

2014

INTERIM
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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Given the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board of the Stock Exchange and no assurance is given that there will be a liquid market in the securities traded on GEM.

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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.

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CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Mr. Zongjian Cai (*Chairman and chief executive officer*)
Mr. Yuan Chi

Non-executive Directors

Mr. Xiaojun Li
Mr. Kee Lock Chua

Independent Non-executive Directors

Dr. Horn Kee Leong
Mr. Dajian Yu
Ms. Zhao Lu

BOARD COMMITTEES

Audit Committee

Dr. Horn Kee Leong (*Chairman*)
Mr. Xiaojun Li
Mr. Kee Lock Chua
Mr. Dajian Yu
Ms. Zhao Lu

Nomination Committee

Dr. Horn Kee Leong (*Chairman*)
Mr. Zongjian Cai
Mr. Dajian Yu
Ms. Zhao Lu

Remuneration Committee

Ms. Zhao Lu (*Chairman*)
Mr. Zongjian Cai
Mr. Dajian Yu

JOINT COMPANY SECRETARIES

Ms. Jessie Shen
Ms. Yin Ping Yvonne Kwong (*a member of The Hong Kong Institute of Chartered Secretaries*)

AUTHORISED REPRESENTATIVES

Mr. Zongjian Cai
Ms. Jessie Shen
Ms. Yin Ping Yvonne Kwong

COMPLIANCE OFFICER

Mr. Yuan Chi

REGISTERED OFFICE

Offshore Incorporations (Cayman) Limited
Floor 4, Willow House, Cricket Square
P.O. Box 2804, Grand Cayman, KY1-1112
Cayman Islands

HEADQUARTERS AND PRINCIPAL PLACE OF BUSINESS IN SINGAPORE

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Sime Darby Enterprise Centre
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PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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28 Queen's Road East
Wanchai
Hong Kong

CORPORATE INFORMATION

AUDITORS

Ernst & Young

LEGAL ADVISER AS TO HONG KONG LAWS

Orrick, Herrington & Sutcliffe

LEGAL ADVISER AS TO PRC LAWS

Jingtian & Gongcheng

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Royal Bank of Canada Trust Company (Cayman) Limited
4th Floor, Royal Bank House
24 Shedden Road, George Town
Grand Cayman KY1-1110
Cayman Islands

HONG KONG SHARE REGISTRAR AND TRANSFER OFFICE

Computershare Hong Kong Investor Services Limited
Shops 1712-1716, 17th Floor, Hopewell Centre,
183 Queen's Road East, Wanchai
Hong Kong

COMPANY WEBSITE

www.igg.com

PRINCIPAL PLACE OF BUSINESS IN THE PRC

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155 Hualin Road
Fuzhou, Fujian Province
PRC

PRINCIPAL BANKS

Citibank N.A Singapore Branch
Overseas Chinese Banking Corporation Limited
United Overseas Bank Limited
Wells Fargo Bank, N.A.

INVESTOR RELATIONS CONSULTANTS

Wonderful Sky Financial Group Limited

COMPLIANCE ADVISOR

China Everbright Capital Limited
17/F., Far East Finance Centre
16 Harcourt Road
Hong Kong

HIGHLIGHTS

	For the six months ended 30 June			
	2014		2013	
	US\$' 000 (Unaudited)	HK\$' 000 ²	US\$' 000 (Unaudited)	HK\$' 000 ²
Revenue	91,898	712,743	28,760	223,057
Profit (loss) for the period attributable to owners of the parent	32,939	255,468	(7,153)	(55,477)
Adjusted net income ¹	33,669	261,130	7,158	55,516

¹ 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.

² Amounts denominated in U.S. dollars have been converted into Hong Kong dollars at an exchange rate of 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.

- The Group's revenue for the Period was approximately US\$91.9 million, representing an increase of approximately 219.1% over the revenue of approximately US\$28.8 million for the corresponding period in 2013. Compared to the three months ended 31 March 2014, revenue increased by approximately 8.4% from US\$44.1 million to US\$47.8 million for the three months ended 30 June 2014.
- The Group's profit attributable to owners of the parent for the Period was approximately US\$32.9 million, comparing with the loss attributable to the owners of the parent of US\$7.2 million for the corresponding period in 2013. Compared to the three months ended 31 March 2014, profit attributable to owners of the parent increased by approximately 41.9% from US\$13.6 million to US\$19.3 million for the three months ended 30 June 2014.
- The Group's adjusted net income for the Period was approximately US\$33.7 million, representing an increase of 368.1% over US\$7.2 million for the corresponding period in 2013. Compared to the three months ended 31 March 2014, adjusted net income increased by approximately 44.2% from US\$13.8 million to US\$19.9 million for the three months ended 30 June 2014.
- The Board resolved to declare an interim dividend of HK5.6 cents per ordinary Share (equivalent to US0.7 cents per ordinary Share), amounting to approximately US\$9.8 million (six months ended 30 June 2013: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

Revenue

The Group's revenue increased by approximately 219.1% from US\$28.8 million for the six months ended 30 June 2013 to US\$91.9 million for the Period. Compared to the three months ended 31 March 2014, revenue increased by approximately 8.4% from US\$44.1 million to US\$47.8 million for the three months ended 30 June 2014. The increase was primarily due to (i) an increase in revenue generated from the hit title "Castle Clash", which was partly contributed by its simplified Chinese version launched on Tencent's mobile games platform in May 2014, and (ii) an increase in revenue generated from "Clash of Lords II", especially for the English version which was launched in March 2014.

Revenue by operating segment and game type

The following table sets out the breakdown of revenue by operating segment and game type for the Period and the corresponding period in the year 2013, respectively:

	Six months ended 30 June			
	2014		2013	
	US\$' 000	%	US\$' 000	%
Mobile games	74,797	81.5	4,742	16.5
Browser games	14,370	15.6	20,844	72.5
Client-based games	2,047	2.2	3,174	11.0
Others	684	0.7	—	—
Total	91,898	100	28,760	100

MANAGEMENT DISCUSSION AND ANALYSIS

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 2013, respectively:

	Six months ended 30 June			
	2014		2013	
	US\$' 000	%	US\$' 000	%
North America	36,513	39.8	11,629	40.5
Asia	26,563	28.9	7,396	25.7
Europe	23,173	25.2	6,699	23.3
Oceania	3,353	3.6	1,417	4.9
South America	1,911	2.1	1,523	5.3
Africa	385	0.4	96	0.3
Total	91,898	100	28,760	100

Revenue by games

The following table sets forth a breakdown of revenue by games for the Period and the corresponding period in the year 2013, respectively:

	Six months ended 30 June			
	2014		2013	
	US\$' 000	%	US\$' 000	%
Castle Clash	59,966	65.3	—	—
Texas HoldEm Poker Deluxe	6,194	6.7	5,617	19.5
Galaxy Online II	5,803	6.3	9,207	32.1
Clash of Lords II	5,340	5.8	—	—
Wings of Destiny	4,600	5.0	4,958	17.2
Slot Machines by IGG	3,235	3.5	452	1.6
Others	6,760	7.4	8,526	29.6
Total	91,898	100	28,760	100

MANAGEMENT DISCUSSION AND ANALYSIS

Gross profit and gross profit margin

The Group's gross profit for the Period was approximately US\$66.6 million, representing an increase of approximately 204.1% over the US\$21.9 million for the corresponding period in 2013, primarily due to the increase in the revenue generated from the mobile games.

The Group's gross profit margin for the Period was approximately 72.5%, representing a decrease of approximately 3.5% compared to the 76.0% for the corresponding period in 2013, primarily due to an increase in costs related to operating mobile games.

Other income and gains

The Group's other income and gains for the Period was approximately US\$1.4 million, compared to approximately US\$0.1 million for the corresponding period in 2013, primarily due to an investment income generated from disposal of available-for-sales investments in a South Korea listed online gaming company.

Selling and distribution expenses

The Group's selling and distribution expenses for the Period were approximately US\$19.1 million, representing an increase of approximately 203.2% over the US\$6.3 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" and "Clash of Lords II", 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\$6.4 million, representing an increase of approximately 48.8% over US\$4.3 million for the corresponding period in 2013, primarily due to the 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\$6.9 million, representing an increase of approximately 81.6% over US\$3.8 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\$2.4 million, representing an increase of approximately 500.0% over US\$0.4 million for the corresponding period in 2013, primarily attributable to the increase in profit before tax.

MANAGEMENT DISCUSSION AND ANALYSIS

Adjusted net income

The Group's adjusted net income for the Period was approximately US\$33.7 million, representing an increase of approximately 368.1% over US\$7.2 million for the corresponding period in 2013. Compared to the three months ended 31 March 2014, adjusted net income increased by approximately 44.2% from US\$13.8 million to US\$19.9 million for the three months ended 30 June 2014. 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.

Gearing ratio

As at 30 June 2014, the gearing ratio of the Group, calculated as total liabilities, excluding the redeemable convertible Preferred Shares, divided by total assets, was 12.0% (31 December 2013: 10.3%).

Dividend

The Board resolved to declare an interim dividend of HK5.6 cents per ordinary Share (equivalent to US0.7 cents per ordinary Share), amounting to approximately US\$9.8 million (six months ended 30 June 2013: Nil).

The register of members of the Company will be closed from Monday, 25 August 2014 to Wednesday, 27 August 2014, 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 Wednesday, 27 August 2014. 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 Friday, 22 August 2014. The payment date of the interim dividend is expected to be on Friday, 5 September 2014.

