

# 2014

FIRST  
QUARTERLY  
REPORT



**IGG INC**

Incorporated in the Cayman Islands with limited liability

**Stock code: 8002**

## CHARACTERISTICS OF THE GEM OF THE STOCK EXCHANGE

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*This report, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief, the information contained in this report is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this report misleading.*

## HIGHLIGHTS

	For the three months ended 31 March	
	2014	2013
	US\$' 000 (Unaudited)	US\$' 000 (Unaudited)
Revenue	44,055	14,421
Profit/(loss) for the period attributable to owners of the parent	13,647	(3,896)
Adjusted net income*	13,821	4,677

\* Adjusted net income represented profit excluding share-based compensation, and the fair value loss of the redeemable convertible Preferred Shares, which were converted to ordinary Shares on 31 May 2013 in accordance with the then applicable articles of association of the Company and have been transferred to equity. 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.

- The Group's revenue for the Period was approximately US\$44.1 million, representing an increase of approximately 206.3% over the revenue of approximately US\$14.4 million for the corresponding period in 2013 and an increase of approximately 20.2% over US\$36.7 million for the three months ended 31 December 2013.
- The Group's profit attributable to owners of the parent for the Period was approximately US\$13.6 million, comparing with the loss attributable to the owners of the parent of US\$3.9 million for the corresponding period in 2013 and an increase of approximately 41.7% over US\$9.6 million for the three months ended 31 December 2013.
- The Group's adjusted net income for the Period was approximately US\$13.8 million, representing an increase of 193.6% over the US\$4.7 million for the corresponding period in 2013, and an increase of approximately 42.3% over US\$9.7 million for the three months ended 31 December 2013.
- The Directors do not recommend the payment of any dividend for the three months ended 31 March 2014 (three months ended 31 March 2013: Nil).

## FIRST QUARTERLY RESULTS (UNAUDITED)

The Board is pleased to announce the unaudited consolidated quarterly results and the unaudited condensed consolidated financial statements of the Group for the Period, together with the comparative figures for the three months ended 31 March 2013. These results have been reviewed by the Company's audit committee, comprising all of the independent non-executive Directors and non-executive Directors, with one of the independent non-executive Directors chairing the audit committee.

## CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

	Notes	For the three months ended 31 March	
		2014 US\$' 000 (Unaudited)	2013 US\$' 000 (Unaudited)
REVENUE	3	44,055	14,421
Cost of sales		<u>(11,876)</u>	<u>(3,341)</u>
Gross profit		32,179	11,080
Other income and gains	3	174	76
Selling and distribution expenses		(11,064)	(3,120)
Administrative expenses		(2,985)	(1,310)
Research and development costs		(3,261)	(1,794)
Fair value loss of redeemable convertible preferred shares	7	—	(8,444)
Other expenses		<u>(361)</u>	<u>(141)</u>
PROFIT/(LOSS) BEFORE TAX		14,682	(3,653)
Income tax expense	4	<u>(1,035)</u>	<u>(243)</u>
<b>PROFIT/(LOSS) FOR THE PERIOD</b>		<b><u>13,647</u></b>	<b><u>(3,896)</u></b>
Attributable to:			
Owners of the parent		13,647	(3,896)
Non-controlling interests		<u>—</u>	<u>—</u>
		<b><u>13,647</u></b>	<b><u>(3,896)</u></b>
<b>EARNINGS/LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT</b>	6		
(expressed in US\$ per share)			
Basic			
– For earnings/(loss) for the period		0.0100	(0.0072)
Diluted			
– For earnings/(loss) for the period		0.0095	(0.0072)

## CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	For the three months ended 31 March	
	2014	2013
	US\$' 000	US\$' 000
	(Unaudited)	(Unaudited)
PROFIT/(LOSS) FOR THE PERIOD	<u>13,647</u>	<u>(3,896)</u>
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	(23)	(51)
Available-for-sale equity investments:		
Changes in fair value	<u>158</u>	<u>—</u>
OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD, NET OF TAX	<u>135</u>	<u>(51)</u>
TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD	<u>13,782</u>	<u>(3,947)</u>
Attributable to:		
Owners of the parent	13,782	(3,947)
Non-controlling interests	<u>—</u>	<u>—</u>
	<u>13,782</u>	<u>(3,947)</u>

## CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Attributable to owners of the parent												
	Issued capital	Share premium account	Share option reserve	Shares held for award schemes	Available-for-sale investment revaluation reserve	Reserve funds	Other reserve	Exchange fluctuation reserve	Accumulated losses	Proposed final dividend	Total	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	184,675	1,553	—	—	88	8	(93)	(53,265)	2,804	135,773	—	135,773
Profit for the period	—	—	—	—	—	—	—	—	13,647	—	13,647	—	13,647
Other comprehensive income for the period:													
Changes in fair value of available-for-sale equity investments, net of tax	—	—	—	—	158	—	—	—	—	—	158	—	158
Exchange differences on translation of foreign operations	—	—	—	—	—	—	—	(23)	—	—	(23)	—	(23)
Total comprehensive income for the period	—	—	—	—	158	—	—	(23)	13,647	—	13,782	—	13,782
Contribution from non-controlling interests	—	—	—	—	—	—	—	—	—	—	—	480	480
Equity-settled share option arrangement	—	—	174	—	—	—	—	—	—	—	174	—	174
Shares purchased for share award schemes	—	—	—	(242)	—	—	—	—	—	—	(242)	—	(242)
Exercise of share option	—	24	(7)	—	—	—	—	—	—	—	17	—	17
At 31 March 2014 (unaudited)	3	184,699	1,720	(242)	158	88	8	(116)	(39,618)	2,804	149,504	480	149,984

Attributable to owners of the parent

	Issued capital	Share premium account	Share option reserve	Reserve funds	Other reserve	Exchange fluctuation reserve	Accumulated losses	Total	Non-controlling interests	Total deficit
	US\$' 000	US\$' 000	US\$' 000	US\$' 000	US\$' 000	US\$' 000	US\$' 000	US\$' 000	US\$' 000	US\$' 000
At 1 January 2013	1	3,580	805	88	8	(110)	(60,213)	(55,841)	—	(55,841)
Loss for the period	—	—	—	—	—	—	(3,896)	(3,896)	—	(3,896)
Other comprehensive loss for the period:										
Exchange differences on translation of foreign operations	—	—	—	—	—	(51)	—	(51)	—	(51)
Total comprehensive loss for the period	—	—	—	—	—	(51)	(3,896)	(3,947)	—	(3,947)
Equity-settled share option arrangement	—	—	129	—	—	—	—	129	—	129
At 31 March 2013 (unaudited)	<u>1</u>	<u>3,580</u>	<u>934</u>	<u>88</u>	<u>8</u>	<u>(161)</u>	<u>(64,109)</u>	<u>(59,659)</u>	<u>—</u>	<u>(59,659)</u>

## NOTES

### 1. CORPORATE INFORMATION

The Company is a limited liability company incorporated in 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 Company is an investment holding company. The Group was principally engaged in development and operation of online games in the international market. The Company's issued ordinary shares have been listed and traded on the GEM of the Stock Exchange since 18 October 2013.

