging mobile application, in August 2014. Location-based communities function is the major feature of LINK, the Group’s development team has been working on improving and refining the application’s community management function, content sharing and private chat

functions during the Period, as well as having more languages available in the application. These efforts have not only improved gamers' user experience but also attracted and gathered more and more non-gamers, providing the possibility of interaction between the gamers and non-gamer users. At the same time, LINK's location-based functionality has helped users go beyond virtual friendships to meet each other in real life, further enhancing their relationships and sense of community.

The business of the Group depends on effective advertising, distribution and promotional strategies to attract customers. During the Period, the Group has continued to enhance its advertisement platform, as compared to its previous reliance on third-party advertisement platforms. The Company increased its investment in Tapcash Cayman, the investment holding company to hold the Group's advertising business companies pursuant to a share subscription agreement dated 9 March 2015, details of which are set forth in the Company's announcement on the same date. In addition, the Group has adopted the Tapcash Subsidiary Share Option Scheme to enhance the ability of Tapcash Cayman and its subsidiaries to attract, retain and motivate important personnel. The Tapcash Subsidiary Share Option Scheme was approved by the Shareholders at the annual general meeting on 5 May 2015. The Group expects to further expand its advertising business to further stimulate the Group's online game business.

The Group will make greater efforts to strengthen its long-term partnership with Apple, Google, Amazon, Microsoft, as well as more than 100 other global platforms and partners, to execute its global marketing strategy in an effective manner.

The Group has made several strategic investments into companies in the game industry that either has high growth potential, or with products and services that are complementary to the Group's business. One of the companies invested by the Group is Nerd Kingdom, a game developer based in the United States. Nerd Kingdom was incorporated in 2010 by a team comprising a data scientist, a nuclear engineer and computer scientist, and a gaming industry veteran. Nerd Kingdom brings an interdisciplinary perspective to games and technology, and has created the Eternus engine, a game engine on which its flagship game, TUG, is being built. TUG is a sandbox game that encourages social collaboration, learning, and competition within a real time virtual space. Subject to certain conditions, the Group might make additional investment in Nerd Kingdom in the second half of 2015 and will publish announcement(s) as and when appropriate according to the Listing Rules.

The Group will continue to seek potential merger and acquisition opportunities that could create synergies, accelerate its growth, or provide breakthroughs in its business.

FINANCIAL REVIEW

Revenue

The Group's revenue for the Period was approximately US\$103.8 million, representing an increase of approximately 12.9% over US\$91.9 million for the corresponding period in the year of 2014, primarily due to (i) the increase in revenue generated from "Clash of Lords" series as a result of the launch of several new versions during the Period, and (ii) the outstanding performance of "Deck Heroes" and "Brave Trials".

Contribution from mobile games to the Group's revenue was increased to approximately 93.4% for the Period from approximately 81.5% for the corresponding period in the year of 2014.

Revenue by operating segments and game types

The following table sets out the breakdown of revenue by operating segments and game types for the Period and the corresponding period in the year of 2014, respectively:

	Six months ended 30 June			
	2015		2014	
	US\$'000	%	US\$'000	%
Mobile games	96,936	93.4	74,797	81.5
Browser games	5,638	5.4	14,370	15.6
Client-based games	949	0.9	2,047	2.2
Others	<u>271</u>	<u>0.3</u>	<u>684</u>	<u>0.7</u>
Total	<u>103,794</u>	<u>100</u>	<u>91,898</u>	<u>100</u>

Revenue by geographical markets

The following table sets forth a breakdown of revenue by geographical markets based on IP location of the players for the Period and the corresponding period in the year of 2014, respectively:

	Six months ended 30 June			
	2015		2014	
	US\$'000	%	US\$'000	%
North America	40,384	38.9	36,513	39.8
Europe	32,040	30.9	23,173	25.2
Asia	26,042	25.1	26,563	28.9
South America	2,318	2.2	1,911	2.1
Oceania	2,220	2.1	3,353	3.6
Africa	<u>790</u>	<u>0.8</u>	<u>385</u>	<u>0.4</u>
Total	<u>103,794</u>	<u>100</u>	<u>91,898</u>	<u>100</u>

Revenue by games

The following table sets forth a breakdown of revenue by games for the Period and the corresponding period in the year of 2014, respectively:

