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## **IGG INC**

*(Incorporated in the Cayman Islands with limited liability)*

**(Stock code: 8002)**

### **THIRD QUARTERLY RESULTS ANNOUNCEMENT FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2014**

#### **CHARACTERISTICS OF THE GEM OF THE STOCK EXCHANGE**

GEM has been positioned as a market designed to accommodate companies to which a higher investment risk may be attached than other companies listed on the Stock Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.

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.

This announcement, 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 announcement 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 announcement misleading.

## HIGHLIGHTS

	For the nine months ended 30 September			
	2014		2013	
	US\$'000	HK\$'000 <sup>2</sup>	US\$'000	HK\$'000 <sup>2</sup>
Revenue	144,076	1,117,180	51,294	397,739
Profit (loss) for the period	51,278	397,615	(2,650)	(20,548)
Profit (loss) for the period attributable to owners of the parent	51,072	396,017	(2,650)	(20,548)
Adjusted net income <sup>1</sup>	52,703	408,664	12,366	95,887

- 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\$7.7541=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\$144.1 million, representing an increase of approximately 180.9% over the revenue of approximately US\$51.3 million for the corresponding period in 2013. Compared to the three months ended 30 June 2014, revenue increased by approximately 9.2% from US\$47.8 million to US\$52.2 million for the three months ended 30 September 2014.
- The Group's profit for the Period was approximately US\$51.3 million, compared with the loss of US\$2.7 million for the corresponding period in 2013.
- The Group's profit attributable to owners of the parent for the Period was approximately US\$51.1 million, compared with the loss attributable to the owners of the parent of US\$2.7 million for the corresponding period in 2013.

- The Group's adjusted net income for the Period was approximately US\$52.7 million, representing an increase of 325.0% over US\$12.4 million for the corresponding period in 2013.
- The Directors of the Company do not recommend the payment of any dividend for the three months ended 30 September 2014 (three months ended 30 September 2013: nil).

### **THIRD QUARTERLY RESULTS (UNAUDITED)**

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

## CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

		<b>For the three months ended 30 September</b>		<b>For the nine months ended 30 September</b>	
<i>Notes</i>	<b>2014</b>	<b>2013</b>	<b>2014</b>	<b>2013</b>	
	<i>US\$'000</i>	<i>US\$'000</i>	<i>US\$'000</i>	<i>US\$'000</i>	
	<i>(Unaudited)</i>	<i>(Unaudited)</i>	<i>(Unaudited)</i>	<i>(Unaudited)</i>	
REVENUE	3	52,178	22,534	144,076	51,294
Cost of sales		<u>(15,235)</u>	<u>(5,792)</u>	<u>(40,542)</u>	<u>(12,611)</u>
Gross profit		36,943	16,742	103,534	38,683
Other income and gains	3	2,387	48	3,802	103
Selling and distribution expenses		(10,306)	(6,480)	(29,401)	(12,775)
Administrative expenses		(4,767)	(2,616)	(11,168)	(6,929)
Research and development costs		(4,751)	(2,593)	(11,643)	(6,438)
Fair value loss of redeemable convertible preferred shares	7	—	—	—	(14,167)
Other expenses		<u>(330)</u>	<u>(122)</u>	<u>(568)</u>	<u>(207)</u>
PROFIT/(LOSS) BEFORE TAX		19,176	4,979	54,556	(1,730)
Income tax expense	4	<u>(837)</u>	<u>(476)</u>	<u>(3,278)</u>	<u>(920)</u>
<b>PROFIT/(LOSS) FOR THE PERIOD</b>		<u><u>18,339</u></u>	<u><u>4,503</u></u>	<u><u>51,278</u></u>	<u><u>(2,650)</u></u>
Attributable to:					
Owners of the parent		18,133	4,503	51,072	(2,650)
Non-controlling interests		<u>206</u>	<u>—</u>	<u>206</u>	<u>—</u>
		<u><u>18,339</u></u>	<u><u>4,503</u></u>	<u><u>51,278</u></u>	<u><u>(2,650)</u></u>
<b>EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT</b>	6				
(express in US\$ per share)					
Basic					
- For earnings/ (loss) for the period		0.0133	0.0043	0.0376	(0.0034)
Diluted					
- For earnings/ (loss) for the period		0.0127	0.0040	0.0355	(0.0034)

**CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE  
INCOME**

	<b>For the three months ended 30 September</b>		<b>For the nine months ended 30 September</b>	
	<b>2014</b>	<b>2013</b>	<b>2014</b>	<b>2013</b>
	<i>US\$'000</i>	<i>US\$'000</i>	<i>US\$'000</i>	<i>US\$'000</i>
	<i>(Unaudited)</i>	<i>(Unaudited)</i>	<i>(Unaudited)</i>	<i>(Unaudited)</i>
PROFIT/(LOSS) FOR THE PERIOD	<u>18,339</u>	<u>4,503</u>	<u>51,278</u>	<u>(2,650)</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	97	(141)	70	(272)
Available-for-sale investments changes in fair value	15	—	2,924	—
Reclassification adjustments for gain included in the condensed consolidated income statement — gain on disposal	<u>(1,934)</u>	<u>—</u>	<u>(3,046)</u>	<u>—</u>
OTHER COMPREHENSIVE LOSS FOR THE PERIOD, NET OF TAX	<u>(1,822)</u>	<u>(141)</u>	<u>(52)</u>	<u>(272)</u>
TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD	<u>16,517</u>	<u>4,362</u>	<u>51,226</u>	<u>(2,922)</u>
Attributable to:				
Owners of the parent	16,311	4,362	51,020	(2,922)
Non-controlling interests	<u>206</u>	<u>—</u>	<u>206</u>	<u>—</u>
	<u>16,517</u>	<u>4,362</u>	<u>51,226</u>	<u>(2,922)</u>

## CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Issued capital	Share premium account	Share option reserve	Shares held for award schemes	Available-for-sale equity investment revaluation reserve	Reserve funds	Other reserve	Exchange fluctuation reserve	Retained profits	Proposed dividend	Total	Non-controlling interests	Total equity
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
At 1 January 2014	3	184,600	1,553	—	—	88	8	(93)	(53,265)	2,879	135,773	—	135,773
Profit for the period	—	—	—	—	—	—	—	—	51,072	—	51,072	206	51,278
Other comprehensive income for the period:													
Changes in fair value of available-for-sale equity investments, net of tax	—	—	—	—	2,924	—	—	—	—	—	2,924	—	2,924
Reclassification adjustments for gain included in the consolidated statement of profit or loss gain on disposal	—	—	—	—	(3,046)	—	—	—	—	—	(3,046)	—	(3,046)
Exchange differences on translation of foreign operations	—	—	—	—	—	—	—	70	—	—	70	—	70
Total comprehensive income for the period	—	—	—	—	(122)	—	—	70	51,072	—	51,020	206	51,226
Contribution from non-controlling interests	—	—	—	—	—	—	—	—	—	—	—	480	480
Equity-settled share option arrangement	—	—	1,425	—	—	—	—	—	—	—	1,425	—	1,425
Shares purchased for share award schemes	—	—	—	(4,300)	—	—	—	—	—	—	(4,300)	—	(4,300)
Exercise of share option	—	466	(92)	—	—	—	—	—	—	—	374	—	374
Final 2013 dividend paid	—	75	—	—	—	—	—	—	—	(2,879)	(2,804)	—	(2,804)
2014 interim dividend paid	—	—	—	—	—	—	—	—	(9,885)	—	(9,885)	—	(9,885)
At 30 September 2014 (unaudited)	<u>3</u>	<u>185,141</u>	<u>2,886</u>	<u>(4,300)</u>	<u>(122)</u>	<u>88</u>	<u>8</u>	<u>(23)</u>	<u>(12,078)</u>	<u>—</u>	<u>171,603</u>	<u>686</u>	<u>172,289</u>