MANAGEMENT DISCUSSION AND ANALYSIS

Human Resources

As at 30 June 2014, the Group had 754 employees (30 June 2013: 581). The table below sets forth the number of employees in each functional area as at 30 June 2014 and 2013 respectively:

Function	As at 30 June			
	2014		2013	
	Number of Employees	% of total	Number of Employees	% of total
Management	25	3.3	11	1.9
Development team	346	45.9	285	49.0
IT Support team	52	6.9	50	8.6
Game Operation and Customer service	126	16.7	129	22.2
Finance and accounting	19	2.5	17	2.9
Internal audit	1	0.1	1	0.2
Legal department	3	0.4	1	0.2
Administration	19	2.5	16	2.8
Global Support	163	21.7	71	12.2
Total	754	100	581	100

The table below sets forth the number of employees located by geographic location as at 30 June 2014 and 2013 respectively:

Location	As at 30 June			
	2014		2013	
	Number of Employees	% of total	Number of Employees	% of total
China	607	80.5	512	88.0
US	24	3.2	16	2.8
Canada	18	2.4	—	—
Singapore	45	5.9	30	5.2
Philippines	60	8.0	23	4.0
Total	754	100	581	100

Personnel expenses (including salary, bonuses, social insurance and provident funds, excluding share option expenses) for the Period were approximately US\$9.7 million, representing an increase of 70.2% over US\$5.7 million for the corresponding period in 2013, primarily due to (i) the increase of the salaries and welfares due to an increase in headcount, and (ii) the increase in our performance-based bonus.

MANAGEMENT DISCUSSION AND ANALYSIS

Share-based payments expenses in connection with the Company's Share Option Scheme and Share Award Scheme for the year ended 30 June 2014 were US\$0.7 million, representing an increase of 600.0% over US\$0.1 million for corresponding period in 2013, primarily due to (i) an accelerated recognition of share option expenses under the Pre-IPO Share Option Scheme upon the Listing on 18 October 2013, (ii) the grant of 3,700,000 share options on 25 March 2014 and 2,750,000 share options on 12 May 2014, both under the Share Option Scheme, and (iii) the grant of 1,560,000 awarded shares on 25 March 2014 under the Share Award Scheme.

Liquidity and Financial Resources

As at 30 June 2014, we had net current assets of approximately US\$152.8 million, as compared to the net current assets of approximately US\$133.7 million as at 31 December 2013. As at 30 June 2014, we had cash and cash equivalents together with time deposits with original maturity of over three months of approximately US\$157.5 million (31 December 2013: approximately US\$135.5 million). Please see page 40 of this report for details of the Group's cash flow during the Period.

Our Group did not have any bank borrowings or other financing facilities during the Period.

Capital Structure

The capital structure of the Company comprised ordinary Shares.

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. 8.4% of the sales are denominated in currencies other than the functional currency of the operating units making the sales for the period ended 30 June 2014 (30 June 2013: 18.2%). The Group currently does not have hedging policy in respect of the foreign currency risk. However, our management team closely monitors foreign exchange exposure to ensure appropriate measures are implemented in a timely and effective manner. In this respect, we are not exposed to any significant foreign currency exchange risk in our operation.

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 of assets

As at 30 June 2014, the Group did not make any pledged bank deposit (31 December 2013: Nil).

Contingent Liabilities

As at 30 June 2014, the Group did not have any significant contingent liabilities (31 December 2013: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW AND PROSPECTS

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, China, Canada and the Philippines, and customers from over 180 countries 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. Most of the development personnel are based in China to tap the large talent pool there and to leverage cost advantages. This has enabled the Group to produce games more cost-effectively.

During the Period, the global games industry remained highly competitive. To pursue its overall corporate strategy for 2014, the Group has maintained its focus on (i) developing its own mobile games, and (ii) promoting, marketing and operating its games globally. This allows the Group to mitigate the effects of unforeseen changes in local market conditions in individual countries.

Mobile games

During the Period, the Group stepped up its research and development efforts to produce new and innovative mobile games, as well as to update and improve its existing games. During the Period, 10 mobile games were launched, among which 4 mobile games were developed in-house and 6 mobile games were licensed from independent third parties.

Revenue from mobile games accounted for approximately 81.5% of our total revenue during the Period, comparing to 16.5% for the corresponding period in 2013. Especially, our hit title “Castle Clash”, which is a fast-paced tower defense game and quickly rose in popularity. It ranked top five in 17 countries and regions and top ten in 33 countries and regions in terms of daily revenue rankings generated at Google Play as at 30 June 2014, according to Appannie.com, an independent third party provider of mobile application analytics. During the Period, the revenue of “Castle Clash” was approximately US\$60.0 million and accounted for approximately 80.2% of our total revenue from mobile games, and the MAU for this game was approximately 9.0 million as at 30 June 2014.

On 8 January 2014, the Group entered into an agreement with Shenzhen Tencent Computer Systems Company Limited (“Tencent”) to launch the Group’s simplified Chinese version of “Castle Clash” on the Tencent social mobile platforms. In May 2014, the Group successfully released such simplified Chinese version of “Castle Clash”, on Tencent’s social mobile platforms. This has contributed to a significant increase in registered users, MAUs and revenue from the PRC in relation to “Castle Clash”.

The Group is also pleased to report that during the Period, another of its mobile games, “Clash of Lords II”, has gained widespread popularity with gamers. Revenue from such game has been rising steadily and has exceeded approximately US\$2.3 million per month.

MANAGEMENT DISCUSSION AND ANALYSIS

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 30 June 2014, the player community of the Group consisted of over 160 million player accounts around the world, including a total MAU of approximately 16.7 million. During the Period, approximately 39.8%, 28.9% and 25.2% of the total revenue of the Group was generated from players with IP addresses in North America, Asia and Europe, respectively.

As of the second quarter ended 30 June 2014, according to Distimo.com, an independent third party provider of mobile application analytics, the Group ranked among top five in 22 countries and top ten in 46 countries in terms of quarterly gross sales generated via Google Play.

In the previous quarter ended 31 March 2014, the Group incorporated two subsidiaries in Canada, one for the development of mobile games and the other for advertising and distribution of mobile application services. Both companies have commenced operations during the Period and will deliver their products and services on schedule.

Prospects

To cater to the diverse preferences of gamers 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.

Diversified genres can be found among the ten games launched in the first half of this year, such as Card, Strategy and MMO. The Group will continue to bring the players worldwide with various types of new games. Another 20 to 25 new games are expected to be brought to the market in the second half of this year, including below four key mobile games developed in-house and one high-profile mobile game licensed from the third party.

Game developed in-house

Deck Heroes

A card-based strategy game with a Western mythology theme, "Deck Heroes" boasts a revolutionary game design with intuitive game play mechanics that support a variety of game play modes. The game has various single-player dungeon campaigns, such as trials and mazes, as well as multi-player features where players from all around the world battle each other in raids and global arena.

Clash of Gangs

A self-developed combat strategy game set in the underworld. Players can direct their gang members to perform various tasks, attack other players from around the world, strategically expand and defend their own territory while maintaining their dominant position in their gang. Closed beta testing and internal stress testing of "Clash of Gangs" have been completed as of the end of the reporting period.

MANAGEMENT DISCUSSION AND ANALYSIS

Blood and Blade

A self-developed mobile game set in the seafaring age of exploration, “Blood and Blade” is a horizontal side-scrolling action MMORPG. The game offers an extensive pet-rearing system and a deep, immersive environment with varied instances. Closed beta testing of Blood and Blade has been completed as of the end of the reporting period.

Galaxy Online 3

A strategy game set in space, “Galaxy Online 3” is a sequel to the Group’s popular browser game, “Galaxy Online 2”, which was released back in 2011. The game has been significantly improved, including multi-player skirmishes for resource outposts, siege battles on enemy colonies, daily league matches and weekly tournaments. The game offers “player-vs-everything” style combat. Game play mechanics has also been changed to better suit mobile devices.

Game licensed from the third party

Brave Trials (English version)

A role-playing game in “Japanese anime” style featuring a virtual joystick to control the player-character, which is licensed from Taomee Holdings Limited. The Chinese version of “Brave Trials” has been launched in China by another publisher and the results are very encouraging.

Self-developed social platform

Link Messenger

The Group believes that an online game is not a “product” but a “service” and has always tried to cater to the various needs and wants of different gamers, and to constantly provide them with the highest level of service.

Interaction among gamers is an important contributing factor to the success of online games. To facilitate interaction and communication among the Group’s 160 million registered users, and to foster a stronger sense of community among them, the Group has developed and launched Link Messenger, a location-based instant messaging and social networking mobile application.

Going forward, the Group intends to continue investing resources to improve Link Messenger and to encourage its adoption by gamers. This is in line with the Group’s ongoing efforts to enhance its service offering to gamers.

A good social networking platform must have widespread adoption to be useful. Hence the Group will not try to monetize the Link Messenger platform until it has achieved a critical mass of users worldwide. Instead, the Group intends to invest considerable resources to market and further develop Link Messenger, adapting different strategies in different regions according to test results. These marketing efforts may affect profit margin in the short term, but is expected to strengthen the Group’s position vis-à-vis other game publishers in the long term.

MANAGEMENT DISCUSSION AND ANALYSIS

In addition to the Apple App Store and Google Play, the Group will make greater efforts to strengthen long-term partnerships with more than 100 game promotion platforms worldwide, to execute its global marketing strategy in an effective manner.

During the Period, the Group has made several strategic investments into companies in the industry that either have high growth potential, or with products and services that are complementary to the Group's business. As a result, the Group not only derived investment income, but also expects to benefit from the synergies with these companies in the near future.