### 2. BASIS OF PREPARATION

The Financial Information has been prepared in accordance with International Financial Reporting Standards ("IFRSs") which comprise all standards and interpretations approved by the International Accounting Standards Board ("IASB"), the disclosure requirements of the Hong Kong Companies Ordinance and the applicable disclosure provisions of the Rules Governing the Listing of Securities on the GEM of the Stock Exchange (the "GEM Listing Rules"). The accounting policies and methods of computation used in the preparation of the unaudited condensed consolidated financial information are consistent with those used in the audited consolidated financial statements of the Group for the year ended 31 December 2013. The unaudited condensed consolidated financial information have not been audited by the Company's auditors, but have been reviewed by the Company's audit committee.

The financial information prepared under the historical cost convention, except for redeemable convertible preferred shares and available-for-sale equity investment which have been measured at fair value. The financial information is presented in United States Dollar ("US\$") and all values are rounded to the nearest thousand except when otherwise indicated.

### 3. REVENUE, OTHER INCOME AND GAINS

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

An analysis of revenue, other income and gains from continuing operations is as follows:

	For the three months ended 31 March	
	2014 US\$' 000 (Unaudited)	2013 US\$' 000 (Unaudited)
<b>Revenue</b>		
Online game revenue	43,607	13,677
Licensing revenue	16	105
Joint operation revenue	432	639
	<u>44,055</u>	<u>14,421</u>
<b>Other income and gains</b>		
Government Grant	17	—
Bank interest income	88	7
Exchange gain	34	67
Others	35	2
	<u>174</u>	<u>76</u>

### 4. 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 Pte. Ltd. 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 three months ended 31 March 2014 (2013: 5%).

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 three months ended 31 March 2014 (2013: Nil).

Under the relevant income tax law, the PRC subsidiaries are subject to income tax at a statutory rate of 25% for the three months ended 31 March 2014 (2013: 25%) on their respective taxable income, except for Fuzhou Tianmeng which was certified as Software Enterprises and is entitled to a preferential tax rate of 12.5% for the three months ended 31 March 2014 (2013: Nil).

For the three months ended 31 March 2014 and 2013, Sky Union, LLC, 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, Sky Union, LLC is also subject to a California state income tax rate of 8.84%.

	<b>For the three months ended 31 March</b>	
	<b>2014</b>	<b>2013</b>
	<b>US\$' 000</b>	<b>US\$' 000</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
Current period provision:		
US	51	22
Singapore	1,070	99
	<hr/>	<hr/>
Subtotal of current tax	1,121	121
	<hr/>	<hr/>
Deferred tax		
US	(46)	(10)
Singapore	4	65
PRC	(44)	67
	<hr/>	<hr/>
Subtotal of deferred tax	(86)	122
	<hr/>	<hr/>
Total tax charge for the period	<u>1,035</u>	<u>243</u>

#### 5. DIVIDEND

The Directors do not recommend the payment of any dividend in respect of the three months ended 31 March 2014 (2013: Nil).

#### 6. EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

On 16 September 2013, the Company's shareholders resolved to approve the subdivision ("Shares Subdivision") of each issued and unissued ordinary share of US\$0.0001 each in the capital of the Company to 40 shares of US\$0.0000025 each. For the purpose of calculating earnings/(loss) per share, the number of ordinary shares outstanding during the three months ended 31 March 2013 has been adjusted retroactively as a result of the Shares Subdivision.

The calculation of basic earnings/(loss) per share amounts is based on the respective earnings/(loss) attributable to ordinary equity holders of the parent, and the weighted average numbers of ordinary shares in issue during the three months ended 31 March 2014 and 2013.

The calculation of diluted earnings per share amount is based on the profit for the Period attributable to ordinary equity holders of the parent. The share options and awarded shares granted by the Company have potential dilutive effect on the basic earnings per share. The weighted average number of ordinary shares used in the calculation is the number of ordinary shares in issue during the Period, 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 potential dilutive ordinary shares arising from share options and awarded shares granted by the Company.

No adjustment has been made to the basic loss per share amounts presented for the three months ended 31 March 2013 in respect of a dilution as the impact of the share options and redeemable convertible preferred shares outstanding had an anti-dilutive effect on the basic loss per share amounts presented.

The calculations of basic and diluted earnings/(loss) per share are based on:

	<b>For the three months ended 31 March</b>	
	<b>2014</b>	<b>2013</b>
	<b>US\$' 000</b>	<b>US\$' 000</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
Earnings/(loss) attributable to ordinary equity holders of the parent used in the basic and diluted earnings/(loss) per share calculation:	<b>13,647</b>	<b>(3,896)</b>
Weighted average number of ordinary shares in issue during the period used in the basic earnings per share calculation	<b>1,359,049,560</b>	538,520,000
Effect of dilution – weighted average number of ordinary shares:		
Share options	<b>81,390,683</b>	—
Awarded shares	<b>1,001</b>	—
	<b>1,440,441,244</b>	538,520,000

## 7. REDEEMABLE CONVERTIBLE PREFERRED SHARES

On 30 November 2007 the Company issued an aggregate of 5,375,000 Series A convertible contingently redeemable preferred shares (“Series A shares”) at an aggregate purchase price of US\$3,000,001. On 30 November 2007, the Company issued the warrants which shall be exercisable at an aggregate price of US\$1,500,000 for 1,343,750 Series A1 convertible contingently redeemable preferred shares (“Series A1 shares”) with an exercise period expired upon (i) the expiry of eighteen (18) months from the closing date, (ii) a qualified initial public offering (the “IPO”), or (iii) in the event of any liquidation, dissolution or winding up of the Company, whichever is the earlier. On 1 June 2009, the expiry date of the warrant exercise period, the warrant holders exercised the warrants for 1,209,375 Series A1 shares at the consideration of US\$1,350,000. The warrants exercisable for 134,375 Series A1 shares were lapsed on that day. On 12 November 2008, the Company issued an aggregate of 49,675 Series B convertible contingently redeemable preferred shares (“Series B shares”) to the shareholders and investors of Sky Union, LLC which has become a wholly-owned subsidiary of the Company ever since. On 12 November 2008, the Company issued an aggregate of 5,216,091 Series B shares at an aggregate purchase price of US\$10,499,991.