	Six months ended 30 June			
	2015		2014	
	US\$'000	%	US\$'000	%
Castle Clash	58,596	56.4	59,966	65.3
Clash of Lords series	17,956	17.3	5,340	6.7
Deck Heroes	6,555	6.3	—	—
Texas HoldEm Poker Deluxe	3,716	3.6	6,194	5.8
Brave Trials	2,260	2.2	—	—
Slot Machines by IGG	2,130	2.1	3,235	3.5
Others	<u>12,581</u>	<u>12.1</u>	<u>17,163</u>	<u>18.7</u>
Total	<u>103,794</u>	<u>100</u>	<u>91,898</u>	<u>100</u>

Cost of sales

The Group's cost of sales for the Period was approximately US\$31.8 million, representing an increase of approximately 25.7% over US\$25.3 million for the corresponding period in the year of 2014, primarily due to the higher channel costs from mobile games and the higher royalty costs from licensed games.

Gross profit and gross profit margin

The Group's gross profit for the Period was approximately US\$72.0 million, representing an increase of approximately 8.1% over US\$66.6 million for the corresponding period in the year of 2014, primarily due to the increase in the revenue generated from mobile games.

The Group's gross profit margin for the Period was 69.4%, representing a decrease of 3.1 percentage points over 72.5% for the corresponding period in the year of 2014, primarily due to higher channel costs in relation to mobile games compared to browser games and client-based games, and the higher royalty cost in relation to licensed games.

Selling and distribution expenses

The Group's selling and distribution expenses for the Period were approximately US\$22.5 million, representing an increase of approximately 17.8% over US\$19.1 million for the corresponding period in the year of 2014, primarily due to (i) the enhanced advertising and promotional activities for self-developed games "Clash of Lords" series and "Deck Heroes", as well as the licensed game "Brave Trials", and (ii) advertising for several new titles which were launched during the Period.

Administrative expenses

The Group's administrative expenses for the Period were approximately US\$10.4 million, representing an increase of approximately 62.5% over US\$6.4 million for the corresponding period in the year of 2014, primarily due to (i) expenses in relation to the Transfer of Listing, and (ii) the increase in rental fee and staff costs as a result of business expansion.

Research and development costs

The Group's research and development costs for the Period were approximately US\$12.9 million, representing an increase of approximately 87.0% over US\$6.9 million for the corresponding period in the year of 2014, primarily due to (i) the increase in research and development outsourcing expenses attributable to the enrichment of our portfolio, and (ii) the increase in salaries, performance-based bonus and Share-based payments expenses attributable to the game development team.

Income tax expenses

The Group's income tax expenses for the Period were approximately US\$1.9 million, representing a decrease of approximately 20.8% over US\$2.4 million for the corresponding period in the year of 2014, primarily due to a decrease in profit before tax.

Capital expenditure

As a game development and operation company, the Group's capital expenditures were mainly related to purchases of property, plant and equipment such as servers, computer equipments and intangible assets, such as software and trademark. Capital expenditures for the Period and the corresponding period in the year of 2014 are set forth as below:

	Six months ended 30 June	
	2015	2014
	US\$'000	US\$'000
Purchase of property, plant and equipment	798	1,332
Purchase of intangible assets	28	303

Capital commitment

As at 30 June 2015, the Group had a capital commitment of approximately US\$1.9 million (31 December 2014: US\$0.3 million).

Liquidity and capital resources and gearing ratios

As at 30 June 2015, the Group had net current assets of approximately US\$159.2 million (31 December 2014: approximately US\$174.0 million), and the gearing ratio of the Group, calculated as total liabilities divided by total assets, was 15.7% (31 December 2014: 13.9%).

As at 30 June 2015, the Group had cash and cash equivalents together with time deposits with original maturity of over three months of approximately US\$173.1 million (31 December 2014: approximately US\$181.1 million).

The Group did not have any bank borrowings or other financing facilities as at 30 June 2015 (31 December 2014: nil).

Operating activities

Net cash flows from operating activities decreased from approximately US\$33.8 million for the six months ended 30 June 2014 to approximately US\$32.8 million for the Period, which was primarily attributable to the decrease in profit before tax for the Period.

