# IGG INC

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

**(Stock code: 8002)**

# ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2013

## 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 GEM Listing Rules 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

| | Year ended 31 December 2013 | Year ended 31 December 2012 |
|---|---|---|
| | *US$'000* | *US$'000* |
| Revenue | 87,986 | 43,154 |
| Profit/(loss) before tax | 8,261 | (12,946) |
| Profit/(loss) for the year attributable to owners of the parent | 6,948 | (13,435) |
| Adjusted profit* | 21,115 | 7,177 |

* Adjusted profit represented profit excluding the fair value loss of the redeemable convertible Preferred Shares; it is considered a useful supplement to the consolidated statement of profit or loss indicating the Group's profitability and operational performance for the financial periods presented.

- Revenue of the Group increased by 103.7% from US$43.2 million for the year ended 31 December 2012 to approximately US$88.0 million for the year ended 31 December 2013. The Group's profit attributable to owners of the parent for the year ended 31 December 2013 was approximately US$6.9 million, comparing with the loss attributable to owners of the parent of US$13.4 million for the year ended 31 December 2012.

- Excluding the fair value loss of the redeemable convertible Preferred Shares, which were converted to ordinary Shares on 31 May 2013, the adjusted profit for the year ended 31 December 2013 was approximately US$21.1 million, representing an increase of 193.1% compared with that for the year ended 31 December 2012.

- Basic and diluted earnings per Share for the year ended 31 December 2013 were approximately US0.78 cents and US0.71 cents, respectively.

- The declaration of the final dividend of US0.2 cents per ordinary Share (equivalent to HK1.6 cents per ordinary Share), amounting to approximately US$2.9 million (31 December 2012: Nil) is proposed by the Directors and is subject to the approval by the Shareholders in the upcoming annual general meeting.

## ANNUAL RESULTS

The Board is pleased to announce the audited consolidated results of the Group for the year ended 31 December 2013 together with the comparative figures for the year ended 31 December 2012 as follows:

## CONSOLIDATED STATEMENT OF PROFIT OR LOSS

*Year ended 31 December 2013*

| | *Notes* | **2013** *US$'000* | **2012** *US$'000* |
|---|---|---|---|
| **CONTINUING OPERATIONS** | | | |
| REVENUE | 4 | 87,986 | 43,154 |
| Cost of sales | | (22,264) | (10,358) |
| Gross profit | | 65,722 | 32,796 |
| Other income and gains | 4 | 592 | 422 |
| Selling and distribution expenses | | (23,246) | (12,071) |
| Administrative expenses | | (10,855) | (7,093) |
| Research and development costs | | (9,333) | (6,331) |
| Fair value loss of redeemable convertible preferred shares | 13 | (14,167) | (20,612) |
| Other expenses | | (452) | (57) |
| PROFIT/(LOSS) BEFORE TAX | 5 | 8,261 | (12,946) |
| Income tax expense | 6 | (1,313) | (163) |
| PROFIT/(LOSS) FOR THE YEAR FROM CONTINUING OPERATIONS | | 6,948 | (13,109) |
| **DISCONTINUED OPERATION** | | | |
| Loss for the year from a discontinued operation | | — | (326) |
| **PROFIT/(LOSS) FOR THE YEAR** | | 6,948 | (13,435) |
| Attributable to: | | | |
| Owners of the parent | | 6,948 | (13,435) |

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS (continued)**
*Year ended 31 December 2013*

| | *Notes* | **2013** *US$* | **2012** *US$* |
|---|---|---|---|
| **EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT** | 8 | | |
| (expressed in US$ per share) | | | |
| Basic | | | |
| - For profit/(loss) for the year | | 0.0078 | (0.0251) |
| - For profit/(loss) from continuing operations | | 0.0078 | (0.0245) |
| Diluted | | | |
| - For profit/(loss) for the year | | 0.0071 | (0.0251) |
| - For profit/(loss) from continuing operations | | 0.0071 | (0.0245) |

Details of the dividends payable and proposed for the year are disclosed in note 7.