	Issued capital	Share premium account	Share option reserve	Reserve funds	Other reserve	Exchange fluctuation reserve	Retained profits	Total
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
At 1 January 2013	1	3,580	805	88	8	(110)	(60,213)	(55,841)
Loss for the period	—	—	—	—	—	—	(2,650)	(2,650)
Other comprehensive loss for the period:								
Exchange differences on translation of foreign operations	—	—	—	—	—	(272)	—	(272)
Total comprehensive loss for the period	—	—	—	—	—	(272)	(2,650)	(2,922)
Equity-settled share option arrangement	—	—	908	—	—	—	—	908
Exercise of share option	—	584	(282)	—	—	—	—	302
Conversion of redeemable convertible preferred shares (note 7)	1	80,762	—	—	—	—	—	80,763
Dividend declared	—	(4,923)	—	—	—	—	—	(4,923)
At 30 September 2013 (unaudited)	<u>2</u>	<u>80,003</u>	<u>1,431</u>	<u>88</u>	<u>8</u>	<u>(382)</u>	<u>(62,863)</u>	<u>18,287</u>

*NOTES:*

**1. CORPORATE INFORMATION**

The Company is a limited liability company incorporated in the Cayman Islands. The registered address of the Company is Floor 4, Willow House, Cricket Square, P.O. Box 2804, Grand Cayman, KY1-1112, Cayman Islands.

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

**2 BASIS OF PREPARATION**

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

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

**3. REVENUE, OTHER INCOME AND GAINS**

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

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

	<b>For the three months ended 30 September</b>		<b>For the nine months ended 30 September</b>	
	<b>2014</b> <i>US\$'000</i> <i>(Unaudited)</i>	<b>2013</b> <i>US\$'000</i> <i>(Unaudited)</i>	<b>2014</b> <i>US\$'000</i> <i>(Unaudited)</i>	<b>2013</b> <i>US\$'000</i> <i>(Unaudited)</i>
<b>Revenue</b>				
Online game revenue	47,618	21,861	135,844	49,122
Licensing revenue	14	21	222	213
Joint operation revenue	3,494	652	6,372	1,959
Others	<u>1,052</u>	<u>—</u>	<u>1,638</u>	<u>—</u>
	<u>52,178</u>	<u>22,534</u>	<u>144,076</u>	<u>51,294</u>
<b>Other income and gains</b>				
Fair value gain, net				
Available-for-sale investments (transfer from equity on disposal)	1,934	—	3,046	—
Government grant	—	—	17	—
Bank interest income	219	15	420	34
Gain on disposal of items of property, plant and equipment	1	4	1	4
Exchange gain	232	—	232	—
Others	<u>1</u>	<u>29</u>	<u>86</u>	<u>65</u>
	<u>2,387</u>	<u>48</u>	<u>3,802</u>	<u>103</u>

#### 4. INCOME TAX

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

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

IGG Singapore Pte. Ltd. is subject to the prevailing corporate tax rate of 17% in Singapore and is entitled to a preferential tax rate of 5% on qualifying income derived during the year ended 31 December 2014 (2013: 5%).

No provision for Hong Kong profits tax has been made as the Group had no assessable profits derived from or earned in Hong Kong during the Period.

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

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 a California state income tax rate of 8.84%.

No provision for Philippines corporate income tax as the IGG Philippines has no taxable income earned during the Period. IGG Philippines got certified and registered with Philippines Board of Investment (BOI), enjoying 4-year income tax holiday starting from 28 March 2014. In the year ended 31 December 2014, IGG Philippines is exempted from income tax.

IGG.com Canada Inc. and Tapcash Inc., subsidiaries of the Company, were registered in Canada. In accordance with Canada tax laws, the federal income tax rate is 11% or 15%. In addition, the British Columbia provincial income tax rate is 2.5% or 11%.

	<b>For the three months ended 30 September</b>		<b>For the nine months ended 30 September</b>	
	<b>2014</b>	<b>2013</b>	<b>2014</b>	<b>2013</b>
	<i>US\$'000</i>	<i>US\$'000</i>	<i>US\$'000</i>	<i>US\$'000</i>
	<i>(Unaudited)</i>	<i>(Unaudited)</i>	<i>(Unaudited)</i>	<i>(Unaudited)</i>
<b>Group:</b>				
Current year provision:				
US	30	24	148	39
Singapore	<u>1,162</u>	<u>389</u>	<u>3,677</u>	<u>845</u>
Subtotal of current tax	<u>1,192</u>	<u>413</u>	<u>3,825</u>	<u>884</u>
Deferred tax				
US	(21)	74	(91)	(3)
Singapore	(334)	(2)	(457)	(15)
PRC	<u>—</u>	<u>(9)</u>	<u>1</u>	<u>54</u>
Subtotal of deferred tax	<u>(355)</u>	<u>63</u>	<u>(547)</u>	<u>36</u>
Total tax charge for the period	<u><u>837</u></u>	<u><u>476</u></u>	<u><u>3,278</u></u>	<u><u>920</u></u>