Investing activities

Net cash flows provided by investing activities was approximately US\$30.7 million for the Period, compared to net cash flows used in investing activities of approximately US\$63.4 million for the corresponding period in the year of 2014, which was primarily attributable to the decrease of investments in time deposits with original maturity of over three months.

Financing activities

Net cash flows used in financing activities was approximately US\$29.2 million for the Period, representing an increase by approximately US\$27.2 million as compared to approximately US\$2.0 million for the corresponding period in the year of 2014, which was primarily attributable to 2014 second interim dividend and special dividend which were paid in the Period.

Foreign currency risk

The Group has transactional currency exposures. Such exposures arise from sales or purchases by operating units in currencies other than the units' functional currency. 68.3% the sales are denominated in currencies other than the functional currency of the operating units making the sales for the Period (30 June 2014: 8.4%).

The Group currently does not have hedging policy in respect of the foreign currency risk. The major foreign currency risk of the Group rises from Singapore Dollar deposit. However, as a control measure, the Group has been converting most of its Singapore Dollar deposits into U.S. Dollars on a regular basis, to reduce its exposure to foreign currency exchange risk.

Capital structure

The capital structure of the Company comprised of ordinary Shares.

Dividend

The Board resolved to declare an interim dividend of HK4.0 cents per ordinary Share (equivalent to US0.5 cents per ordinary Share), amounting to approximately US\$7.4 million (six months ended 30 June 2014: interim dividend of HK5.6 cents per ordinary Share, equivalent to US0.7 cents per ordinary Share).

The register of members of the Company will be closed from Tuesday, 15 September 2015 to Thursday, 17 September 2015, both days inclusive, for the purpose of determining Shareholders' entitlements to the proposed interim dividend. The record date for entitlement to the proposed interim dividend is on Thursday, 17 September 2015. In order to qualify for the interim dividend, all transfers, accompanied by the relevant share certificates, must be lodged with the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, not later than 4:30 p.m. on Monday, 14 September 2015. The payment date of the interim dividend is expected to be on Wednesday, 30 September 2015.

Human resources

As at 30 June 2015, the Group had 803 employees (30 June 2014: 754). The table below sets forth the number of employees in each functional area as at 30 June 2015 and 2014, respectively:

<i>Function</i>	As at 30 June			
	2015		2014	
	<i>Number of Employees</i>	<i>% of total</i>	<i>Number of Employees</i>	<i>% of total</i>
Management	25	3.1	25	3.3
Development Team	391	48.6	346	45.9
IT Support Team	69	8.6	52	6.9
Finance and Accounting	27	3.4	19	2.5
Human Resources and Administration	44	5.5	19	2.5
Operation	243	30.3	289	38.4
Legal Department	3	0.4	3	0.4
Internal Audit	<u>1</u>	<u>0.1</u>	<u>1</u>	<u>0.1</u>
Total	<u>803</u>	<u>100.0</u>	<u>754</u>	<u>100.0</u>

The table below sets forth the number of employees located by geographic location as at 30 June 2015 and 2014, respectively:

<i>Location</i>	As at 30 June			
	2015		2014	
	<i>Number of Employees</i>	<i>% of total</i>	<i>Number of Employees</i>	<i>% of total</i>
Singapore	57	7.1	45	5.9
China	604	75.2	607	80.5
US	32	4.0	24	3.2
Canada	32	4.0	18	2.4
The Philippines	73	9.1	60	8.0
Korea	<u>5</u>	<u>0.6</u>	<u>0</u>	<u>0</u>
Total	<u>803</u>	<u>100.0</u>	<u>754</u>	<u>100.0</u>

Personnel expenses (including salary, bonuses, social insurance and provident funds, excluding share option expenses) for the Period were approximately US\$13.6 million, representing an increase of 40.2% over US\$9.7 million for the corresponding period in 2014, primarily due to the increase of the salaries and welfares due to an increase in headcount and the increase in our performance-based bonus.

Share-based payments expenses in connection with the Company's Pre-IPO Share Option Scheme, Share Option Scheme and Share Award Scheme during the Period were US\$1.5 million, representing an increase of 114.3% over US\$0.7 million for the corresponding period in 2014, primarily due to the increase in share options and awarded shares.

Significant investments

During the Period, the Group did not hold any significant investment in equity interest in any other company.