In 2007 and 2008, the Company issued certain Series A, B and A1 shares (collectively “Series Shares”) shall automatically be converted into ordinary shares (“Automatic Conversion”), at the applicable Series Shares conversion price (i) upon the closing of an underwritten public offering of the ordinary shares of the Company in the United States, with an implied market capitalisation of at least two hundred and fifty million US dollars (US\$250,000,000) and the aggregate net proceeds of the Company in excess of fifty million US dollars (US\$50,000,000), or in a similar public offering of the ordinary shares of the Company in Hong Kong or another jurisdiction which results in the ordinary shares trading publicly on a recognised international securities exchange; provided that (a) the implied market capitalization of the Company after such offering shall be at least one hundred million US dollars (US\$100,000,000) and the aggregate net proceeds of the Company in excess of twenty million US dollars (US\$20,000,000); and (b) the board of directors have decided to have the Company listed on Hong Kong securities exchange or other recognised international securities exchange (a “Qualified Public Offering”), or (ii) upon the prior written approval of the holders of at least a majority of the Series Shares, which holders in each case shall include certain investors. In addition to the Automatic Conversion, each holder of Series Shares shall have the right, at such holder’s sole discretion, to convert all or any portion of the Series Shares into ordinary shares at any time. The initial conversion price will be the Series Share issue price (i.e., a 1-to-1 initial conversion ratio), which will be subject to adjustments to reflect stock dividends, stock splits and other events.

The preferred shares have no expiry date. However, at any time commencing on 1 December 2011 (inclusive), then subject to the applicable laws of the Cayman Islands and, if so requested by the holders of more than seventy-five percent (75%) of the Series Shares, the Company shall redeem all of the outstanding Series Shares out of funds legally available therefore.

The Series Shares contain the financial liability and embedded derivatives and the entire instrument was designated as financial liability at fair value through profit or loss on initial recognition. The initial carrying values of the Series A and B Shares are their issuance price at their respective issuance dates. The initial carrying value of the Series A1 Shares is the fair value of the warrants on the exercise date plus the cash proceeds from the exercise. They are measured subsequently at fair value at each period end with changes in fair value recognised in the income statement. The Company determined the fair value of Series Shares based on valuations performed by Jones Lang LaSalle.

The movements in the carrying value of the Series Shares are as follows:

	<b>For the three months ended 31 March</b>	
	<b>2014</b>	2013
	<b>US\$' 000</b>	US\$' 000
	<b>(Unaudited)</b>	(Unaudited)
At 1 January	—	66,595
Fair value changes in the Series Shares recognized in the condensed consolidated statement of profit or loss	—	8,444
At 31 March	<u>—</u>	<u>75,039</u>

## MANAGEMENT DISCUSSION AND ANALYSIS

The Group is a fast-growing global online games developer and operator with headquarters in Singapore and regional offices in the United States, China, Canada and the Philippines. We offer multi-language mobile games, browser games and client-based games on the free-to-play (F2P) model. Players around the world can download and play our games for free, and our revenue is generated by selling virtual items that enhance players' in-game experience.

## FINANCIAL REVIEW

### Revenue

The Group's revenue for the Period was approximately US\$44.1 million, representing an increase of approximately 206.3% over US\$14.4 million for the corresponding period in 2013 and an increase of approximately 20.2% over US\$36.7 million for the three months ended 31 December 2013. The increase was primarily due to a significant increase in the revenue generated from mobile games, mainly attributable to the hit title "Castle Clash", which was launched in July 2013.

### Gross profit and gross profit margin

The Group's gross profit for the Period was approximately US\$32.2 million, representing an increase of approximately 190.1% over the US\$11.1 million for the corresponding period in 2013, primarily due to the increase in revenue, especially revenue generated from mobile games.

The Group's gross profit margin for the Period was approximately 73.0%, representing a decrease of approximately 4.1% compared to the 77.1% for the corresponding period in 2013, primarily due to an increase in costs related to operating mobile games.

### Selling and distribution expenses

The Group's selling and distribution expenses for the Period were approximately US\$11.1 million, representing an increase of approximately 258.1% over the US\$3.1 million for the corresponding period in 2013. This was primarily due to a significant increase in advertising expenses incurred for our mobile games, especially "Castle Clash", which was partially offset by a decrease in promotional activities for our browser games.

### Administrative expenses

The Group's administrative expenses for the Period were approximately US\$3.0 million, representing an increase of approximately 130.8% over the US\$1.3 million for the corresponding period in 2013, primarily due to an increase in salaries and welfare expenses payable to administrative staff.

### **Research and development costs**

The Group's research and development costs for the Period were approximately US\$3.3 million, representing an increase of approximately 83.3% over the US\$1.8 million for the corresponding period in 2013, primarily due to (i) an increase in salaries and welfare expenses for game development staff; and (ii) an increase in research and development outsourcing expenses.

### **Income tax expense**

The Group's income tax expense for the Period was approximately US\$1.0 million, representing an increase of approximately 400.0% over the US\$0.2 million for the corresponding period in 2013, primarily attributable to the increase in profit before tax.

### **Adjusted net income**

The Group's adjusted net income for the Period was approximately US\$13.8 million, representing an increase of approximately 193.6% over US\$4.7 million for the corresponding period in 2013 and an increase of approximately 42.3% over US\$9.7 million for the three months ended 31 December 2013. The increase was in line with the increase in revenue. We have presented adjusted net income for the Period in this report as we believe that the adjusted net income for the Period is a meaningful supplement to the income statement data because it enables us to measure our profitability without taking into consideration of share-based compensation and fair value loss of the Preferred Shares (as defined in the Prospectus), which were converted to ordinary Shares on 31 May 2013. However, adjusted net income for the Period should not be considered in isolation or construed as an alternative to net income or operating income, or as an alternative to cash flow as a measurement of liquidity. Potential investors should be aware that the adjusted net income for the Period presented in this report may not be comparable to similarly titled measures reported by other companies due to differences in the components of the calculation.