The Group also endeavors to strengthen its operational capabilities in key, high growth markets around the world. This will enable the Group to better localize its games to suit different markets and cultures, to have a stronger local presence to better serve its customers, and to increase its market share in these countries.

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

COMPARISON BETWEEN BUSINESS OBJECTIVES WITH ACTUAL BUSINESS PROGRESS

An analysis comparing the business objectives as set out in the Prospectus with the Group's actual business progress for the period from 11 October 2013 (date of Prospectus) to 30 June 2014 is set out below:

Business objectives for the period from 11 October 2013 to 30 June 2014 as stated in the Prospectus	Actual business progress for the period from 11 October 2013 to 30 June 2014
Continue the promotion of existing or new online games on various Internet application platforms, social network platforms and other online game promotional platforms	The Group has increased its advertising campaigns for the major games on various online game promotional platforms
Acquisition of/investment in online game developers	Investment was made during the period in online gaming/mobile internet related companies.
Enhance and diversify the game development capabilities	The Group has recruited more game developing personnel in the PRC and Singapore to further empower and diversify our game development capabilities
Working capital and other general corporate purposes	The Group has spent its working capital in its day-to-day operations and other general corporate purposes

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.

CORPORATE GOVERNANCE AND OTHER INFORMATION

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.

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 two executive Directors, two non-executive Directors and three independent non-executive Directors and has a strong independence element in its composition.

BOARD OF DIRECTORS

The overall management of the Company's operation is vested in the Board. The Board takes overall responsibility to oversee all major matters of the Group, including the formulation and approval of all policy matters, overall strategic development of the Group, monitoring and controlling the Group's operation and financial performance, internal control and risk management systems, and monitoring the performance of the senior management of the Company. The Directors have to make decisions objectively in the interests of the Company.

The day-to-day management, administration and operation of the Company are delegated to the chief executive officer and the senior management of the Company. The delegated functions and work tasks are periodically reviewed.

The Board currently comprises seven Directors, consisting of two executive Directors, Mr. Zongjian Cai (the chairman of the Board) and Mr. Yuan Chi, two non-executive Directors, Mr. Xiaojun Li and Mr. Kee Lock Chua, and three independent non-executive Directors, Dr. Horn Kee Leong, Mr. Dajian Yu and Ms. Zhao Lu. All Directors have given sufficient time and attention to the affairs of the Group. Each executive Director is suitably qualified for his position, and has sufficient experience to hold the position so as to carry out his duties effectively and efficiently.

To the best knowledge of the Company, there is no other financial, business or family relationship among the members of the Board.

CORPORATE GOVERNANCE AND OTHER INFORMATION

The Company has complied with Rule 5.05(1) of the GEM Listing Rules to appoint at least three independent non-executive Directors. In addition, at least one independent non-executive Director possesses appropriate professional accounting qualifications or financial management expertise in accordance with Rule 5.05(2) of the GEM Listing Rules. The Company has appointed three independent non-executive Directors representing more than one-third of the Board and is in compliance with Rule 5.05A of the GEM Listing Rules.

Pursuant to Rule 17.50A(1) of the GEM Listing Rules, the Company was advised that (1) Dr. Horn Kee Leong ceased to be the independent non-executive of ECS Holdings Limited, a listed company on Singapore Stock Exchange since June 2014, (2) Dr. Horn Kee Leong acted as the chairman of the board of VIVA Industrial Trust Management Pte Ltd, which is the management company of REITs listed on Singapore Stock Exchange since June 2014 and (3) Mr. Kee Lock Chua stepped down from Beyond Social Services in May 2014 and from SHC Capital Asia Limited in August 2014, respectively.

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 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.

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.

REVIEW OF INTERIM FINANCIAL STATEMENTS

Disclosure of financial information in this report complies with Chapter 18 of the GEM Listing Rules. The audit committee of the Company has held meetings to discuss the internal controls and financial reporting matters of the Company, including the review of the unaudited interim results and the unaudited condensed consolidated interim financial statements for the Period.

CORPORATE GOVERNANCE AND OTHER INFORMATION

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 30 June 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, 3)	32.81%
	Beneficial owner and interests held jointly with another person	807,000 Shares (Notes 3, 4)	0.06%
Mr. Yuan Chi	Interest in a controlled corporation, interests held jointly with another person	446,599,179 Shares (Notes 2,3)	32.81%
	Beneficial owner and interests held jointly with another person	807,000 Shares (Notes 3, 4)	0.06%
Mr. Xiaojun Li	Beneficial owner	350,000 Shares (Note 5)	0.03%

CORPORATE GOVERNANCE AND OTHER INFORMATION

Name	Capacity/Nature of interest	Number of Shares or underlying Shares	Approximate percentage of shareholding
Mr. Kee Lock Chua	Beneficial owner	350,000 Shares (Note 6)	0.03%
Dr. Horn Kee Leong	Beneficial owner	250,000 Shares (Note 7)	0.02%
Ms. Zhao Lu	Beneficial owner	250,000 Shares (Note 8)	0.02%
Mr. Dajian Yu	Beneficial owner	400,000 Shares	0.03%
	Beneficial owner	250,000 Shares (Note 9)	0.02%

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) 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.
- (4) 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.

CORPORATE GOVERNANCE AND OTHER INFORMATION

- (5) Mr. Xiaojun Li is deemed to be interested in 350,000 Shares which may be issued to him upon exercise of the share options granted to him on 12 May 2014 under the Share Option Scheme.
- (6) Mr. Kee Lock Chua is deemed to be interested in 350,000 Shares which may be issued to him upon exercise of the share options granted to him on 12 May 2014 under the Share Option Scheme.
- (7) Dr. Horn Kee Leong is deemed to be interested in 250,000 Shares which may be issued to him upon exercise of the share options granted to him on 12 May 2014 under the Share Option Scheme.
- (8) Ms. Zhao Lu is deemed to be interested in 250,000 Shares which may be issued to him upon exercise of the share options granted to him on 12 May 2014 under the Share Option Scheme.
- (9) Mr. Dajian Yu is deemed to be interested in 250,000 Shares which may be issued to him upon exercise of the share options granted to him on 12 May 2014 under the Share Option Scheme.

Save as disclosed above, as of 30 June 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 30 June 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:

Name	Capacity/Nature of interest	Number of Shares or underlying Shares	Approximate percentage of shareholding
Duke Online	Beneficial owner, interests held jointly with another person	446,599,179 Shares (Notes 1,4)	32.81%
Mr. Zongjian Cai	Interest in a controlled corporation, spouse interest, interests held jointly with another person	446,599,179 Shares (Notes 1,4)	32.81%
	Beneficial owner and interests held jointly with another person	807,000 Shares (Notes 4, 5)	0.06%

CORPORATE GOVERNANCE AND OTHER INFORMATION

Name	Capacity/Nature of interest	Number of Shares or underlying Shares	Approximate percentage of shareholding
Edmond Online	Beneficial owner, interests held jointly with another person	446,599,179 Shares (Notes 2,4)	32.81%
Mr. Yuan Chi	Interest in a controlled corporation, interests held jointly with another person	446,599,179 Shares (Notes 2,4)	32.81%
	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)	32.81%
	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)	32.81%
	Beneficial owner and interests held jointly with another person	807,000 Shares (Notes 4, 5)	0.06%
Ms. Kai Chen	Beneficial owner, spouse interest, interest held jointly with another person	446,599,179 Shares (Notes 3,4)	32.81%
	Interests held jointly with another person	807,000 Shares (Notes 4, 5)	0.06%

CORPORATE GOVERNANCE AND OTHER INFORMATION

Name	Capacity/Nature of interest	Number of Shares or underlying Shares	Approximate percentage of shareholding
Mr. Zhixiang Chen	Beneficial owner, interests held jointly with another person	446,599,179 Shares (Note 4)	32.81%
	Interests held jointly with another person	807,000 Shares (Notes 4, 5)	0.06%
IDG Group (Note 6)	Beneficial owner	287,577,880 Shares	21.13%
IDG-Accel China Growth Fund GP II Associates Ltd. (Note 6)	Interest in a controlled corporation	287,577,880 Shares	21.13%
IDG-Accel China Growth Fund II Associates L.P. (Note 6)	Interest in a controlled corporation	265,837,000 Shares	19.53%
Vertex (Note 7)	Beneficial owner	119,225,000 Shares	8.76%
Temasek Holdings (Private) Limited (Note 7)	Interest in a controlled corporation	119,225,000 Shares	8.76%

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.

CORPORATE GOVERNANCE AND OTHER INFORMATION

- (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. 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. 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. 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.
- (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 30 June 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.

CORPORATE GOVERNANCE AND OTHER INFORMATION

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:

Period within which option can be exercised	Maximum percentage of entitlement
Any time after the date when the options are granted (the "First Granting Date"), 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:

Date of grant	Exercise price
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

CORPORATE GOVERNANCE AND OTHER INFORMATION

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

Category of grantees	Number of Pre-IPO share options				Outstanding as at 30 June 2014
	Outstanding as at 31 December 2013	Exercised during the Period	Lapsed/ forfeited during the Period	Cancelled during the Period	
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 194 grantees)	<u>45,870,000</u>	<u>2,326,900</u>	<u>530,000</u>	<u>—</u>	<u>43,013,100</u>
Total	<u>86,058,000</u>	<u>2,326,900</u>	<u>530,000^(Note 1)</u>	<u>—</u>	<u>83,201,100</u>

Note:

- The share options were lapsed due to the employment termination of the employees 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 giving 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.