## 5. DIVIDEND

	<b>30 September 2014</b>	<b>31 December 2013</b>
	<i>US\$'000</i>	<i>US\$'000</i>
	<i>(Unaudited)</i>	<i>(Audited)</i>
2014 interim dividend — HK5.6 cent 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>

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.

At a board meeting held on 8 August 2014, the directors 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, and was paid on 5 September 2014.

The Directors of the Company do not recommend the payment of any dividend for the three months ended 30 September 2014 (three months ended 30 September 2013: Nil).

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

On 16 September 2013, the Company's shareholders resolved to approve the subdivision of each issued and unissued ordinary share of US\$0.0001 each in the capital of the Company to 40 shares of US\$0.0000025 each. For the purpose of computing earnings/(loss) per share, the number of ordinary shares has been adjusted retroactively as a result of share subdivision.

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

The calculation of diluted earnings/(loss) per share amounts is based on the earnings/(loss) attributable to ordinary equity holders of the parent.

The weighted average numbers of ordinary shares used in the calculation of diluted loss per share are the numbers of ordinary shares in issue, as used in the basic loss per share calculation. No adjustment has been made to the basic loss per share amounts presented for nine months ended 30 September 2013 in respect of a dilution as the impact of the share options and redeemable convertible preferred shares outstanding had an anti-dilutive effect on the basic loss per share amounts presented.

The share options have potential dilutive effect on the earnings per share for the nine months ended 30 September 2014 and the three months ended 30 September 2013 and 2014. Diluted earnings per share for the nine months ended 30 September 2014 and three months ended 30

September 2013 and 2014 is calculated by adjusting the weighted average number of ordinary shares outstanding by the assumption of the conversion of all potential dilutive ordinary shares arising from share options and awarded share granted by the Company.

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

	<u>For the three months ended 30 September</u>		<u>For the nine months ended 30 September</u>	
	<b>2014</b>	<b>2013</b>	<b>2014</b>	<b>2013</b>
	<i>US\$'000</i>	<i>US\$'000</i>	<i>US\$'000</i>	<i>US\$'000</i>
	<i>(Unaudited)</i>	<i>(Unaudited)</i>	<i>(Unaudited)</i>	<i>(Unaudited)</i>
Earnings/(loss) attributable to ordinary equity holders of the parent used in the basic and diluted earnings/(loss) per share calculation:	<u>18,133</u>	<u>4,503</u>	<u>51,072</u>	<u>(2,650)</u>
Weighted average number of ordinary shares in issue during the period used in the basic earnings/(loss) per share calculation	1,361,026,495	1,041,266,973	1,359,400,285	769,569,660
Effect of dilution — weighted average number of ordinary shares:				
Share options	72,077,471	73,152,588	77,671,559	—
Awarded shares	<u>—</u>	<u>—</u>	<u>146,552</u>	<u>—</u>
Weighted average number of ordinary shares used in the diluted earnings/(loss) per share calculation	<u>1,433,103,966</u>	<u>1,114,419,561</u>	<u>1,437,218,396</u>	<u>769,569,660</u>