### **Dividend**

The Board has not declared or paid any dividend for the Period.

### **Contingent liabilities**

As at 31 March 2014, the Group did not have any significant contingent liabilities (31 March 2013: Nil).

## BUSINESS REVIEW AND PROSPECTS

The Group is a fast-growing global online games developer and operator with strong expertise in the mobile games sector. We are headquartered in Singapore with regional offices in the United States, China, Canada and the Philippines. The Group offers multi-language mobile games, browser games and client-based games to players around the world. The Group elected to base most of our development personnel in China to tap the large talent pool there and leverage cost advantages in order to develop games in a cost-effective manner.

During the Period, the global games industry remained highly competitive. In pursuance of the overall corporate strategy of the Group for the year of 2014, the Group has continued to focus on (i) developing its own mobile games, and (ii) promoting, marketing and operating its games globally.

### Mobile games

During the Period, the Group increased its efforts to develop new and innovative mobile games by taking advantage of its strong game research and development capabilities and the creative energy of its game development teams. As more than 80% of our research and development force have been shifted to mobile game development since 2013, during the Period, 8 mobile games were launched, among which 4 mobile games were developed in-house and 4 mobile games were licensed from independent third parties.

Revenue from mobile games accounted for approximately 79.3% of our total revenue during the Period, comparing to 12.3% for the three months ended 31 March 2013. Especially, our hit title “Castle Clash”, which is a fast-paced tower defense game and quickly rose in popularity to become a top ten game in 34 countries and regions and a top five game in 18 countries and regions in terms of daily revenue rankings generated at Google Play as at 31 March 2014, according to Appannie.com, an independent third party provider of mobile application analytics. During the Period, the revenue of “Castle Clash” derived from Google Play, iOS and other systems were US\$21.7 million, US\$6.5 million and US\$1.0 million, respectively, totalled US\$29.2 million and accounted for approximately 84.0% of our total revenue from mobile games. The MAU (monthly active users: the number of individual who login to a particular game during the 30-day period ending with the measurement date) for this game was approximately 9.4 million as at 31 March 2014.

During the Period, on 7 January 2014, the Group entered into a mobile platform game developer and mobile game cooperation agreement with Shenzhen Tencent Computer Systems Company Limited (深圳市騰訊計算機系統有限公司) (“Tencent”), a subsidiary of Tencent Holdings Limited (stock code: 700) with its shares listed on the Stock Exchange. Tencent agreed to provide Tencent mobile game platforms to the Group to release and operate such mobile game products as Castle Clash (simplified Chinese version) on the Tencent mobile game platforms on an exclusive basis. By entering into this cooperation agreement, we can further promote our mobile games as well as strengthen and diversify our end-customers in the PRC and broaden our revenue base.

## Global presence

During the Period, the Group's customers consisted of players with IP addresses from more than 180 countries around the world, emphasizing the Group's international reach. The Group continued to design, develop and launch games in multiple languages, distribute and market the games in different countries in accordance with its global marketing strategy. As at 31 March 2014, the player community of the Group consisted of over 147 million player accounts around the world, including a total MAU of approximately 14.5 million. During the Period, 39.6%, 29.6% and 24.6% of the total revenue of the Group was generated from players with IP addresses in North America, Asia and Europe, respectively.

As of the first quarter ended 31 March 2014, according to Distimo.com, an independent third party provider of mobile application analytics, the Group ranked among the top 10 in over 43 countries in terms of quarterly gross sales generated via Google Play.

In addition, during the Period, the Group has incorporated two subsidiaries in Canada, one of which will primarily engage in the research and development of mobile games while the other will primarily provide advertising and distribution of mobile application services to the Group and other third-party online game companies. The one engaged in advertising and distribution of mobile application services is an entity incorporated by IGG Singapore with some connected persons of the Company and some independent third parties, details of which are set out in the announcement of the Company dated 5 March 2014. The incorporation of the two subsidiaries will diversify the business scope of the Group, reinforce its competitiveness in the mobile game market and strengthen the global reputation of the Group.

## Prospects

To cater to the varied and diverse preferences of game players in different countries, the Group will continue to enhance its in-house game development capabilities, while at the same time seek to license high quality and innovative mobile games from independent third-party developers. Our management team will further integrate and optimize our resources to reduce operating costs, improve efficiency and encourage innovation. We will also speed up the expansion of our business into high-growth regions.

The Group will make greater efforts to strengthen long-term partnerships with Apple Store, Google Play, as well as more than 40 other game promotion platforms, to execute its global marketing strategy in an effective manner.

Furthermore, the Group will continue to seek potential mergers and acquisitions opportunities that could create synergies, accelerate our growth and provide breakthroughs opportunities in our business.

## 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.

## DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Except for the Pre-IPO Share Option Scheme, the Share Option Scheme and the Share Award 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.

As at the date of this report, except that Mr. Zongjian Cai and Mr. Yuan Chi, both of whom are executive Directors, were granted with 291,000 and 135,000 share options under the Share Option Scheme on 25 March 2014, respectively, none of the Directors or chief executives of the Company held any share options under the Pre-IPO Share Option Scheme or the Share Option Scheme or any awarded shares under the Share Award Scheme.

## MODEL CODE

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 and up to the date hereof.