CORPORATE GOVERNANCE AND OTHER INFORMATION

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.

On 12 May 2014, the Board (including all independent non-executive Directors) resolved to grant a total of 2,750,000 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.

CORPORATE GOVERNANCE AND OTHER INFORMATION

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 30 June 2014
			Outstanding as at 31 December 2013	Granted during the Period	Lapsed during the Period	
Directors						
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
Other connected persons						
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
Other employees and eligible persons	25 March 2014	HK\$8.96	—	2,306,000	35,000	2,271,000
Directors						
Mr. Xiaojun Li	12 May 2014	HK\$5.88	—	350,000	—	350,000
Mr. Kee Lock Chua	12 May 2014	HK\$5.88	—	350,000	—	350,000
Dr. Horn Kee Leong	12 May 2014	HK\$5.88	—	250,000	—	250,000
Mr. Dajian Yu	12 May 2014	HK\$5.88	—	250,000	—	250,000
Ms. Zhao Lu	12 May 2014	HK\$5.88	—	250,000	—	250,000
Other employees and eligible persons	12 May 2014	HK\$5.88	—	1,300,000	—	1,300,000
Total			—	<u>6,450,000</u>	<u>35,000</u>	<u>6,415,000</u>

CORPORATE GOVERNANCE AND OTHER INFORMATION

Share options granted on 25 March 2014

Share options granted on 25 March 2014 shall vest according to the following schedule, each with an exercise period commencing from the relevant vesting period 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

Share options granted on 12 May 2014

Share options granted on 12 May 2014 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:

The 1,450,000 share options, which were granted to all of the non-executive Directors and independent non-executive Directors, shall be subject to a vesting period as follows:

Share option vesting period	Percentage of share options to vest
On or after the date of the annual general meeting to be convened in 2015	One-third of the total number of Share Options granted
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

The remaining 1,300,000 Share Options shall be subject to a vesting period as follows:

Share option vesting period	Percentage of share options to vest
On or after 12 May 2015	25% of the total number of share options granted
On or after 12 May 2016	25% of the total number of share options granted
On or after 12 May 2017	25% of the total number of share options granted
On or after 12 May 2018	25% of the total number of share options granted

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

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.

CORPORATE GOVERNANCE AND OTHER INFORMATION

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 of the Company 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 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 announcement 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.

CORPORATE GOVERNANCE AND OTHER INFORMATION

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, all of whom are third parties independent from the Company and the connected persons of the Company, 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:

Share Award Vesting Date	Percentage of awarded shares to vest
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.

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, during the Period, no awarded shares were granted, vested, or lapsed under the Share Award Scheme.

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, each of the non-executive Directors was granted with 350,000 share options under the Share Option Scheme, respectively, and each of the independent non-executive Directors was granted with 250,000 share options under the Share Option Scheme on 12 May 2014, 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.

CORPORATE GOVERNANCE AND OTHER INFORMATION

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 during the Period.

CONTRACTS WITH CONTROLLING SHAREHOLDERS

No contract of significance has been entered into between the Company or any of its subsidiaries and the Controlling Shareholders during the Period.

DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

No contract of significance in relation to the Group's business to which the Company or any of its subsidiaries was a party to and in which a Director had a material interest in, whether directly or indirectly, and subsisted as of 30 June 2014 or at any time during the Period.

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.

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 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.

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 2014.

CORPORATE GOVERNANCE AND OTHER INFORMATION

STRUCTURED CONTRACTS

In 2007, Fuzhou Tianji, the Founders and Fuzhou Tianmeng entered into the Structured Contracts, as supplemented by the agreements in 2009 and 2013, pursuant to which the financial results of Fuzhou Tianmeng would be combined with the Company as if Fuzhou Tianmeng were a subsidiary of the Group.

The Structured Contracts comprise six agreements, the details of which are summarised below:

- (i) **Call Option Agreement:** on 30 November 2007, Fuzhou Tianji, Fuzhou Tianmeng and the Founders entered into an exclusive acquisition rights agreement (as supplemented by a supplemental agreement dated 16 September 2013 entered into by the same parties, collectively the “**Call Option Agreement**”), pursuant to which the Founders irrevocably granted the exclusive right to Fuzhou Tianji to require the Founders to transfer their equity interest in Fuzhou Tianmeng to Fuzhou Tianji.
- (ii) **Equity Pledge Agreement:** on 30 November 2007, Fuzhou Tianji and the Founders entered into an equity interest pledge agreement (as supplemented by supplemental agreements dated 5 January 2009 and 16 September 2013, respectively, entered into by the same parties, collectively the “**Equity Pledge Agreement**”), pursuant to which Fuzhou Tianji was entitled to exercise its rights to sell the Founders’ pledged interest in the registered capital of Fuzhou Tianmeng on occurrence of certain specified events.
- (iii) **Power of Attorney of Mr. Zongjian Cai:** on 30 November 2007, Mr. Zongjian Cai issued a power of attorney (as supplemented by a supplemental power of attorney dated 16 September 2013 issued by Mr. Zongjian Cai, collectively the “**Power of Attorney of Mr. Zongjian Cai**”), pursuant to which Mr. Zongjian Cai authorised Fuzhou Tianji to exercise all the shareholders’ rights of Mr. Zongjian Cai in Fuzhou Tianmeng.
- (iv) **Power of Attorney of Mr. Yuan Chi:** on 30 November 2007, Mr. Yuan Chi issued a power of attorney (as supplemented by a supplemental power of attorney dated 16 September 2013 issued by Mr. Yuan Chi, collectively the “**Power of Attorney of Mr. Yuan Chi**”), pursuant to which Mr. Yuan Chi authorized Fuzhou Tianji to exercise all the shareholders’ rights of Mr. Yuan Chi in Fuzhou Tianmeng.
- (v) **Exclusive Technical Consulting Service Agreement:** on 30 November 2007, Fuzhou Tianji and Fuzhou Tianmeng entered into an exclusive technical consulting service agreement (as supplemented by supplemental agreements dated 5 January 2009 and 16 September 2013, respectively, entered into by the same parties, collectively, “**Exclusive Technical Consulting Service Agreement**”), pursuant to which Fuzhou Tianji would provide technical support and consultation services to Fuzhou Tianmeng in consideration of services fees equivalent to the total revenue less all the related costs, expenses and taxes payable by Fuzhou Tianmeng, to be paid on a quarterly basis.
- (vi) **Online Game Licensing Agreement:** on 16 September 2013, Fuzhou Tianji and Fuzhou Tianmeng entered in an agreement for online game licensing (the “**Online Game Licensing Agreement**”), pursuant to which Fuzhou Tianji will license various online game software to Fuzhou Tianmeng for operation in the PRC market for a consideration of an initial licensing fee and commissions payable on a quarterly basis according to a percentage generally accepted in the market and such commission shall be a fair value.

CORPORATE GOVERNANCE AND OTHER INFORMATION

On-going reporting and approvals

The Directors confirmed that, as at the date hereof, the Structured Contracts had not been challenged by the relevant authorities in the PRC and the Group had not encountered any interference or encumbrance from any PRC governing bodies in operating their business through Fuzhou Tianmeng under the Structured Contracts.

The Group has adopted the following measures to ensure the effective operation of our Group with the implementation of the Structured Contracts and our compliance with the Structured Contracts:

- The Company confirms that in order to ensure the operation of the Structured Contracts, the Company has reviewed the overall performance and compliance with the Structured Contracts for the Period.
- The independent non-executive Directors will review the Structured Contracts annually and confirm that in the annual reports for the relevant year that (i) the transactions carried out during such year have been entered into in accordance with relevant terms of the Structured Contracts such that all revenue generated by Fuzhou Tianmeng deducting all related expenses, costs and the taxes payable by it has been retained by the Group; (ii) no dividends or other distributions have been made by Fuzhou Tianmeng to its equity interest holders; and (iii) no new contracts or renewed contracts have been entered into on the same terms as the existing Structured Contracts.
- The Company has engaged Ernst & Young as its auditors to perform procedures annually on the transactions contemplated under the Structured Contracts and the auditors will carry out review procedures annually to ensure that no dividend has been distributed by Fuzhou Tianmeng to its equity holders which was not subsequently assigned or transferred to our Group and relevant transactions have received approval of the Board and were entered into in accordance with the terms of the Structured Contracts.
- The Group has not renewed and/or reproduced any of the framework of and terms and conditions similar to those of the Structured Contracts in relation to any existing or new wholly foreign-owned enterprise or operating company.
- Fuzhou Tianmeng has provided the Company's management and auditors with full access to relevant records for the purpose of the auditors' performance of review procedures on relevant transactions under the Structured Contracts.

CORPORATE GOVERNANCE AND OTHER INFORMATION

Regulatory Matters in Relation to the Structure Contracts

Foreign investment in telecommunications sector is governed by the Regulations on Administration of Foreign Invested Telecommunications Enterprises (外商投資電信企業管理規定) (the “FITE Regulations”), which were promulgated by the State Council on 11 December 2001 and amended on 10 September 2008. Pursuant to the FITE Regulations, a foreign investor must establish a Chinese-foreign equity joint venture with a Chinese partner to invest in telecommunications industry. A foreign-invested telecommunications enterprise, or FITE, is allowed to be engaged in basic telecommunications business and value-added telecommunications business. The foreign investor’s ultimate equity holding percentage in a value-added telecommunications business shall not exceed 50%. In addition, the FITE Regulations require a foreign investor to demonstrate a good track record and prior experience in providing value-added telecommunications services business before it can acquire any equity interest in a value-added telecommunications services business in the PRC. However, as advised by our PRC legal advisers, Jingtian & Gongcheng, as at the date of this report, there are no administrative or implementing rules in the PRC defining the term “a good track record and experience in providing value-added telecommunication services overseas”. The relevant governmental authority has great discretion in determining whether a foreign investor has satisfied such “good record and experience”. Our PRC legal advisers, Jingtian& Gongcheng, also advised the disclosures in the Prospectus with regard to the qualification requirements as stipulated under the provisions on FITE Regulations remain unchanged since the Listing Date and up to the date hereof.