## 7. REDEEMABLE CONVERTIBLE PREFERRED SHARES

On 30 November 2007 the Company issued an aggregate of 5,375,000 Series A convertible contingently redeemable preferred shares (“Series A shares”) at an aggregate purchase price of US\$3,000,001. On 30 November 2007, the Company issued the warrants which shall be exercisable at an aggregate price of US\$1,500,000 for 1,343,750 Series A1 convertible contingently redeemable preferred shares (“Series A1 shares”) with an exercise period expired upon (i) the expiry of eighteen (18) months from the closing date, (ii) a qualified initial public offering (the “IPO”), or (iii) in the event of any liquidation, dissolution or winding up of the Company, whichever is the earlier. On 1 June 2009, the expiry date of the warrant exercise period, the warrant holders exercised the warrants for 1,209,375 Series A1 shares at the

consideration of US\$1,350,000. The warrants exercisable for 134,375 Series A1 shares were lapsed on that day. On 12 November 2008, the Company issued an aggregate of 49,675 Series B convertible contingently redeemable preferred shares (“Series B shares”) to the shareholders and investors of 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.

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

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

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

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

	<b>For the three months ended 30 September</b>		<b>For the nine months ended 30 September</b>	
	<b>2014</b> <i>US\$'000</i> <i>(Unaudited)</i>	<b>2013</b> <i>US\$'000</i> <i>(Unaudited)</i>	<b>2014</b> <i>US\$'000</i> <i>(Unaudited)</i>	<b>2013</b> <i>US\$'000</i> <i>(Unaudited)</i>
At 1 July / 1 January	—	—	—	66,596
Fair value changes in the Series Shares recognized in the income statement	—	—	—	14,167
Conversion of the Series Shares	<u>—</u>	<u>—</u>	<u>—</u>	<u>(80,763)</u>
At 30 September	<u><u>—</u></u>	<u><u>—</u></u>	<u><u>—</u></u>	<u><u>—</u></u>

## **MANAGEMENT DISCUSSION AND ANALYSIS**

### **FINANCIAL REVIEW**

#### **Revenue**

The Group's revenue for the Period was approximately US\$144.1 million, representing an increase of approximately 180.9% over US\$51.3 million for the corresponding period in the year 2013. Revenue for the three months ended 30 September 2014 was approximately US\$52.2 million, representing an increase of approximately 9.2% over US\$47.8 million for the three months ended 30 June 2014, which was primarily due to the increase in revenue from mobile games, particularly the "Clash of Lords" series. Contribution from mobile games to the Group's revenue was further increased to approximately 87.0% in the third quarter from approximately 83.0% in the second quarter of 2014.

#### **Gross profit and gross profit margin**

The Group's gross profit for the Period was approximately US\$103.5 million, representing an increase of approximately 167.4% over US\$38.7 million for the corresponding period in the year of 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 71.8%, representing a decrease of approximately 3.6% from approximately 75.4% for the corresponding period in the year of 2013, primarily due to higher channel costs involved in operating mobile games compared to web games and browser games.

#### **Other income and gains**

The Group's other income and gains for the Period was approximately US\$3.8 million, compared to approximately US\$0.1 million for the corresponding period in the year of 2013, primarily due to an investment income generated from the 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\$29.4 million, representing an increase of approximately 129.7% over US\$12.8 million for the corresponding period in the year of 2013, primarily due to (i) an increase in advertising expenses incurred for our mobile games, in particular "Castle Clash" and "Clash of Lords II", and (ii) an increase in advertising expenses of approximately US\$2.3 million incurred for "Link", a self-developed social networking platform launched in August 2014.

### **Administrative expenses**

The Group's administrative expenses for the Period were approximately US\$11.2 million, representing an increase of approximately 62.3% over US\$6.9 million for the corresponding period in the year of 2013, primarily due to an increase in salaries and welfare expenses payable to administrative staff.

### **Research and development costs**

The Group's research and development costs for the Period were approximately US\$11.6 million, representing an increase of approximately 81.3% over US\$6.4 million for the corresponding period in the year of 2013, primarily due to an increase in salaries and welfare expenses for game development staff and an increase in research and development outsourcing expenses.

### **Income tax expenses**

The Group's income tax expenses for the Period were approximately US\$3.3 million, representing an increase of approximately 266.7% over US\$0.9 million for the corresponding period in the year of 2013, primarily due to an increase in profit before tax.

### **Adjusted net income**

The Group's adjusted net income for the Period was approximately US\$52.7 million, representing an increase of approximately 325.0% over US\$12.4 million for the corresponding period in 2013. The increase was in line with the increase in revenue. We have presented adjusted net income for the Period 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 herein may not be comparable to similarly titled measures reported by other companies due to differences in the components of the calculation.