Interest capitalised

No interest was capitalised by the Group for the Period (30 June 2014: nil).

Material acquisitions and disposals of subsidiaries and affiliated companies

During the Period, the Group did not have any material acquisitions and disposals of subsidiaries and affiliated companies.

Charges on assets

As at 30 June 2015, no asset of the Group was pledged as a security for bank borrowing or any other financing activities (31 December 2014: nil).

Contingent liabilities

The Group had no significant contingent liabilities as at 30 June 2015 (31 December 2014: nil).

Certain subsidiary of the Group is subject to legal proceedings and claims arising in the ordinary course of business. A motion to dismiss the relevant legal proceeding has been filed by the Group at the relevant court. The Directors consider the outcome of such proceedings and claims as quite uncertain and any possible loss is not reasonably estimable. Consequently, no provision has been made for any expenses that might arise from such legal proceedings and claims.

TRANSFER OF LISTING FROM GEM TO THE MAIN BOARD

The Company applied for the Transfer of Listing from GEM to Main Board on 16 March 2015. The approval-in-principle with respect to the Transfer of Listing was granted by the Stock Exchange on 25 June 2015. Dealings in the Shares on the Main Board commenced on 7 July 2015. Accordingly, the Group commenced to comply with the Listing Rules starting from 7 July 2015.

CORPORATE GOVERNANCE CODE

The Company is committed to maintaining high standards of corporate governance in the interests of Shareholders. During the Period, except for the deviation from code provision A.2.1 as disclosed below, the Company has complied with the code provisions of the Corporate Governance Code as set out in Appendix 15 to the GEM Listing Rules.

Under provision A.2.1 of the Corporate Governance Code, the roles of the chairman and chief executive officer should be separate and should not be performed by the same individual. The Group does not at present separate the roles of the chairman and chief executive officer. Mr. Zongjian Cai is the chairman and chief executive officer of the Group. He has extensive experience in online game industry and is responsible for the overall corporate strategic planning and overall business development of the

Group. The Board considers that vesting the roles of chairman and chief executive officer in the same individual is beneficial to the business prospects and management of the Group. The balance of power and authorities is ensured by the operation of the Board and the senior management, which comprise experienced and high caliber individuals. The Board currently comprises three executive Directors, two non-executive Directors and three independent non-executive Directors and has a strong independence element in its composition.

MODEL CODE

During the Period, the Company has also adopted the Model Code as its code of conduct regarding securities transactions by the Directors. Having made specific enquiry with all Directors, all Directors confirmed that they have complied with the required standards set out in the Model Code regarding directors' securities transactions during the Period.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Except for the Pre-IPO Share Option Scheme, the Share Option Scheme, the Share Award Scheme and the Tapcash Subsidiary Share Option Scheme, during the Period, none of the Company or any of its subsidiaries was a party to any arrangement to enable the Directors to acquire benefits by means of the acquisition of Shares in or debentures of the Company or any other body corporate.

During the Period and up until the date of this announcement, except that on 23 March 2015 (1) Mr. Zongjian Cai, Mr. Yuan Xu and Mr. Hong Zhang, all of whom are executive Directors, were granted with 332,000, 613,000 and 605,000 share options under the Share Option Scheme, respectively, (2) Mr. Yuan Chi and Mr. Xiaojun Li, both of whom are non-executive Directors, were granted with 486,000 and 350,000 share options under the Share Option Scheme, respectively, (3) each of the independent non-executive Directors was granted 250,000 share options under the Share Option Scheme, and (4) Mr. Kee Lock Chua, who was a non-executive Director during the Period but subsequently resigned on 4 August 2015, was granted with 350,000 share options under the Share Option Scheme (on 27 August 2015, the Board resolved that Mr. Kee Lock Chua shall continue to be entitled to exercise the share options granted to him under the Share Option Scheme after his resignation as a non-executive Director of the Company), none of the Directors or chief executives of the Company was granted any share options under the Pre-IPO Share Option Scheme or the Share Option Scheme or any awarded shares under the Share Award Scheme.

PRE-IPO SHARE OPTION SCHEME

The Company adopted the Pre-IPO Share Option Scheme on 12 November 2008 and amended it on 16 September 2013, the principal terms of which are summarised in Appendix IV to the Prospectus. The Company should not grant any share options under the Pre-IPO Share Option Scheme after the Listing.