In compliance with the requirements under the FITE Regulations, the Group has implemented the following measures:

- Our Directors will review the overall performance and compliance with the Structured Contracts and provide periodic updates in our annual/interim reports regarding the qualification requirements as stipulated under the FITE Regulations, including the latest relevant regulatory development as well as our plan and progress in acquiring the relevant experience to meet these qualification requirements.
- We have engaged Jingtian & Gongcheng as our PRC legal advisers to provide on-going legal advice on various compliance matters. Our PRC legal advisers closely monitor the regulatory development applicable to us and timely inform us should there be any updates regarding the qualification requirements under the FITE Regulations.
- We will continue to consult with our legal advisers and compliance adviser from time to time should we have any inquires regarding the Structured Contracts, including but not limited to the qualification requirements under the FITE Regulations.

CORPORATE GOVERNANCE AND OTHER INFORMATION

TERMINATION OF A CONTINUING CONNECTED TRANSACTION

On 16 September 2013, IGG Singapore entered into a Research and Development Outsourcing Agreement (“**Research and Development Outsourcing Agreement**”) with GameCoreTech Software Corporation (“**GameCoreTech**”). Pursuant to the Research and Development Outsourcing Agreement entered into between GameCoreTech and IGG Singapore, GameCoreTech shall be responsible for the main planning of the mobile games softwares, art production, specific development work, allocation of development resources, project management, and delivery of various versions of the mobile games softwares to be developed by GameCoreTech in accordance with the specific instructions given by IGG Singapore from time to time for a term from 20 May 2013 to 31 December 2015, renewable for a term of at most three years upon expiry (subject to compliance with the provisions under the GEM Listing Rules regarding connected transactions). Pursuant to the Research and Development Outsourcing Agreement, IGG Singapore agreed to pay GameCoreTech US\$650,000 (excluding tax) annually, subject to annual adjustments, which is determined based on arm’s length negotiation and the expected mobile games research and development costs to be involved. The price of research and development services provided by GameCoreTech is comparable to that from Independent Third Parties. Details of the Research and Development Outsourcing Agreement have been set out in the Prospectus.

GameCoreTech is a company wholly owned by Mr. Neng Xu, who is Mr. Yuan Xu’s brother. Mr. Yuan Xu is a Controlling Shareholder and therefore a connected person of the Company under the GEM Listing Rules. Mr. Neng Xu is a connected person of the Company under the GEM Listing Rules. Therefore, GameCoreTech is regarded as an associate of Mr. Neng Xu for the purpose of the GEM Listing Rules and accordingly is regarded as a connected person of the Company under the GEM Listing Rules.

Upon the Listing, the transaction under the Research and Development Outsourcing Agreement carried out by IGG Singapore and GameCoreTech constitutes continuing connected transaction of the Company under the GEM Listing Rules.

Pursuant to Rule 20.42(3) of the GEM Listing Rules, the Company has applied for, and the Stock Exchange has granted to the Company, a waiver from strict compliance with Rule 20.47 of the GEM Listing Rules in relation to the announcement requirements in respect of the above continuing connected transaction.

Given that IGG Singapore has incorporated a wholly-owned subsidiary in Canada on 30 January 2014 to engage in research and development of mobile applications and has appointed Mr. Neng Xu as one of the directors of the new subsidiary, the Directors considered the Research and Development Outsourcing Agreement is unnecessary to the Group. On 5 March 2014, IGG Singapore, GameCoreTech and Mr. Neng Xu entered into a termination agreement pursuant to which the parties agreed to irrevocably terminate the Research and Development Outsourcing Agreement. IGG Singapore and GameCoreTech have confirmed that, there are no outstanding rights and obligations under the Research and Development Outsourcing Agreement as at the termination date.

The Board confirmed that the termination of the Research and Development Outsourcing Agreement will not have any material adverse impact on the financial position and business operation of the Group.

INTERIM CONDENSED CONSOLIDATED INCOME STATEMENTS

	Notes	For the three months ended 30 June		For the six months ended 30 June	
		2014	2013	2014	2013
		US\$' 000 (Unaudited)	US\$' 000 (Unaudited)	US\$' 000 (Unaudited)	US\$' 000 (Unaudited)
REVENUE	5	47,843	14,339	91,898	28,760
Cost of sales		<u>(13,431)</u>	<u>(3,478)</u>	<u>(25,307)</u>	<u>(6,819)</u>
Gross profit		34,412	10,861	66,591	21,941
Other income and gains	5	1,375	46	1,415	55
Selling and distribution expenses		(8,031)	(3,175)	(19,095)	(6,295)
Administrative expenses		(3,416)	(3,003)	(6,401)	(4,313)
Research and development costs		(3,631)	(2,051)	(6,892)	(3,845)
Fair value loss of redeemable convertible preferred shares	19	—	(5,723)	—	(14,167)
Other expenses		<u>(11)</u>	<u>(11)</u>	<u>(238)</u>	<u>(85)</u>
PROFIT/(LOSS) BEFORE TAX	6	20,698	(3,056)	35,380	(6,709)
Income tax expense	7	<u>(1,406)</u>	<u>(201)</u>	<u>(2,441)</u>	<u>(444)</u>
PROFIT/(LOSS) FOR THE PERIOD		<u>19,292</u>	<u>(3,257)</u>	<u>32,939</u>	<u>(7,153)</u>
Attributable to:					
Owners of the parent		19,292	(3,257)	32,939	(7,153)
Non-controlling interests		<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
		<u>19,292</u>	<u>(3,257)</u>	<u>32,939</u>	<u>(7,153)</u>
EARNINGS/(LOSS) PER SHARE					
ATTRIBUTABLE TO ORDINARY					
EQUITY HOLDERS OF THE PARENT	9				
(express in US\$ per share)					
Basic					
– For earnings/(loss) for the period		<u>0.0142</u>	<u>(0.0045)</u>	<u>0.0242</u>	<u>(0.0112)</u>
Diluted					
– For earnings/(loss) for the period		<u>0.0134</u>	<u>(0.0045)</u>	<u>0.0229</u>	<u>(0.0112)</u>

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	For the three months ended 30 June		For the six months ended 30 June	
	2014 US\$' 000 (Unaudited)	2013 US\$' 000 (Unaudited)	2014 US\$' 000 (Unaudited)	2013 US\$' 000 (Unaudited)
PROFIT/(LOSS) FOR THE PERIOD	<u>19,292</u>	<u>(3,257)</u>	<u>32,939</u>	<u>(7,153)</u>
OTHER COMPREHENSIVE INCOME/(LOSS)				
Other comprehensive income to be reclassified to profit or loss in subsequent periods:				
Exchange differences on translation of foreign operations	(4)	(80)	(27)	(131)
Available-for-sale equity investment:				
Changes in fair value	12 2,751	—	2,909	—
Reclassification adjustments for gain included in the interim condensed consolidated income statement – gain on disposal	12 <u>(1,112)</u>	<u>—</u>	<u>(1,112)</u>	<u>—</u>
OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD, NET OF TAX	<u>1,635</u>	<u>(80)</u>	<u>1,770</u>	<u>(131)</u>
TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD	<u>20,927</u>	<u>(3,337)</u>	<u>34,709</u>	<u>(7,284)</u>
Attributable to:				
Owners of the parent	20,927	(3,337)	34,709	(7,284)
Non-controlling interests	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
	<u>20,927</u>	<u>(3,337)</u>	<u>34,709</u>	<u>(7,284)</u>

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	Notes	30 June 2014 (Unaudited) US\$' 000	31 December 2013 (Audited) US\$' 000
NON-CURRENT ASSETS			
Property, plant and equipment	10	2,491	1,674
Other intangible assets	11	332	97
Non-current assets		895	157
Available for sale investments	12	9,821	—
Deferred tax assets		600	435
Total non-current assets		14,139	2,363
CURRENT ASSETS			
Accounts receivable	13	2,581	314
Amount due from related party	24	—	114
Prepayments, deposits and other receivables	14	1,275	919
Funds receivable	15	13,704	12,248
Time deposits with original maturity of over three months		54,000	—
Cash and cash equivalents	16	103,541	135,488
Total current assets		175,101	149,083
CURRENT LIABILITIES			
Accounts payable	17	3,720	3,228
Other payables and accruals	18	3,568	3,006
Dividend payable		705	—
Tax payable		3,607	1,317
Deferred revenue		10,723	7,805
Total current liabilities		22,323	15,356
NET CURRENT ASSETS		152,778	133,727
TOTAL ASSETS LESS CURRENT LIABILITIES		166,917	136,090
NON-CURRENT LIABILITIES			
Deferred tax liabilities		298	317
Total non-current liabilities		298	317
NET ASSETS		166,619	135,773
EQUITY			
Issued capital	20	3	3
Reserves		156,301	132,891
Proposed dividends	8	9,835	2,879
		166,139	135,773
Non-controlling interests		480	—
Total equity		166,619	135,773

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Issued capital	Share premium	Share option reserve	Shares held for award schemes	Available-for-sale investment revaluation reserve	Reserve funds	Other reserve	Exchange fluctuation reserve	Accumulated deficits	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 6)	—	—	—	—	(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 20)	—	—	—	(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)	3	184,751*	2,238*	(2,300)*	1,797*	88*	8*	(120)*	(30,161)*	9,835	166,139	480	166,619

* These components of equity comprise the consolidated reserves of US\$156,301,000 (31 December 2013: US\$132,891,000) in the consolidated statements of financial position as at 30 June 2014.