### **Dividend**

The Directors of the Company do not recommend the payment of any dividend for the three months ended 30 September 2014 (three months ended 30 September 2013: nil)

### **Contingent liabilities**

As at 30 September 2014, the Group did not have any significant contingent liabilities (30 September 2013: nil).

## **BUSINESS REVIEW**

The Group is a rapidly growing developer and publisher of mobile online games with a global presence and international customer base. The Group has its headquarters in Singapore with regional offices in the United States, 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. To increase the variety of games in its portfolio and further raise its international perspective, the Group set up a development studio in Canada in March 2014. Since then, the team in Canada has contributed significantly to the Group's game development capability, increasing the Group's capacity to produce and launch high quality games in the years ahead.

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, based on its strong game research and development capabilities and spirit of continuous innovation, kept on developing new games. To capture the explosive opportunities in global mobile games, the Group has shifted more than 90% of its research and development force to mobile game development.

Revenue from mobile games accounted for approximately 83.4% of the total revenue for the Period, as compared to 33.5% from the corresponding period in 2013. In particular, the Group's hit title "Castle Clash", a fast-paced tower defense game, has enjoyed widespread popularity. It ranked top five in 12 countries and regions and top ten in 31 countries and regions in terms of daily revenue rankings generated at Google Play as at 30 September 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\$94.9 million and accounted for approximately 75.8% of the total revenue from mobile games, and the MAU for this game was approximately 9.0 million as at 30 September 2014.

The Group is also pleased to report that during the Period, its another mobile game, "Clash of Lords II", has become increasingly popular with gamers. It ranked top twenty in 11 countries and regions and top ten in 3 countries and regions in terms of daily revenue rankings generated at Google Play as at 30 September 2014, according to Appannie.com. During the Period, the revenue of "Clash of Lords II" was approximately US\$14.4 million and accounted for approximately 11.5% of the total revenue from mobile games, and the MAU for this game was approximately 3.2 million as at 30 September 2014.

## **Global Presence**

During the Period, the Group's customers consisted of players with IP addresses from more than 180 countries around the world, emphasizing the Group's international reach. The Group continued to design, develop and launch games in multiple languages, distribute and market the games in different countries in accordance with its global marketing strategy. As at 31 October 2014, the user community of the Group consisted of over 200 million user accounts around the world, including a total MAU of approximately 19.7 million. During the Period, 39.2%, 28.5% and 26.3% of the total revenue of the Group was generated from players with IP addresses in North America, Asia and Europe, respectively.

As of 30 September 2014, according to Distimo.com, an independent third party provider of mobile application analytics, the Group ranked among the top five in 25 countries and the top ten in 43 countries in terms of quarterly gross billing generated via Google Play.

## **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.

## ***New Games***

In October 2014, the Group launched two major games, namely “Clash of Gangs” and “Gods Rush”, both of which were developed in house. “Clash of Gangs” is a 3D combat strategy game set in the underworld, produced by the Group’s development team in North America. As of 31 October 2014, the game has approximately 1.3 million registered users and was ranked the top one in the US and the top ten in six countries on the Top Free download list of Google Play. “Gods Rush” is a card-based strategy game based on Greek mythology. As of 31 October 2014, the game has approximately 1.2 million registered users and was ranked the top ten in six countries on the Top Free download list of Google Play.

Meanwhile, the major licensed game “Brave Trials” (English version) has accomplished steady growth since its launch in August 2014, further diversifying the revenue streams of the Group.

In the fourth quarter of 2014, the Group will continue to bring new mobile games in different genres to the market, including tower defense, strategy, shooting and pinball games.

## ***Link***

In August 2014, the Group launched a location-based social networking and instant messaging mobile application named Link, to facilitate interaction and communication among the Group’s 200 million users, and to foster a strong sense of community among them. Since then, Link has attracted not only gamers but also many non-gamers as well, especially in Southeast Asia.