## DISCLOSURE OF INTEREST AS PER REGISTERS KEPT PURSUANT TO THE SFO

### (a) Directors' and chief executives' interests and short positions in Shares, underlying Shares and debentures

As at 31 March 2014, the interests and short positions of the Directors and chief executive of the Company and their respective associates in the Shares, underlying Shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO), which are required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of the SFO) or which are required pursuant to Section 352 of the SFO to be entered in the register referred to therein, or as otherwise notified to the Company and the Stock Exchange pursuant to the required standard of dealings by directors as referred to in Rules 5.46 to 5.67 of the GEM Listing Rules were as follows:

#### *Long positions*

Name	Capacity/Nature of interest	Number of Shares or underlying Shares	Approximate percentage of shareholding
Mr. Zongjian Cai	Interest in a controlled corporation, spouse interest, interests held jointly with another person	446,599,179 Shares (Notes 1, 4)	32.86%
	Beneficial owner and interests held jointly with another person	807,000 Shares (Notes 4, 5)	0.06%
Mr. Yuan Chi	Interest in a controlled corporation, interests held jointly with another person	446,599,179 Shares (Notes 2, 4)	32.86%
	Beneficial owner and interests held jointly with another person	807,000 Shares (Notes 4, 5)	0.06%
Mr. Dajian Yu (Note 3)	Beneficial owner	400,000 Shares	0.03%

Notes:

- (1) Mr. Zongjian Cai is interested in all the issued share capital of Duke Online and he is therefore deemed to be interested in 178,699,027 Shares held by Duke Online under the SFO. Mr. Zongjian Cai is also deemed to be interested in all Shares held by Ms. Kai Chen under the SFO.
- (2) Mr. Yuan Chi is interested in all the issued share capital of Edmond Online and he is therefore deemed to be interested in 158,080,000 Shares held by Edmond Online under the SFO.
- (3) Mr. Dajian Yu is interested in 400,000 Shares which were issued to him upon the exercise of the Pre-IPO share options on 9 February 2012.
- (4) On 16 September 2013, Mr. Zongjian Cai, Mr. Yuan Chi, Duke Online, Edmond Online, Mr. Yuan Xu, Ms. Kai Chen, Mr. Hong Zhang and Mr. Zhixiang Chen entered into an act in concert agreement, pursuant to which each of them agreed that they would act in concert with each other with respect to material matters relating to the Company's operation. The Controlling Shareholders expect that the material matters will cover, among other things, the matters which shall be approved at the annual general meeting, declaration of dividends, business plan, notifiable transactions and connected transactions subject to Shareholders' approval, if any.
- (5) Mr. Zongjian Cai is deemed to be interested in the 291,000 Shares which may be issued to him upon the exercise of the share options granted to him on 25 March 2014 under the Share Option Scheme. Mr. Yuan Chi is deemed to be interested in the 135,000 Shares which may be issued to him upon the exercise of the share options granted to him on 25 March 2014 under the Share Option Scheme. Mr. Yuan Xu is deemed to be interested in the 213,000 Shares which may be issued to him upon the exercise of the share options granted to him on 25 March 2014 under the Share Option Scheme. Mr. Hong Zhang is deemed to be interested in the 168,000 Shares which may be issued to him upon the exercise of the share options granted to him on 25 March 2014 under the Share Option Scheme. Details of Company's Share Option Scheme are set out in the section headed "Share Option Scheme" below.

Save as disclosed above, as of 31 March 2014, none of the Directors and chief executive of the Company was, under Divisions 7 and 8 of Part XV of the SFO, taken to be interested or deemed to have any other interests or short positions in the Shares, underlying Shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) that were required to be entered into the register kept by the Company pursuant to Section 352 of the SFO or were required to be notified to the Company and the Stock Exchange pursuant to the GEM Listing Rules.

(b) **Substantial shareholders' and other persons' interests and short positions in Shares and underlying Shares**

So far as were known to the Directors or chief executive of the Company, as at 31 March 2014, the following persons had interests and/or short positions of 5% or more of the Shares and underlying Shares of the Company as recorded in the register of interests required to be kept by the Company pursuant to Section 336 of the SFO:

<b>Name</b>	<b>Capacity/Nature of interest</b>	<b>Number of Shares or underlying Shares</b>	<b>Approximate percentage of shareholding</b>
Duke Online	Beneficial owner, interests held jointly with another person	446,599,179 Shares (Note 1, 4)	32.86%
Mr. Zongjian Cai	Interest in a controlled corporation, spouse interest, interests held jointly with another person	446,599,179 Shares (Notes 1, 4)	32.86%
	Beneficial owner and interests held jointly with another person	807,000 Shares (Notes 4, 5)	0.06%
Edmond Online	Beneficial owner, interests held jointly with another person	446,599,179 Shares (Note 2, 4)	32.86%
Mr. Yuan Chi	Interest in a controlled corporation, interests held jointly with another person	446,599,179 Shares (Notes 2, 4)	32.86%
	Beneficial owner and interests held jointly with another person	807,000 Shares (Notes 4, 5)	0.06%
Mr. Yuan Xu	Beneficial owner, interests held jointly with another person	446,599,179 Shares (Note 4)	32.86%
	Beneficial owner and interests held jointly with another person	807,000 Shares (Notes 4, 5)	0.06%
Mr. Hong Zhang	Beneficial owner, interests held jointly with another person	446,599,179 Shares (Note 4)	32.86%
	Beneficial owner and interests held jointly with another person	807,000 Shares (Notes 4, 5)	0.06%

Name	Capacity/Nature of interest	Number of Shares or underlying Shares	Approximate percentage of shareholding
Ms. Kai Chen	Beneficial owner, spouse interest, interest held jointly with another person	446,599,179 Shares (Notes 3, 4)	32.86%
	Interests held jointly with another person	807,000 Shares (Notes 4, 5)	0.06%
Mr. Zhixiang Chen	Beneficial owner, interests held jointly with another person	446,599,179 Shares (Note 4)	32.86%
	Interests held jointly with another person	807,000 Shares (Notes 4, 5)	0.06%
IDG Group (Note 6)	Beneficial owner	287,577,880 Shares	21.16%
IDG-Accel China Growth Fund GP II Associates Ltd. (Note 6)	Interest in a controlled corporation	287,577,880 Shares	21.16%
IDG-Accel China Growth Fund II Associates L.P. (Note 6)	Interest in a controlled corporation	265,837,000 Shares	19.56%
Vertex (Note 7)	Beneficial owner	119,225,000 Shares	8.77%
Temasek Holdings (Private) Limited (Note 7)	Interest in a controlled corporation	119,225,000 Shares	8.77%

Notes:

- (1) Mr. Zongjian Cai is interested in all the issued share capital of Duke Online and he is therefore deemed to be interested in 178,699,027 Shares held by Duke Online under the SFO. Mr. Zongjian Cai is also deemed to be interested in all Shares held by Ms. Kai Chen under the SFO.
- (2) Mr. Yuan Chi is interested in all the issued share capital of Edmond Online and he is therefore deemed to be interested in 158,080,000 Shares held by Edmond Online under the SFO.