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY (CONTINUED)

	Issued capital US\$' 000	Share premium US\$' 000	Share option reserve US\$' 000	Reserve funds US\$' 000	Other reserve US\$' 000	Exchange fluctuation reserve US\$' 000	Accumulated deficits US\$' 000	Total deficits US\$' 000
At 1 January 2013	1	3,580	805	88	8	(110)	(60,213)	(55,841)
Loss for the period	—	—	—	—	—	—	(7,153)	(7,153)
Other comprehensive loss for the period:								
Exchange differences on translation of foreign operations	—	—	—	—	—	(131)	—	(131)
Total comprehensive loss for the period	—	—	—	—	—	(131)	(7,153)	(7,284)
Equity-settled share option arrangement	—	—	144	—	—	—	—	144
Exercise of share options	—	250	(193)	—	—	—	—	57
Conversion of redeemable convertible preferred shares (note 19)	1	80,762	—	—	—	—	—	80,763
At 30 June 2013 (unaudited)	<u>2</u>	<u>84,592</u>	<u>756</u>	<u>88</u>	<u>8</u>	<u>(241)</u>	<u>(67,366)</u>	<u>17,839</u>

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	For the six months ended 30 June	
	Notes 2014 (Unaudited) US\$' 000	2013 (Unaudited) US\$' 000
Net cash flows from operating activities	<u>33,753</u>	<u>6,207</u>
Net cash flows used in investing activities	<u>(63,394)</u>	<u>(381)</u>
Net cash flows from/(used in) financing activities	<u>(1,993)</u>	<u>57</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS		
Cash and cash equivalents at beginning of the period	135,488	15,135
Effect of foreign exchange rate changes, net	<u>(313)</u>	<u>(72)</u>
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD	<u><u>103,541</u></u>	<u><u>20,946</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 (the “Stock Exchange”) on 18 October 2013 (the “Listing Date”).

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

On 30 January 2014, IGG.com Canada Inc. (“IGG Canada”) was established under the laws of Canada as a wholly-owned subsidiary of the Group. IGG Canada will mainly engage in the research and development of online games.

On 5 March 2014, IGG Singapore together with several individual shareholders including Mr. Guo Wu, Mr. Dian Chi, Ms. Kai Chen, Mr. Yuan Xu, Mr. Hong Zhang, Ms. Meijia Chen, Mr. Neng Xu, Mr. Hanling Fang, Ms. Jessie Shen and eight other individuals who are third parties independent from the Company and connected persons of the Company established an entity, Tapcash Inc., incorporated in Canada with limited liability, being engaged in provision of advertising, marketing and distribution services of mobile applications.

2. BASIS OF PREPARATION

The condensed consolidated financial statements of the Group have not been audited by the Company’s auditors but have been reviewed by the Company’s Audit Committee.

The unaudited condensed consolidated interim financial statements have been prepared in accordance with the International Accounting Standards (“IAS”) 34 “Interim Financial Reporting” issued by the International Accounting Standards Board, and applicable disclosure requirements of the GEM Listing Rules and the Hong Kong Companies Ordinance.

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 annual financial statements for the year ended 31 December 2013.

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

3. SIGNIFICANT ACCOUNTING POLICIES

Except as described below, the accounting policies adopted in the preparation of these interim condensed consolidated financial statements are the same as those adopted in the Group's annual consolidated financial statements for the year ended 31 December 2013. The Group has adopted the following new and revised International Financial Reporting Standards ("IFRSs") for the first time for the current period's interim condensed consolidated financial statements.

The condensed consolidated financial statements have been prepared on the historical cost basis except for available-for-sale investments, which are measured at fair values. Taxes on income for the interim period are accrued using the tax rates that would be applicable to expected total annual assessable profits.

IFRS 10, IFRS 12 and IAS 27 (Revised) Amendments	Amendments to IFRS 10, IFRS 12 and IAS 27 (Revised) – <i>Investment Entities</i>
IAS 32 Amendments	Amendments to IAS 32 <i>Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities</i>
IAS 39 Amendments	Amendments to IAS 39 <i>Financial Instruments: Recognition and measurement – Novation of Derivatives and Continuation of Hedge Accounting</i>
IFRIC 21	<i>Levies</i>

Amendments to IFRS 10 include a definition of an investment entity and provide an exception to the consolidation requirement for entities that meet the definition of an investment entity. Investment entities are required to account for subsidiaries at fair value through profit or loss in accordance with IFRS 9 rather than consolidate them. Consequential amendments were made to IFRS 12 and IAS 27 (Revised). The amendments to IFRS 12 also set out the disclosure requirements for investment entities. These amendments have no impact to the Group as none of the entities in the Group qualifies to be an investment entity as defined in IFRS 10.

The IAS 32 Amendments clarify the meaning of "currently has a legally enforceable right to set off" for offsetting financial assets and financial liabilities. The amendments also clarify the application of the offsetting criteria in IAS 32 to settlement systems (such as central clearing house systems) which apply gross settlement mechanisms that are not simultaneous. The amendments have no impact to the Group.

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Amendments to IAS 39 Amendments provide relief from discontinuing hedge accounting when novation of a derivative designated as a hedging instrument meets certain criteria. These amendments have no impact to the Group as the Group has not novated its derivatives during the current or prior periods.

IFRIC 21 Levies is applicable to all levies imposed by governments under legislation, other than outflows that are within the scope of other standards (e.g., IAS 12 Income Taxes) and fines or other penalties for breaches of legislation. This interpretation has no impact to the Group.

Amendments to IAS 36 - Recoverable Amount Disclosures for Non-Financial Assets remove the unintended consequences of IFRS 13 Fair Value Measurement on the disclosures required under IAS 36 Impairment of Assets. In addition, these amendments require disclosure of the recoverable amounts for the assets or cash-generating units (CGUs) for which an impairment loss has been recognised or reversed during the period. The Group early adopted these disclosure requirements in the annual consolidated financial statements for the year ended 31 December 2013.

The Group has not early adopted any standard interpretation or amendment that was issued but 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.

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

4. OPERATING SEGMENT INFORMATION (continued)

Geographical information

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

	For the six months ended 30 June	
	2014 US\$' 000 (Unaudited)	2013 US\$' 000 (Unaudited)
North America	36,513	11,629
Asia	26,563	7,396
Europe	23,173	6,699
Oceania	3,353	1,417
South America	1,911	1,523
Africa	385	96
	<u>91,898</u>	<u>28,760</u>

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

	30 June	31 December
	2014 US\$' 000 (Unaudited)	2013 US\$' 000 (Audited)
Greater China including PRC, Taiwan and Hong Kong	1,404	1,026
North America	1,136	880
Singapore	1,152	5
Philippines	26	17
	<u>3,718</u>	<u>1,928</u>

The non-current assets information above is based on the locations of the assets.

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

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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 three months ended 30 June		For the six months ended 30 June	
	2014 US\$' 000 (Unaudited)	2013 US\$' 000 (Unaudited)	2014 US\$' 000 (Unaudited)	2013 US\$' 000 (Unaudited)
Revenue				
Online game revenue	44,619	13,584	88,226	27,261
Joint operation revenue	2,446	668	2,878	1,307
Licensing revenue	192	87	208	192
Others	586	—	586	—
	<u>47,843</u>	<u>14,339</u>	<u>91,898</u>	<u>28,760</u>
Other income and gains				
Fair value gain, net				
Available-for-sale investments				
(transfer from equity on disposal)	1,112	—	1,112	—
Government Grant*	—	—	17	—
Bank interest income	113	12	201	19
Others	150	34	85	36
	<u>1,375</u>	<u>46</u>	<u>1,415</u>	<u>55</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.

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

6. PROFIT/(LOSS) BEFORE TAX

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

	Notes	For the six months ended	
		2014 US\$' 000 (Unaudited)	2013 US\$' 000 (Unaudited)
Channel cost		22,397	4,206
Royalty fee		560	856
Depreciation		485	376
Amortisation of other intangible assets		67	53
Minimum lease payments under operating leases of buildings		1,305	1,134
Employee benefit expense (including directors' and chief executive's remuneration):			
Salaries and wages		9,185	4,534
Staff welfare expenses		370	134
Equity-settled share compensation costs		730	144
Pension scheme contributions		395	277
Foreign exchange differences, net		313	169
Fair value loss of redeemable convertible preferred shares		—	14,167
Loss on disposal of items of property, plant and equipment		16	7
Bank interest income	5	(201)	(19)
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 year ended 31 December 2014.

Under the relevant income tax law, the PRC subsidiaries are subject to income tax at a statutory rate of 25% on their respective taxable income, except for Fuzhou Tianmeng which 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 Tianmeng is subject to a reduced income tax rate of 12.5%.

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

7. INCOME TAX (continued)

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%.

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 period.

No provision for Philippines corporate income tax as the IGG Philippines has no taxable income earned during the period.

No provision for Canada corporate income tax as IGG.com Canada Inc. and Tapcash Inc. have no taxable income earned during the period.