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**

*Year ended 31 December 2013*

| | 2013<br>*US$* | 2012<br>*US$* |
|---|---|---|
| PROFIT/(LOSS) FOR THE YEAR | 6,948 | (13,435) |
| OTHER COMPREHENSIVE INCOME/(LOSS) | | |
| Other comprehensive income/(loss) to be reclassified to profit or loss in subsequent periods: | | |
| Exchange differences on translation of foreign operations | 17 | (55) |
| OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR, NET OF TAX | 17 | (55) |
| TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR | 6,965 | (13,490) |
| Attributable to: | | |
| Owners of the parent | 6,965 | (13,490) |

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

*Year ended 31 December 2013*

| | *Notes* | **2013** *US$'000* | **2012** *US$'000* |
|---|---|---|---|
| **NON-CURRENT ASSETS** | | | |
| Property, plant and equipment | | 1,674 | 1,517 |
| Other intangible assets | | 97 | 152 |
| Non-current rental deposits | | 157 | 152 |
| Deferred tax assets | | 435 | 365 |
| **Total non-current assets** | | 2,363 | 2,186 |
| **CURRENT ASSETS** | | | |
| Accounts receivable | 9 | 314 | 496 |
| Amount due from related party | | 114 | — |
| Prepayments, deposits and other receivables | | 919 | 476 |
| Funds receivable | 10 | 12,248 | 3,233 |
| Cash and cash equivalents | | 135,488 | 15,135 |
| **Total current assets** | | 149,083 | 19,340 |
| **CURRENT LIABILITIES** | | | |
| Accounts payable | 11 | 3,228 | 1,841 |
| Other payables and accruals | | 3,006 | 3,124 |
| Tax payable | | 1,317 | — |
| Deferred revenue | 12 | 7,805 | 5,556 |
| Redeemable convertible preferred shares | 13 | — | 66,596 |
| **Total current liabilities** | | 15,356 | 77,117 |
| NET CURRENT ASSETS/(LIABILITIES) | | 133,727 | (57,777) |

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)**
*Year ended 31 December 2013*

| | *Notes* | **2013** | **2012** |
|---|---|---|---|
| | | *US$'000* | *US$'000* |
| **TOTAL ASSETS LESS CURRENT LIABILITIES** | | 136,090 | (55,591) |
| NON-CURRENT LIABILITIES | | | |
| Deferred tax liabilities | | 317 | 250 |
| **Total non-current liabilities** | | 317 | 250 |
| **NET ASSETS/(LIABILITIES)** | | 135,773 | (55,841) |
| **EQUITY** | | | |
| Issued capital | 14 | 3 | 1 |
| Reserves | | 132,891 | (55,842) |
| Proposed final dividend | 7 | 2,879 | — |
| **Total equity/(deficits)** | | 135,773 | (55,841) |

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

*Year ended 31 December 2013*

| | Issued capital | Share premium | Share option reserve | Reserve funds | Other reserve | Exchange fluctuation reserve | Accumulated deficits | Proposed final dividend | Total equity |
|---|---|---|---|---|---|---|---|---|---|
| | *US$'000* | *US$'000* | *US$'000* | *US$'000* | *US$'000* | *US$'000* | *US$'000* | *US$'000* | *US$'000* |
| At 1 January 2013 | 1 | 3,580 | 805 | 88 | 8 | (110) | (60,213) | — | (55,841) |
| Profit for the year | — | — | — | — | — | — | 6,948 | — | 6,948 |
| Other comprehensive income for the year: | | | | | | | | | |
| Exchange differences on translation of foreign operations | — | — | — | — | — | 17 | — | — | 17 |
| Total comprehensive income for the year | — | — | — | — | — | 17 | 6,948 | — | 6,965 |
| Equity-settled share option arrangement | — | — | 1,030 | — | — | — | — | — | 1,030 |
| Exercise of share options | — | 584 | (282) | — | — | — | — | — | 302 |
| Conversion of redeemable convertible preferred shares (note 13) | 1 | 80,762 | — | — | — | — | — | — | 80,763 |
| Issuance of shares for the IPO | 1 | 94,844 | — | — | — | — | — | — | 94,845 |
| Issuance of shares under the over-allotment option | — | 17,741 | — | — | — | — | — | — | 17,741 |
| Share issuance expenses | — | (5,109) | — | — | — | — | — | — | (5,109) |
| Dividend declared and paid to then existing shareholders | — | (4,923) | — | — | — | — | — | — | (4,923) |
| Proposed 2013 final dividend | — | (2,879) | — | — | — | — | — | 2,879 | — |
| At 31 December 2013 | 3 | 184,600* | 1,553* | 88* | 8* | (93)* | (53,265)* | 2,879 | 135,773 |