During the Period, except that 23,560,331 share options were exercised and 589,000 share options were lapsed due to the employment termination of certain employees of the Group pursuant to the Pre-IPO Share Option Scheme, no other share options granted under the Pre-IPO Share Option Scheme have been exercised, lapsed or cancelled.

SHARE OPTION SCHEME

The Company adopted the Share Option Scheme on 16 September 2013, the principal terms of which are summarised in Appendix IV to the Prospectus.

During the Period, the Company granted a total of 6,339,000 share options with details as followings:

23 March 2015

On 23 March 2015, the Company has granted a total of 6,339,000 share options to certain eligible persons pursuant to the Share Option Scheme. Among the total 6,339,000 share options, 5,378,000 share options were granted to the connected persons of the Company, including the Directors, the chief executive, directors of the subsidiaries, substantial shareholders and associates of any of them. Each share option shall entitle the holder of the share option to subscribe for one Share upon exercise of such share option at an exercise price of HK\$3.90 per Share. The share options granted under the Share Option Scheme shall vest in the grantees in accordance with the timetable below, each with an exercise period commencing from the relevant share option vesting date and ending 10 years after the date of grant.

The 1,450,000 share options, which were granted to all of the non-executive Directors (including Mr. Kee Lock Chua, a non-executive Director during the Period, who resigned on 4 August 2015, while excluding Mr. Yuan Chi who was an executive Director during the Period but was subsequently re-designated as a non-executive Director on 21 August 2015) and independent non-executive Directors, shall be subject to a vesting period as follows:

Share option vesting date	Percentage of share options to vest
On or after the date of the annual general meeting to be convened in 2016	One-third of the total number of share options granted
On or after the date of the annual general meeting to be convened in 2017	One-third of the total number of share options granted
On or after the date of the annual general meeting to be convened in 2018	One-third of the total number of share options granted

The remaining 4,889,000 share options shall be subject to a vesting period as follows:

Share option vesting date	Percentage of share options to vest
On or after 23 March 2016	25% of the total number of share options granted
On or after 23 March 2017	25% of the total number of share options granted
On or after 23 March 2018	25% of the total number of share options granted
On or after 23 March 2019	25% of the total number of share options granted

On the same date, the Company has irrevocably cancelled an aggregate of 9,742,500 share options previously granted by the Company pursuant to the Share Option Scheme on 25 March 2014, 12 May 2014, 11 August 2014 and 21 November 2014, following the Company's receipt of irrevocable written requests to cancel from the relevant share option grantees.

SHARE AWARD SCHEME

The Company adopted the Share Award Scheme on 24 December 2013, the principal terms of which are summarised in the announcement of the Company dated 24 December 2013.

During the Period, the Company has granted a total of 2,935,244 awarded shares to certain selected grantees at nil consideration pursuant to the Share Award Scheme on 23 March 2015, all of whom are third parties independent from the Company and its connected persons.

23 March 2015

On 23 March 2015, the Company granted 2,935,244 awarded shares to certain selected grantees at nil consideration. The awarded shares granted shall vest in the share award grantees in accordance with the schedule below:

Share award vesting date	Percentage of awarded shares to vest
On 23 March 2016	25% of the total number of awarded shares granted
On 23 March 2017	25% of the total number of awarded shares granted
On 23 March 2018	25% of the total number of awarded shares granted
On 23 March 2019	25% of the total number of awarded shares granted

Once vested, at the request of the relevant share award grantees, the awarded shares can be transferred to the relevant share award grantees from the Computershare Hong Kong Trustees Limited (the “**Trustee**”), or, the Trustee can sell the vested awarded shares for them and subsequently transfer the income arising from such sales to the relevant share award grantees.

TAPCASH SUBSIDIARY SHARE OPTION SCHEME

The Company adopted the Tapcash Subsidiary Share Option Scheme pursuant to the Shareholders’ approval on 5 May 2015, the principal terms of which are summarized in the circular of the Company dated 31 March 2015.

During the Period, Tapcash Cayman did not grant any options under the Tapcash Subsidiary Share Option Scheme.