	For the three months ended 30 June		For the six months ended 30 June	
	2014 US\$' 000 (Unaudited)	2013 US\$' 000 (Unaudited)	2014 US\$' 000 (Unaudited)	2013 US\$' 000 (Unaudited)
Group:				
Current year provision:				
US	67	24	118	15
Singapore	1,445	326	2,515	456
Subtotal of current tax	1,512	350	2,633	471
Deferred tax				
US	(24)	(67)	(70)	(77)
Singapore	(127)	(78)	(123)	(13)
PRC	45	(4)	1	63
Subtotal of deferred tax	(106)	(149)	(192)	(27)
Total tax charge for the period	1,406	201	2,441	444

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

8. DIVIDENDS

	30 June 2014 US\$' 000 (Unaudited)	31 December 2013 US\$' 000 (Audited)
Proposed 2014 interim dividend – HK5.6 cents per ordinary share	9,835	—
2013 final dividend – HK1.6 cents per ordinary share	<u>—</u>	<u>2,879</u>
	<u>9,835</u>	<u>2,879</u>

At a board meeting held on 8 August 2014, the Board declared an interim dividend of HK5.6 cent per ordinary share, aggregating a total of HK\$76,226,023 (equivalent to approximately US\$9,835,000) for the six months ended 30 June 2014.

The 2013 final dividend for the year was approved by the Company's shareholders at the annual general meeting on 9 May 2014 and was subsequently paid on 29 May 2014.

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

For the purpose of calculating earnings per share, the numbers of ordinary shares outstanding during the three months and six months ended 30 June 2014 and 2013 have been adjusted retroactively as a result of the Shares Subdivision (defined in note 20).

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.

The calculation of diluted earnings per share is based on the profit for the three months and six months ended 30 June 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 three months and six months ended 30 June 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.

No adjustment has been made to the basic loss per share amounts presented for the three months and six months ended 30 June 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.

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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

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

	For the three months ended 30 June		For the six months ended 30 June	
	2014 US\$' 000 (Unaudited)	2013 US\$' 000 (Unaudited)	2014 US\$' 000 (Unaudited)	2013 US\$' 000 (Unaudited)
Earnings/(loss) attributable to ordinary equity holders of the parent used in the basic and diluted earnings/(loss) per share calculation:	<u>19,292</u>	<u>(3,257)</u>	<u>32,939</u>	<u>(7,153)</u>
Weighted average number of ordinary shares in issue during the period used in the basic earnings/(loss) per share calculation	1,358,096,447	717,855,213	1,358,572,156	636,187,607
Effect of dilution – weighted average number of ordinary shares:				
Share options	78,791,695	—	79,970,656	—
Awarded shares	<u>—</u>	<u>—</u>	<u>86,187</u>	<u>—</u>
Weighted average number of ordinary shares used in the diluted earnings/(loss) per share calculation	<u>1,436,888,142</u>	<u>717,855,213</u>	<u>1,438,628,999</u>	<u>636,187,607</u>

10. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2014, the Group acquired leasehold improvements, computer equipment, office equipment and furniture with a cost of US\$1,332,000 (six months ended 30 June 2013: US\$381,000) on additions to property, plant and equipment.

Assets with a net book value of US\$16,000 were disposed of by the group during the six months ended 30 June 2014 (six months ended 30 June 2013: US\$7,000), resulting in a net loss on disposal of US\$16,000 (six months ended 30 June 2013: loss of US\$7,000).

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

11. OTHER INTANGIBLE ASSETS

During the six months ended 30 June 2014, the Group acquired trademarks and domain names, software, copyright, royalty fees with a cost of US\$303,000 (six months ended 30 June 2013: US\$17,000) on additions to other intangible assets.

No intangible assets were disposed of by the group during the six months ended 30 June 2014 (six months ended 30 June 2013: Nil).

12. AVAILABLE-FOR-SALE INVESTMENTS

	30 June 2014 US\$' 000 (Unaudited)	31 December 2013 US\$' 000 (Audited)
Listed equity investments, at fair value		
the United States	267	—
South Korea	7,554	—
	7,821	—
Unlisted equity investments, at cost	2,000	—
	9,821	—

During the six months ended 30 June 2014, the gross gain in respect of the Group's available-for-sale investments recognised in other comprehensive income amounted to US\$2,909,000 (six months ended 30 June 2013: Nil), of which US\$1,112,000 (six months ended 30 June 2013: Nil) was reclassified from other comprehensive income to the statement of profit or loss for the period.

As at 30 June 2014, certain unlisted equity investments with a carrying amount of US\$2,000,000 (31 December 2013: Nil) 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.

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

13. ACCOUNTS RECEIVABLE

	30 June 2014 US\$' 000 (Unaudited)	31 December 2013 US\$' 000 (Audited)
Accounts receivable	<u>2,581</u>	<u>314</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 2014 US\$' 000 (Unaudited)	31 December 2013 US\$' 000 (Audited)
Within 3 months	2,566	314
6 months to 1 year	<u>15</u>	<u>—</u>
	<u>2,581</u>	<u>314</u>

No provision has been made for impairment of accounts receivable during the six months ended 30 June 2014 (six months ended 30 June 2013: Nil).

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

	30 June 2014 US\$' 000 (Unaudited)	31 December 2013 US\$' 000 (Audited)
Neither past due nor impaired	<u>2,566</u>	<u>314</u>

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

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

14. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	30 June 2014 US\$' 000 (Unaudited)	31 December 2013 US\$' 000 (Audited)
Prepayments	535	470
Rental deposits	191	108
Other receivables	549	341
	<u>1,275</u>	<u>919</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 2014, no allowance for doubtful accounts was provided for the funds receivable (31 December 2013: Nil).

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

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

16. CASH AND CASH EQUIVALENTS

	30 June 2014 US\$' 000 (Unaudited)	31 December 2013 US\$' 000 (Audited)
Cash and bank balances	91,137	31,374
Time deposits with original maturity of less than three months	12,404	104,114
	<u>103,541</u>	<u>135,488</u>

At the end of the reporting period, the cash and bank balances of the Group denominated in Renminbi ("RMB") amounted to approximately US\$3,624,538 (31 December 2013: US\$4,116,209). 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 authorised 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 2014 US\$' 000 (Unaudited)	31 December 2013 US\$' 000 (Audited)
Within 3 months	3,058	2,998
3 to 6 months	533	72
6 months to 1 year	46	99
Over 1 year	83	59
	<u>3,720</u>	<u>3,228</u>

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

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

18. OTHER PAYABLES AND ACCRUALS

	30 June 2014 US\$' 000 (Unaudited)	31 December 2013 US\$' 000 (Audited)
Other tax payables	906	472
Other payables	572	339
Provision for chargebacks	299	184
Salary and welfare payables	1,754	1,929
Other accruals	37	82
	<u>3,568</u>	<u>3,006</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. 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 1 June 2009 the Company issued an aggregate of 1,209,375 Series A1 shares at the consideration of US\$1,350,000. 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 IGG US 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.

On 31 May 2013, a written approval was signed by all holders of the Series A shares, Series A1 shares and Series B shares (collectively "Series Shares") regarding the Automatic Conversion of the Series Shares. As a result, the Company issued 11,850,141 ordinary shares of the Company upon the Automatic Conversion of the Series Shares on 31 May 2013 (the "Conversion"). Upon the Conversion, the balance of the Series Shares was transferred to equity, at the fair value of the date of the Conversion.

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

	For the three months ended 30 June		For the six months ended 30 June	
	2014 US\$' 000 (Unaudited)	2013 US\$' 000 (Unaudited)	2014 US\$' 000 (Unaudited)	2013 US\$' 000 (Unaudited)
At beginning of the period	—	75,039	—	66,595
Fair value changes in the Series Shares recognized in the income statement	—	5,724	—	14,168
Conversion of the Series Shares	—	(80,763)	—	(80,763)
At end of the period	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

20. SHARE CAPITAL

Shares

	30 June 2014 US\$' 000 (Unaudited)	31 December 2013 US\$' 000 (Audited)
Authorised:		
2,000,000,000 (31 December 2013: 2,000,000,000) ordinary shares of US\$0.0000025 (31 December 2013: US\$0.0000025) each	<u>5</u>	<u>5</u>
Issued and fully paid or credited as fully paid:		
1,361,178,999 (31 December 2013: 1,358,852,099) ordinary shares of US\$0.0000025 (31 December 2013: US\$0.0000025) each	<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 2013	13,463,000	—	13,463,000	1	3,580	—
Share options exercised (note 21)	600,000	—	600,000	—	250	—
Conversion of redeemable convertible preferred shares (note 19)	<u>11,850,141</u>	—	<u>11,850,141</u>	<u>1</u>	<u>80,762</u>	—
At 30 June 2013	<u>25,913,141</u>	—	<u>25,913,141</u>	<u>2</u>	<u>84,592</u>	—
At 1 January 2014	1,358,852,099	—	1,358,852,099	3	184,600	—
Share options exercised (note 21)	2,326,900	—	2,326,900	—	151	—
Shares purchased for share award scheme (note 21)	—	<u>2,255,000</u>	<u>(2,255,000)</u>	—	—	<u>(2,300)</u>
At 30 June 2014	<u>1,361,178,999</u>	<u>2,255,000</u>	<u>1,358,923,999</u>	<u>3</u>	<u>184,751</u>	<u>(2,300)</u>

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

20. SHARE CAPITAL (continued)

Notes:

- (a) Pursuant to the written resolutions of the shareholders passed on 16 September 2013 (the “Resolutions”), the Company’s shareholders approved the subdivision (“Shares Subdivision”) of each issued and unissued ordinary share of US\$0.0001 in the capital of the Company to 40 shares of US\$0.0000025 each.
- (b) In connection with the Company’s initial public offering (“IPO”), 262,651,459 shares of US\$0.0000025 each were issued at a price of HK\$2.80 per share for a total cash consideration, before listing expenses, of HK\$735,424,085 (equivalent to approximately US\$94,844,000). Dealings of these shares on the Stock Exchange commenced on 18 October 2013.
- (c) On 15 November 2013, the sole lead manager, China Everbright Securities (HK) Limited, fully exercised the over-allotment option (the “Over-allotment Option”) requiring the Company to allot and issue 49,115,000 additional shares of US\$0.0000025 each (the “Over-allotment Shares”). The Over-allotment Shares, representing approximately 15% of the total ordinary shares initially available under the IPO before any exercise of the over-allotment option, have been issued and allotted by the Company at HK\$2.80 per share, being the offer price under the IPO. Listing of and dealing in the Over-allotment Shares commenced on the Stock Exchange on 21 November 2013. In this regard, the net proceeds from the Over-allotment Shares approximated HK\$132,340,171 (equivalent to US\$17,072,000).