In the fourth quarter of 2014, the Group will continue to improve and refine the product's functions and features, and allocate the appropriate marketing resources to increase its user base and turn it into a social networking platform, in preparation for its eventual monetization. In the short term, the product is not expected to have a significant impact on the Group's profits. But in the long term, the product will give the Group a competitive advantage in the market.

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 has 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. In the coming six months, the Group intends to focus on and invest more resources in Asia, setting up more operational units across the region to achieve its goal of local operational excellence.

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

## **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 had complied with the code provisions of the Corporate Governance Code as set out in Appendix 15 to the GEM Listing Rules.

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

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

#### **APPOINTMENT OF CHIEF FINANCIAL OFFICER**

Ms. Jessie Shen, the current senior vice president of finance of the Company and the joint company secretary was appointed as the chief financial officer of the Company, with effect from 10 November 2014. For further details of her bio, please refer to the section headed “Director, Senior Management and Employees” in the Prospectus.

#### **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.

#### **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.

During the Period, except that (1) 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, (2) each of the non-executive Directors was granted with 350,000 share options under the Share Option Scheme and each of the independent non-executive Directors was granted with 250,000 share options under the Share Option Scheme on 12 May 2014, and (3) Mr. Zongjian Cai and Mr. Yuan Chi, both of whom are executive Directors, were granted with 757,000 and 351,000 share options under the Share Option Scheme on 11 August 2014, respectively, none of the Directors or chief executives of the Company held any share options under the Pre-IPO Share Option Scheme or the Share Option Scheme or any awarded shares under the Share Award Scheme.

## **PRE-IPO SHARE OPTION SCHEME**

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

During the Period, except that 9,186,000 share options were exercised and 570,000 share options were lapsed due to the employment termination of the employees of the Group pursuant to the Pre-IPO Share Option Scheme, no share options granted under the Pre-IPO Share Option Scheme have been exercised, lapsed or cancelled.

## **SHARE OPTION SCHEME**

During the Period, the Company granted a total of 10,614,000 share options with details as followings:

### ***25 March 2014***

On 25 March 2014, the Company has granted a total of 3,700,000 share options to certain eligible persons pursuant to the Share Option Scheme. Among the total 3,700,000 share options, 1,394,000 share options were granted to the connected persons of the Company, including executive Directors, the chief executive of the Company, directors of the subsidiaries of the Group, substantial shareholders of the Company and associates of any of them. Each share option shall entitle the holder of the share option to subscribe for one Share upon exercise of such share option at an exercise price of HK\$8.96 per Share. The share options granted under the Share Option Scheme shall vest in the grantees in accordance with the timetable below, each with an exercise period commencing from the relevant share option vesting date and ending 10 years after the date of grant.

<b>Share option vesting period</b>	<b>Percentage of share options to vest</b>
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

**12 May 2014**

On 12 May 2014, the Company has granted a total of 2,750,000 share options to certain eligible persons pursuant to the Share Option Scheme. Among the total 2,750,000 share options, 1,450,000 share options were granted to all the non-executive Directors and all the independent non-executive Directors. Each share option shall entitle the holder of the share option to subscribe for one Share upon exercise of such share option at an exercise price of HK\$5.88 per Share. The share options granted under the Share Option Scheme shall vest in the grantees in accordance with the timetable below, each with an exercise period commencing from the relevant share option vesting date and ending 10 years after the date of grant.

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

<b>Share option vesting period</b>	<b>Percentage of share options to vest</b>
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:

<b>Share option vesting period</b>	<b>Percentage of share options to vest</b>
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

### ***11 August 2014***

On 11 August 2014, the Company has granted a total of 4,164,000 share options to certain eligible persons pursuant to the Share Option Scheme. Among the total 4,164,000 share options, 2,364,000 share options were granted to the connected persons of the Company, including executive Directors, the chief executive of the Company, a director of the subsidiary of the Group, substantial shareholders of the Company and an associate of them. Each share option shall entitle the holder of the share option to subscribe for one Share upon exercise of such share option at an exercise price of HK\$5.47 per Share. The share options granted under the Share Option Scheme shall vest in the grantees in accordance with the timetable below, each with an exercise period commencing from the relevant share option vesting date and ending 10 years after the date of grant.