HEADQUARTERS AND PRINCIPAL PLACE OF BUSINESS IN SINGAPORE

The headquarters and principal place of business in Singapore of the Company were changed to 315 Alexandra Road #04-03 Sime Darby Business Centre Singapore 159944 with effect from 30 April 2015.

AUDIT COMMITTEE

The Company has established an audit committee with written terms of reference in compliance with the GEM Listing Rules and, following the Transfer of Listing, the Listing Rules. The primary duties of the audit committee are to review and to supervise the financial reporting process and internal control systems of the Group. The audit committee comprises one non-executive Director and all independent non-executive Directors, namely, Dr. Horn Kee Leong (chairman of the audit committee), Mr. Xiaojun Li, Mr. Dajian Yu and Ms. Zhao Lu.

The audit committee has reviewed the unaudited condensed consolidated financial statements of the Group for the Period and was of the opinion that the preparation of such statements complied with applicable accounting standards and that adequate disclosure in accordance with the Listing Rules has been made in respect thereof.

COMPETING INTEREST

None of the Directors or the Controlling Shareholders or the substantial shareholders of the Company or their respective associates has any interest in any business which competed or may compete with the business of the Group for the Period.

USE OF PROCEEDS

The Company's Shares were listed on the GEM of the Stock Exchange on 18 October 2013. The net proceeds received by the Company by way of Placing amounted to approximately US\$105.0 million, which have been applied and will be applied in accordance with the disclosures set out in the section headed "Statement of Business Objective and Use of Proceeds" in the Prospectus.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the Period.

INTERESTS OF THE COMPLIANCE ADVISER

As notified by China Everbright Capital Limited ("**China Everbright**"), the Company's compliance adviser, neither China Everbright nor any of its directors or employees or associates had any significant interest in the share capital of the Company or any member of the Group (including options or rights to subscribe for such securities) as at 30 June 2015.

PUBLICATION OF INTERIM RESULTS AND INTERIM REPORT

This interim results announcement is published on the websites of the Stock Exchange (www.hkex.com.hk) and the Company (<http://www.igg.com>). The interim report for the Period containing all the information required by the Listing Rules will be dispatched to Shareholders of the Company and available on the same websites in due course.

DEFINITIONS

In this announcement, the following expressions shall have the following meanings unless the context requires otherwise:

“associate(s)”	has the meaning ascribed thereto in the Listing Rules
“Board” or “Board of Directors”	the board of Directors of the Company
“Company”	IGG Inc, an exempted company incorporated in the Cayman Islands whose shares are listed on the Stock Exchange
“connected person(s)”	has the meaning ascribed thereto in the Listing Rules
“Controlling Shareholders”	has the meaning ascribed thereto in the Listing Rules and unless the context requires otherwise, refers to Mr. Zongjian Cai, Mr. Yuan Chi, Duke Online Holdings Limited, Edmond Online Holdings Limited, Ms. Kai Chen (spouse of Mr. Zongjian Cai), Mr. Zhixiang Chen, Mr. Yuan Xu and Mr. Hong Zhang
“Corporate Governance Code”	Code on corporate governance practices contained in Appendix 15 to the GEM Listing Rules
“Director(s)”	the director(s) of the Company
“Fuzhou Tianji”	Fuzhou TJ Digital Entertainment Co., Ltd.* (福州天極數碼有限公司), a limited liability company established under the laws of the PRC on 15 November 2007, a wholly-owned subsidiary of the Group
“Fuzhou Tianmeng”	Fuzhou Skyunion Digital Co., Ltd* (福州天盟數碼有限公司), a limited liability company established under the laws of the PRC on 12 December 2006, which is owned as to 50% by Mr. Zongjian Cai and 50% by Mr. Yuan Chi, respectively
“GEM”	the Growth Enterprise Market of the Stock Exchange
“GEM Listing Rules”	the Rules Governing the Listing of Securities on the Growth Enterprise Market of the Stock Exchange
“Group”, “we”, “us” or “our”	the Company and its subsidiaries