- (3) Ms. Kai Chen is also deemed to be interested in all Shares held by Mr. Zongjian Cai under the SFO.
- (4) On 16 September 2013, Mr. Zongjian Cai, Mr. Yuan Chi, Duke Online, Edmond Online, Mr. Yuan Xu, Ms. Kai Chen, Mr. Hong Zhang and Mr. Zhixiang Chen entered into an act in concert agreement, pursuant to which each of them agreed that they would act in concert with each other with respect to material matters relating to the Company's operation. The Controlling Shareholders expect that the material matters will cover, among other things, the matters which shall be approved at the annual general meeting, declaration of dividends, business plan, notifiable transactions and connected transactions subject to Shareholders' approval, if any.
- (5) Mr. Zongjian Cai is deemed to be interested in the 291,000 Shares which may be issued to him upon the exercise of the share options granted to him on 25 March 2014 under the Share Option Scheme. Mr. Yuan Chi is deemed to be interested in the 135,000 Shares which may be issued to him upon the exercise of the share options granted to him on 25 March 2014 under the Share Option Scheme. Mr. Yuan Xu is deemed to be interested in the 213,000 Shares which may be issued to him upon the exercise of the share options granted to him on 25 March 2014 under the Share Option Scheme. Mr. Hong Zhang is deemed to be interested in the 168,000 Shares which may be issued to him upon the exercise of the share options granted to him on 25 March 2014 under the Share Option Scheme.
- (6) The IDG Group is comprised of two limited partnerships, IDG-Accel China Growth Fund II L.P., which holds 265,837,000 Shares and IDG-Accel China Investors II L.P., which holds 21,740,880 Shares. Each member of the IDG Group is managed by its general partner, who has the full and exclusive power and authority to manage and control the fund and its business. Each member of the IDG Group also consists of limited partner or limited partners who merely play the passive function of injecting capital into the fund and have no voting or management right. The members of the IDG Group are equity investment in portfolios with China-related business and operations.
- IDG-Accel China Growth Fund II L.P. is controlled by its general partner, namely, IDG-Accel China Growth Fund II Associates L.P., which is, in turn, controlled by its general partner, namely, IDG-Accel China Growth Fund GP II Associates Ltd. Therefore, each of IDG-Accel China Growth Fund II Associates L.P. and IDG-Accel China Growth Fund GP II Associates Ltd. is deemed to be interested in all Shares held by IDG-Accel China Growth Fund II L.P. under the SFO.
- IDG-Accel China Investors II. L.P. is controlled by its general partner, IDG-Accel China Growth Fund GP II Associates Ltd. Therefore, IDG-Accel China Growth Fund GP II Associates Ltd. is deemed to be interested in all Shares held by IDG-Accel China Investors II. L.P. under the SFO.
- (7) Vertex is 100% owned by Vertex Venture Holdings Limited, which is ultimately owned by Temasek Holdings (Private) Limited.

Save as disclosed above, as at 31 March 2014, the Directors are not aware of any other persons, other than the Directors and chief executives of the Company, whose interests are set out in the section headed "Directors' and chief executives' interests and short positions in Shares, underlying Shares and debentures" above, had interests or short positions in the Shares or underlying Shares of the Company that was required to be recorded pursuant to Section 336 to the SFO.

## 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 written resolutions of all the Shareholders. The terms of our Pre-IPO Share Option Scheme are not subject to the provisions of Chapter 23 of the GEM Listing Rules as our Pre-IPO Share Option Scheme will not involve the grant of options by us to subscribe for Shares once we have become a listed issuer.

The purpose of the Pre-IPO Share Option Scheme is to offer selected persons an opportunity to acquire a proprietary interest in the success of the Company, or to increase such interest, by purchasing Shares.

The outstanding options under the Pre-IPO Share Option Scheme represent share options originally granted by the Company to the grantees on 20 January 2007, 1 July 2007, 1 July 2008, 5 December 2008, 19 March 2009, 1 August 2009, 1 November 2009, 18 April 2011, 21 April 2011, 25 April 2011, 3 May 2011, 16 May 2011, 13 June 2011, 2 July 2011, 14 August 2011, 15 January 2012, 21 May 2012, and 31 March 2013, respectively, in respect of the Shares in the Company. As of the Listing Date, a total of 224 participants, including three members of the senior management and seven connected persons of our Group have been conditionally granted options under the Pre-IPO Share Option Scheme. The Company should not grant any share options under the Pre-IPO Share Option Scheme after the Listing.

Share options granted under the Pre-IPO Share Option Scheme shall mainly vest according to the following schedule, each with an exercise period commencing from the relevant vesting date and ending 10 years after the date of grant:

<b>Period within which option can be exercised</b>	<b>Maximum percentage of entitlement</b>
Any time after the date when the options are granted (the “ <b>First Granting Date</b> ”), subject to Grantee’s completion of 12 months’ continuous service	25%
Any time after the first anniversary of the First Granting Date, subject to Grantee’s completion of 12 months’ continuous service	25%
Any time after the second anniversary of the First Granting Date, subject to Grantee’s completion of 12 months’ continuous service	25%
Any time after the third anniversary of the First Granting Date, subject to Grantee’s completion of 12 months’ continuous service	25%

Below table set forth the exercise price of the share options granted on respective dates:

<b>Date of grant</b>	<b>Exercise price</b>
20 January 2007, 1 July 2007	US\$0.004026
1 July 2008	US\$0.008052
5 December 2008, 19 March 2009	US\$0.03775
1 August 2009, 1 November 2009	US\$0.05
18 April 2011, 21 April 2011, 25 April 2011, 3 May 2011, 16 May 2011, 13 June 2011	US\$0.0525
2 July 2011, 14 August 2011, 15 January 2012, 21 May 2012, 31 March 2013	US\$0.0865

Particulars and movements of share options under the Pre-IPO Share Option Scheme during the Period by category of grantees were as follows:

<b>Category of grantees</b>	<b>Number of Pre-IPO share options</b>				<b>Outstanding as at 31 March 2014</b>
	<b>Outstanding as at 31 December 2013</b>	<b>Exercised during the Period</b>	<b>Lapsed/ forfeited during the Period</b>	<b>Cancelled during the Period</b>	
Senior management	19,200,000	—	—	—	19,200,000
Connected persons (other than members of the senior management)	10,040,000	—	—	—	10,040,000
Other grantees who have been granted share options under the Pre-IPO Share Option Scheme to subscribe for one million Shares or more	10,948,000	—	—	—	10,948,000
Other grantees (total 205 grantees)	45,870,000	310,000	80,000	—	45,480,000
<b>Total</b>	<b>86,058,000</b>	<b>310,000</b>	<b>80,000</b> <sup>(Note 1)</sup>	<b>—</b>	<b>85,668,000</b>

Note:

- The share options were lapsed due to the employment termination of an employee of the Group pursuant to the Pre-IPO Share Option Scheme.