<b>Share option vesting period</b>	<b>Percentage of share options to vest</b>
On or after 11 August 2015	25% of the total number of share options granted
On or after 11 August 2016	25% of the total number of share options granted
On or after 11 August 2017	25% of the total number of share options granted
On or after 11 August 2018	25% of the total number of share options granted

### **SHARE AWARD SCHEME**

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

During the Period, the Company has granted a total of 2,463,219 awarded shares to certain selected grantees at nil consideration pursuant to the Share Award Scheme on 25 March 2014 and 11 August 2014, all of whom are third parties independent from the Company and its connected persons.

### ***25 March 2014***

On 25 March 2014, the Company granted 1,560,000 awarded shares to certain selected grantees at nil consideration. The awarded shares granted shall vest in the share award grantees in accordance with the schedule below:

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

### ***11 August 2014***

On 11 August 2014, the Company granted 903,219 awarded shares to certain selected grantees at nil consideration. The awarded shares granted shall vest in the share award grantees in accordance with the schedule below:

<b>Share award vesting date</b>	<b>Percentage of awarded shares to vest</b>
On 11 August 2015	25% of the total number of awarded shares granted
On 11 August 2016	25% of the total number of awarded shares granted
On 11 August 2017	25% of the total number of awarded shares granted
On 11 August 2018	25% of the total number of awarded shares granted

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

## **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, 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.

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

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

## **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 competes or may compete with the business of the Group during the Period.

## **INTERESTS OF THE COMPLIANCE ADVISER**

As notified by China Everbright Capital Limited (“**China Everbright**”), the Company's compliance adviser, neither China Everbright nor any of its directors or employees or associates had any significant interest in the share capital of the Company or any member of the Group (including options or rights to subscribe for such securities) as at 30 September 2014.

## **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.

## **PUBLICATION OF QUARTERLY RESULTS AND QUARTERLY REPORT**

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

### **DEFINITIONS**

“associate(s)”	has the meaning ascribed thereto in the GEM Listing Rules
“Board” or “Board of Directors”	the board of Directors
“Company”	IGG Inc, a company incorporated in the Cayman Islands whose shares are listed on the GEM
“connected person(s)”	has the meaning ascribed thereto in the GEM Listing Rules
“Controlling Shareholders”	has the meaning ascribed thereto in the GEM Listing Rules and unless the context requires otherwise, refers to Mr. Zongjian Cai, Mr. Yuan Chi, Duke Online Holdings Limited, Edmond Online Holdings Limited, Ms. Kai Chen (spouse of Mr. Zongjian Cai), Mr. Zhixiang Chen, Mr. Yuan Xu and Mr. Hong Zhang
“Corporate Governance Code”	Corporate Governance Code contained in Appendix 15 to the GEM Listing Rules
“Directors(s)”	the director(s) of the Company
“GEM ”	Growth Enterprise Market
“GEM Listing Rules”	the Rules Governing the Listing of Securities on the GEM
“Group”	the Company and its subsidiaries
“HK\$” and “HK cents”	Hong Kong dollars and cents respectively, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC

“Listing”	the listing of the Shares on the GEM
“MAU”	monthly active users
“Model Code”	the required standard of dealings for securities transactions by directors of listed issuers as set out in Rules 5.48 to 5.67 of the GEM Listing Rules adopted by the Company on 16 September 2013
“Period”	the nine months ended 30 September 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)”	ordinary share(s) of US\$0.0000025 each in the share capital of the Company
“Share Award Scheme”	the share award scheme adopted by the Company on 24 December 2013, the principal terms of which are summarised in the announcement of the Company dated 24 December 2013
“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
“Shareholder(s)”	shareholder(s) of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited

“substantial shareholder(s)”	has the meaning ascribed thereto in the GEM Listing Rules
“US\$”	United States dollars, the lawful currency of the United States of America
“%”	per cent.

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

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

Hong Kong, 10 November 2014

*As at the date of this announcement, 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.*

*This announcement will remain on the “Latest Company Announcements” page of the Growth Enterprise Market website at <http://www.hkgem.com> for at least 7 days from the date of its posting and be posted on the website of the Company at <http://www.igg.com>.*