“HK\$” and “HK cents”	Hong Kong dollars and cents respectively, the lawful currency of Hong Kong
“Hong Kong”	The Hong Kong Special Administrative Region of the PRC
“IGG Japan”	G-BOX Inc.* (株式会社G-BOX), a company incorporated under the laws of Japan on 5 February 2015, a wholly-owned subsidiary of the Group
“IGG Korea ”	IGG Korea Ltd., a company incorporated under the laws of Korea on 14 January 2015, a wholly-owned subsidiary of the Group
“IGG Philippines”	IGG Philippines Corp., a company incorporated under the laws of the Philippines on 11 January 2013 and a wholly-owned subsidiary of the Group
“IGG Singapore”	IGG Singapore Pte. Ltd. (formerly known as Skyunion Pte. Ltd.), a company incorporated under the laws of Singapore on 30 June 2009, a wholly-owned subsidiary of the Group
“IGG US”	Sky Union, LLC, a limited liability company formed in the State of Nevada, the United States, on 21 October 2005, a wholly-owned subsidiary of the Group
“Listing” or “Placing”	the listing of the Shares on the GEM
“Listing Date”	18 October 2013, on which dealings in the Shares first commence on the Stock Exchange
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Main Board”	stock market operated by the Stock Exchange prior to the establishment of GEM (excluding the options market) which stock market continues to be operated by the Stock Exchange in parallel with GEM. For the avoidance of doubt, the Main Board excludes GEM
“MAU”	monthly active users

“Model Code”	the required standard of dealings for securities transactions by directors of listed issuers as set out in Rules 5.48 to 5.67 of the GEM Listing Rules adopted by the Company on 16 September 2013
“Nerd Kingdom”	Nerd Kingdom, Inc., a limited liability company originally incorporated under the laws of the State of Delaware, the United States of America, on 20 May 2010, and subsequently converted into a State of California corporation on 4 May 2012, an associate of the Company
“Period”	six months ended 30 June 2015
“PRC”, “China” or “Mainland China”	the People’s Republic of China
“Pre-IPO Share Option Scheme”	the share option scheme adopted by the Company on 12 November 2008 and amended by written resolutions of all Shareholders passed on 16 September 2013, certain principal terms of which are summarised in the paragraph headed “Pre-IPO Share Option Scheme” in Appendix IV to the Prospectus
“Prospectus”	the prospectus of the Company dated 11 October 2013
“RMB”	Renminbi, the lawful currency of the PRC
“Share(s)”	means ordinary share(s) of US\$0.0000025 each in the share capital of the Company
“Share Award Scheme”	the share award scheme adopted by the Company on 24 December 2013, the principal terms of which are summarised in the announcement of the Company dated 24 December 2013
“Shareholder(s)”	the shareholder(s) of the Company
“Share Option Scheme”	the share option scheme conditionally adopted by the Company on 16 September 2013, the principal terms of which are summarised under the paragraph headed “Share Option Scheme” in Appendix IV to the Prospectus

“Shares Subdivision”	each issued and unissued share of US\$0.0001 each in the share capital of the Company was sub-divided into 40 Shares of US\$0.0000025 each pursuant to a Shareholders’ resolution passed on 16 September 2013
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“substantial shareholder(s)”	has the meaning ascribed thereto in the Listing Rules
“Tapcash Cayman”	Tap Media Technology Inc., an exempted company incorporated under the laws of the Cayman Islands with limited liability on 11 November 2014, a subsidiary of the Group
“Tapcash Subsidiary Share Option Scheme”	the share option scheme of Tapcash Cayman and its subsidiaries, the principal terms of which were summarized in the circular of the Company dated 31 March 2015
“Transfer of Listing”	the transfer of listing of the Shares from GEM to the Main Board pursuant to Chapter 9A of the Listing Rules
“U.S. dollar(s)” or “US\$” or “USD”	United States dollars, the lawful currency of the United States
“%”	per cent.
“*”	for identification only

If there is any inconsistency between the English and Chinese texts of this announcement, the English text of this announcement shall prevail over the Chinese text.

By order of the Board of
IGG INC
Zongjian Cai
Chairman

Hong Kong, 27 August 2015

As at the date of this announcement, the Board comprises three executive Directors, namely, Mr. Zongjian Cai, Mr. Yuan Xu and Mr. Hong Zhang; two non-executive Directors, namely, Mr. Yuan Chi and Mr. Xiaojun Li; and three independent non-executive Directors, namely, Dr. Horn Kee Leong, Mr. Dajian Yu and Ms. Zhao Lu.