Save as disclosed above, no share options under the Pre-IPO Share Option Scheme have been exercised, lapsed or cancelled during the Period.

## SHARE OPTION SCHEME

The Company has adopted the Share Option Scheme on 16 September 2013 for the purpose of give the eligible persons an opportunity to have a personal stake in the Company and help motivate them to optimise 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, to enable the Group to attract and retain individuals with experience and ability and/or to reward them for their past contributions.

The maximum number of Share which may be issued upon exercise of all options to be granted under the Share Option Scheme and any other schemes of the Group shall not in aggregate exceed 10% of the Shares in issued as at the Listing Date, that is, 130,973,709 Shares. No option may be granted to any participant of the Share Option Scheme such that the total number of Shares issued and to be issued upon exercise of the options granted and to be granted to that person in any 12-month period up to the date of the latest grant exceeds 1% of the Company's issued share capital from time to time.

An option may be exercised in accordance with the terms of the Share Option scheme at any time during a period as determined by the Board and not exceeding 10 years from the date of the grant. There is no minimum period for which an option must be held before it can be exercised. Participants of the Share Option Scheme are required to pay the Company HK\$1.0 upon acceptance of the grant on or before the 28 days after the offer date. The exercise price of the options is determined by the Board in its absolute discretion and shall not be less than whichever is the highest of:

- (a) the nominal value of a Share;
- (b) the closing price of a Share as stated in the Hong Kong Stock Exchange's daily quotations sheets on the offer date; and
- (c) the average closing price of a Share as stated in the Hong Kong Stock Exchange's daily quotation sheets for the five Business Days immediately preceding the offer date.

The Share Option Scheme shall be valid and effective for a period of 10 years from the Listing Date, after which no further options will be granted or offered.

On 25 March 2014, the Board (including all independent non-executive Directors) resolved to grant a total of 3,700,000 share options to subscribe for the ordinary Shares of US\$0.0000025 each in the share capital of the Company, pursuant to the Share Option Scheme, subject to the acceptance by the grantees. Pursuant to 23.07(1) of the GEM Listing Rules, particulars and movements of share options under the Share Option Scheme during the Period by category of grantees were as follows:

Category of grantees	Date of grant	Exercise price per Share	Number of share options		
			Outstanding as at 31 December 2013	Granted during the Period	Outstanding as at 31 March 2014
<b>Directors</b>					
Mr. Zongjian Cai	25 March 2014	HK\$8.96	—	291,000	291,000
Mr. Yuan Chi	25 March 2014	HK\$8.96	—	135,000	135,000
<b>Other connected persons</b>					
Mr. Yuan Xu	25 March 2014	HK\$8.96	—	213,000	213,000
Mr. Hong Zhang	25 March 2014	HK\$8.96	—	168,000	168,000
Ms. Meijia Chen (a director of IGG HK)	25 March 2014	HK\$8.96	—	288,000	288,000
Mr. Hanling Fang (a director of IGG Philippines)	25 March 2014	HK\$8.96	—	299,000	299,000
<b>Other employees and eligible persons</b>	25 March 2014	HK\$8.96	—	2,306,000	2,306,000
<b>Total</b>			—	3,700,000	3,700,000

Share options granted on 25 March 2014 under the Share Option Scheme shall vest according to the following schedule, each with an exercise period commencing from the relevant vesting date and ending 10 years after the date of grant:

Share option vesting period	Percentage of share options to vest
On or after 25 March 2015	25% of the total number of share options granted
On or after 25 March 2016	25% of the total number of share options granted
On or after 25 March 2017	25% of the total number of share options granted
On or after 25 March 2018	25% of the total number of share options granted

Save as disclosed above, no share options under the Share Option Scheme have been granted, exercised, lapsed or cancelled during the Period.

## 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 recognise 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 Board may, from time to time, at their absolute discretion select any eligible person (excluding any excluded grantee) for participation in the Share Award Scheme as a selected grantee. However, until so selected, no eligible person shall be entitled to participate in the Share Award Scheme. The awarded shares (where the Board has determined such number pursuant to the terms of the Share Award Scheme) shall be either (i) allotted and issued by the Company, by using the general mandate granted to the Board by the Shareholders in the annual general meeting of the Company from time to time, unless separate Shareholders’ approval is obtained in a general meeting of the Company, or (ii) acquired by the Computershare Hong Kong Trustees Limited, as the trustee (“**Trustee**”) from the open market by utilising the Company’s resources provided to the Trustee, subject to the absolute discretion of the Board. The Company will contribute or grant cash to the Trustee to enable the Share Award Scheme to operate with necessary funds to purchase and/or subscribe for Shares. The vesting period shall, in any event, be no longer than ten years.

It is intended that the awarded shares under the Share Award Scheme will be offered to the selected grantees to take up the relevant awarded shares for no consideration subject to the compliance with the relevant laws and regulations, and certain conditions to be decided by the Board at the time of grant of the awarded shares under the Share Award Scheme.

Awarded shares held by the Trustee upon the trust and which are referable to a selected grantee shall vest to that selected grantee in accordance with a vesting schedule determined at the discretion of the Board, provided that the selected grantee remains at all times after the reference date (the date of final approval by the Board of the total number of Shares to be awarded to the selected grantees in a single occasion pursuant to the Share Award Scheme or the date of an award by the Trustee pursuant to the trust deed) and on each relevant vesting date(s) an eligible person. The Board may also, in its absolute discretion, determine the performance, operating and financial targets and other criteria, if any, to be satisfied by the selected grantee before the awarded shares can vest.

The Board shall not make any further award which will result in the number of Shares awarded by the Board under the Share Award Scheme in excess of 10% of the issued share capital of the Company as at the Adoption Date. In any event, the unvested Shares held by the Trustee at any time shall be less than 5% of the issued share capital of the Company. The maximum number of Shares to all Controlling Shareholders which may be subject to an award or awards in any of the 12 months shall not in aggregate exceed 2% of the issued share capital of the Company from time to time. The maximum number of Shares which may be awarded to a participant under the Share Award Scheme shall not exceed 1% of the issued share capital of the Company as at the Adoption Date.