Share options

Details of the Company’s share option schemes and the share options issued under the schemes are included in note 21 to the financial statements.

21. 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.

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

21. SHARE OPTION SCHEME (continued)

Pre-IPO Share Option Scheme (continued)

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 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 2014		For six months ended 30 June 2013	
	Weighted average exercise price per share (Note) US\$ (Unaudited)	Number of options (Note) (Unaudited)	Weighted average exercise price per share (Note) US\$ (Unaudited)	Number of options (Note) (Unaudited)
At 1 January	0.0516	86,058,000	0.0345	110,624,000
Granted during the period	—	—	0.0865	13,200,000
Forfeited during the period	0.0724	(530,000)	0.0665	(2,456,000)
Exercised during the period	0.0458	(2,326,900)	0.0022	(24,000,000)
At 30 June	0.0516	83,201,100	0.0487	97,368,000

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.

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

21. SHARE OPTION SCHEME (continued)

Pre-IPO Share Option Scheme (continued)

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 2014	Exercise price* per share	Exercise period
Number of options	US\$	
1,200,000	0.0038	Since IPO to 19-01-2017
11,544,000	0.0038	01-07-2008 to 30-06-2017
5,086,100	0.0078	Since IPO to 30-06-2018
4,000,000	0.0378	05-12-2009 to 04-12-2018
6,000,000	0.0378	19-03-2010 to 18-03-2019
7,040,000	0.0500	Since IPO to 31-07-2019
800,000	0.0500	Since IPO to 02-08-2019
200,000	0.0500	Since IPO to 31-10-2019
60,000	0.0525	Since IPO to 17-04-2021
17,778,000	0.0525	Since IPO to 20-04-2021
120,000	0.0525	Since IPO to 24-04-2021
160,000	0.0525	Since IPO to 02-05-2021
240,000	0.0525	Since IPO to 15-05-2021
800,000	0.0525	Since IPO to 12-06-2021
400,000	0.0525	Since IPO to 02-07-2021
3,340,000	0.0865	Since IPO to 13-08-2021
3,584,000	0.0865	Since IPO to 14-01-2022
8,260,000	0.0865	Since IPO to 21-05-2022
12,589,000	0.0865	Since IPO to 31-03-2023
83,201,100		

* 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.

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

21. SHARE OPTION SCHEME (continued)

Pre-IPO Share Option Scheme (continued)

No equity-settled share options under Pre-IPO Share Option Scheme have been granted during six months ended 30 June 2014 and 2013, respectively.

After adjustment as a result of the Shares Subdivision as if the Shares Subdivision had taken place on 1 January 2013, 2,326,900 (six months ended 30 June 2013: 24,000,000) share options exercised during the six months ended 30 June 2014 resulted in the issuance of 2,326,900 (six months ended 30 June 2013: 24,000,000) ordinary shares of the Company and new share capital of US\$6 (six months ended 30 June 2013: US\$60) and share premium of US\$151,000 (six months ended 30 June 2013: US\$250,000) (before share issuance expenses), as further detailed in note 20 to the financial statements.

At the end of the reporting period, the Company had 83,201,100 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 83,201,100 additional ordinary shares of the Company and additional share capital of US\$208 and share premium of US\$4,297,164 (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 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 (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, 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.

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

21. SHARE OPTION SCHEME (continued)

Post-IPO Share Option Scheme I (continued)

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 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 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.

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

21. SHARE OPTION SCHEME (continued)

Post-IPO Share Option Scheme I (continued)

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 2014.

	For six months ended 30 June 2014
Dividend yield (%)	2.72-3.87
Expected volatility (%)	48.76-48.91
Risk-free interest rate (%)	2.05-2.28
Forfeiture rate (%)	6
Weighted average share price (HK\$ per share)	5.83-8.30

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 2014.

	For six months ended 30 June 2014	
	Weighted average exercise price per share HK\$ (Unaudited)	Number of options (Unaudited)
At 1 January	—	—
Granted during the period	7.65	6,450,000
Forfeited during the period	8.96	(35,000)
At 30 June	<u>7.64</u>	<u>6,415,000</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.

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

21. SHARE OPTION SCHEME (continued)

Post-IPO Share Option Scheme I (continued)

30 June 2014	Exercise price* per share	Exercise period
Number of options	HK\$	
3,665,000	8.96	25-03-2015 to 25-03-2024
<u>2,750,000</u>	5.88	12-05-2015 to 12-05-2024
<u><u>6,415,000</u></u>		

Share Award Scheme

The Share Award Scheme of the Company was adopted by the Board on 24 December 2013. 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 awarded shares shall be either (i) allotted and issued by the Company or (ii) acquired by the Trustee from the open market by utilising 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.

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

21. SHARE OPTION SCHEME (continued)

Share Award Scheme (continued)

Movements in the number of shares held for the Share Award Scheme and awarded shares for the six months ended 30 June 2014 are as follows:

	Number of shares held for the Share Award Scheme (Unaudited)	Number of awarded shares (Unaudited)	Total (Unaudited)
At 1 January 2014	—	—	—
Purchased and withheld	2,255,000	—	2,255,000
Granted	(1,560,000)	1,560,000	—
At 30 June 2014	<u>695,000</u>	<u>1,560,000</u>	<u>2,255,000</u>
Vested but not transferred as at 30 June 2014			<u>—</u>

The Awarded Shares Scheme has not been adopted during the six months ended 30 June 2013.

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 2014 was HK\$7.83 per share.

The Awarded Shares granted during the six months ended 30 June 2014 and outstanding as at the period then ended will vest in anniversary of grant date with each of 25% being vested annually.

22. CONTINGENT LIABILITIES

As at 30 June 2014 and 31 December 2013, the Group had no significant contingent liabilities.

23. CAPITAL COMMITMENTS

The Group had no capital commitments as at 30 June 2014 and 31 December 2013.

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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:

	Notes	For the six months ended 30 June	
		2014 US\$' 000 (Unaudited)	2013 US\$' 000 (Unaudited)
Consulting services fee paid to Hongbin You	(i)	24	23
Research and development services fee paid to GameCoreTech	(ii)	230	—
		<u>254</u>	<u>23</u>

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

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

24. RELATED PARTY TRANSACTIONS (continued)

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

	For the six months ended 30 June	
	2014	2013
	US\$' 000	US\$' 000
	(Unaudited)	(Unaudited)
Short term employee benefits	766	453
Equity-settled share option expense	106	44
	<u>872</u>	<u>497</u>

(d) Establishment of a subsidiary with several individual shareholders

On 5 March 2014, IGG Singapore together with several individual shareholders including Mr. Guo Wu, Mr. Dian Chi, Ms. Kai Chen, Mr. Yuan Xu, Mr. Hong Zhang, Ms. Meijia Chen, Mr. Neng Xu, Mr. Hanling Fang, Ms. Jessie Shen and eight other individuals who are third parties independent from the Company and connected persons of the Company established an entity, Tapcash Inc., incorporated in Canada with limited liability, being engaged in provision of advertising, marketing and distribution services of mobile applications. Tapcash Inc. will be owned as to 60% by IGG Singapore and 40% by aforementioned individual shareholders, respectively. The capital contributions by IGG Singapore and the Individual Shareholders are US\$720,000 and US\$480,000, respectively.

25. APPROVAL OF THE FINANCIAL STATEMENTS

The interim condensed consolidated financial statements were approved and authorised for issue by the Board on 8 August 2014.

DEFINITIONS

“associate(s)”	has the meaning ascribed thereto in the GEM Listing Rules
“Board”	the board of Directors of the Company
“Company”	IGG Inc, an exempted company incorporated in the Cayman Islands whose shares are listed on the GEM
“Companies Ordinance”	the Companies Ordinance (Chapter 622 of the Laws of Hong Kong), as amended, supplemented, or otherwise modified from time to time
“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”	Corporate Governance Code 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
“Founders”	Mr. Zongjian Cai (蔡宗建) and Mr. Yuan Chi (池元)
“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 GEM of the Stock Exchange
“Group” “we”, “our” or “us”	the Company and its subsidiaries

DEFINITIONS

“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, the number of individual who login to a particular game during the 30-day period ending with the measurement date
“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 six months ended 30 June 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

DEFINITIONS

“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
“Structured Contracts”	a series of contracts (as supplemented) which include the Call Option Agreement, the Exclusive Technical Consulting Service Agreement, the Equity Pledge Agreement, the Power of Attorney and the Online Game Licensing Agreement
“U.S. dollar(s)” or “US\$”	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, 8 August 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.