Subject to any early termination as may be determined by the Board, the Share Award Scheme shall be valid and effective for a period of ten years commencing on the Adoption Date.

Details of the Share Award Scheme are set out in the Company's announcements dated 24 December 2013.

On 25 March 2014, the Board resolved to pay US\$2.3 million to the Trustee, so that the Trustee would then purchase and grant awarded shares to certain selected grantees under the Share Award Scheme.

On the same date, the Board (including all independent non-executive Directors) resolved to grant a total of 1,560,000 awarded shares to certain selected grantees of the Group at nil consideration pursuant to the Share Award Scheme at nil consideration, subject to the acceptance by the selected grantees, all of whom are eligible persons and are independent from the Company and its connected persons. The total of 1,560,000 awarded shares granted to the selected grantees represents approximately 0.11% of the issued share capital of the Company as at the date of grant.

The awarded shares granted shall vest in the grantees in accordance with the schedule below:

<b>Share award vesting period</b>	<b>Percentage of awarded shares to vest</b>
On 25 March 2015	25% of the total number of awarded shares granted
On 25 March 2016	25% of the total number of awarded shares granted
On 25 March 2017	25% of the total number of awarded shares granted
On 25 March 2018	25% of the total number of awarded shares granted

Once the award shares granted under the Share Award Scheme become vested, at the request of the relevant grantees, the awarded shares can be transferred to the relevant grantees from 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 grantees.

On 4 April 2014, the Company was informed by the Trustee that from 28 March 2014 to 4 April 2014, it had purchased an aggregate of 2,255,000 Shares of the Company's existing Shares on the market, representing approximately 0.166% of the issued share capital of the Company as of 4 April 2014, with a total consideration of HK\$17,840,905.74 for the purpose of the Share Award Scheme.

Save as disclosed above, no awarded shares have been granted, vested or lapsed under the Share Award Scheme during the Period.

## AUDIT COMMITTEE

The Company has established an audit committee with written terms of reference in compliance with the GEM 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 all non-executive Directors and all independent non-executive Directors, namely, Dr. Horn Kee Leong (chairman of the audit committee), Mr. Xiaojun Li, Mr. Kee Lock Chua, 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 GEM Listing Rules has been made in respect thereof.

## 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 strategies, planning and business management 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 two executive Directors, two non-executive Directors and three independent non-executive Directors and has a strong independence element in its composition.

## BOARD DIVERSITY POLICY

Pursuant to the Corporate Governance Code, the Board adopted a new board diversity policy on 19 September 2013. The Company recognises and embraces the benefits of diversity of Board members. While all Board appointments will continue to be made on a merit basis based on its business needs from time to time while taking into account of diversity, the Company will ensure that the Board has a balance of skills, experience and diversity of perspectives necessary to enhance the effectiveness of the Board and to maintain high standards of corporate governance. Selection of candidates will be based on a range of diversity perspectives with reference to the Company's business model and specific needs, including but not limited to gender, race, language, cultural background, educational background, industry experience and professional experience. The nomination committee of the company will also give consideration to the board diversity policy when identifying suitably qualified candidates to become members of the Board, and the Board will review the board diversity policy on a regular basis to ensure its effectiveness.

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

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

## COMPETING INTEREST

None of the Directors, 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 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 31 March 2014.

## DEFINITIONS

“associate(s)”	has the meaning ascribed thereto in the GEM Listing Rules
“Board”	the board of Directors
“Company”	IGG Inc, a company incorporated in the Cayman Islands whose shares are listed on the GEM
“connected person(s)”	has the meaning ascribed thereto in the GEM Listing Rules
“Controlling Shareholders”	has the meaning ascribed thereto in the GEM Listing Rules and unless the context requires otherwise, refers to Mr. Zongjian Cai, Mr. Yuan Chi, Duke Online, Edmond Online, 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
“Directors(s)”	the director(s) of the Company
“Duke Online”	Duke Online Holdings Limited, an exempted company incorporated under the laws of the BVI on 10 September 2007 with limited liability, the entire issued share capital of which is owned by Mr. Zongjian Cai, one of the Controlling Shareholders
“Edmond Online”	Edmond Online Holdings Limited, an exempted company incorporated under the laws of the BVI on 10 September 2007 with limited liability, the entire issued share capital of which is owned by Mr. Yuan Chi, one of the Controlling Shareholders
“GEM”	Growth Enterprise Market of the Stock Exchange
“GEM Listing Rules”	the Rules Governing the Listing of Securities on the GEM
“Group” “we”, “our” or “us”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars , the lawful currency of Hong Kong
“Hong Kong”	The Hong Kong Special Administrative Region of the PRC
“IDG Group”	collectively, IDG-Accel China Growth Fund II L.P. and IDG-Accel China Investors II L.P., two exempted limited partnerships formed under the laws of Cayman Island on 8 June 2007 and 3 July 2007, respectively, both of which are managed by their respective general partners

“IGG HK”	Skyunion Hong Kong Holdings Limited (天盟香港控股有限公司), a company incorporated under the laws of Hong Kong on 20 February 2006 and a wholly-owned subsidiary of the Company
“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 Company
“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 Company
“Listing” or “Placing”	the listing of the Shares on the GEM
“Listing Date”	18 October 2013, on which dealings in Shares first commence on the Stock Exchange
“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
“Period”	the three months ended 31 March 2014
“PRC” or “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
“SFO”	Securities Futures Ordinance
“Share(s)”	means 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)”	shareholder(s) of the Company
“Share Option Scheme”	the share option scheme 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
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“substantial shareholder”	has the meaning ascribed thereto in the GEM Listing Rules
“U.S. dollar(s)” or “US\$” or “USD”	United States dollars, the lawful currency of the United States of America
“Vertex”	Vertex Asia Investments Pte. Ltd. (or its affiliates or successors), a company incorporated under the law of Singapore on 20 April 2011 which is ultimately wholly owned by Temasek Holdings (Private) Limited
%	per cent.

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

By Order of the Board  
**IGG INC**  
**Zongjian Cai**  
*Chairman*

Hong Kong, 10 May 2014

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