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (continued)

*Year ended 31 December 2013*

| | Issued capital | Share premium | Share option reserve | Reserve funds | Other reserve | Exchange fluctuation reserve | Accumulated deficits | Total deficits |
|---|---|---|---|---|---|---|---|---|
| | *US$'000* | *US$'000* | *US$'000* | *US$'000* | *US$'000* | *US$'000* | *US$'000* | *US$'000* |
| At 1 January 2012 | 1 | 3,453 | 787 | — | 8 | (55) | (46,713) | (42,519) |
| Loss for the year | — | — | — | — | — | — | (13,435) | (13,435) |
| Other comprehensive loss for the year: | | | | | | | | |
| Exchange differences on translation of foreign operations | — | — | — | — | — | (55) | — | (55) |
| Total comprehensive loss for the year | — | — | — | — | — | (55) | (13,435) | (13,490) |
| Equity-settled share option arrangement | — | — | 126 | — | — | — | — | 126 |
| Transfer of share option reserve upon the expiry of share options | — | — | (23) | — | — | — | 23 | — |
| Exercise of share options | — | 127 | (85) | — | — | — | — | 42 |
| Appropriations to statutory reserve funds | — | — | — | 88 | — | — | (88) | — |
| At 31 December 2012 | 1 | 3,580* | 805* | 88* | 8* | (110)* | (60,213)* | (55,841) |

* These components of equity comprise the consolidated reserves of US$132,891,000 (2012: deficit of US$55,842,000) in the consolidated statement of financial position as at 31 December 2013.

## 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.

In the opinion of the directors of the Company, as of the date of this announcement, controlling shareholders comprising the following investment entities and individuals are the ultimate substantial shareholders:

a) Duke Online Holdings Limited ("Duke Online"), which was incorporated in the British Virgin Islands (the "BVI") and fully owned by Mr. Zongjian Cai;

b) Edmond Online Holdings Limited ("Edmond Online"), which was incorporated in the BVI and fully owned by Mr. Yuan Chi;

c) Ms. Kai Chen;

d) Mr. Zhixiang Chen;

e) Mr. Yuan Xu; and

f) Mr. Hong Zhang.

Individuals stated above from (c) to (f) were collectively referred to as Management Team. On 16 September 2013, Duke Online, Edmond Online, Mr. Zongjian Cai, Mr. Yuan Chi and members of the Management Team 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.

Under the prevailing laws and regulations in the People's Republic of China (the "PRC", or Mainland China which excludes, for the purpose of this announcement, the Hong Kong Special Administrative Region of the PRC or Hong Kong, the Macau Special Administrative Region of the PRC or Macau, and Taiwan), companies with foreign ownership are prohibited from online game business and online advertising business in Mainland China. The Group historically operated its online games and online advertising in Mainland China through Fuzhou Skyunion Digital Co., Ltd. ("Fuzhou Tianmeng") and Fuzhou Online Game Information Technology Co., Ltd. ("Fuzhou Online Game") (collectively, the "PRC Operating Entities"). Fuzhou Online Game was disposed of by the Group in 2012.

Certain structured contracts ("Structured Contracts") were effectuated among the PRC Operating Entities, Fuzhou TJ Digital Entertainment Co., Ltd. ("Fuzhou Tianji") and Mr. Zongjian Cai and Mr. Yuan Chi (the "Registered Shareholders") who are the legal shareholders of the PRC Operating Entities and also the core founders of the Company. The Structured Contracts for Fuzhou Tianmeng and Fuzhou Online Game were effectuated in November 2007 and August 2009, respectively.

The Structured Contracts provide the Group through Fuzhou Tianji with effective control over PRC Operating Entities. In particular, Fuzhou Tianji undertakes to provide the PRC Operating Entities with certain technical services as required to support their operations. In return, the Group is entitled to substantially all of the operating profits and residual benefits generated by the PRC Operating Entities through intercompany charges levied on these services rendered. The Registered Shareholders are also required to transfer their interests in the PRC Operating Entities to the Group or the Group's designee upon a request made by the Group when permitted by the PRC laws for a consideration, as permitted under the PRC laws. The ownership interests in the PRC Operating Entities have also been pledged by the Registered Shareholders to the Group in respect of the continuing obligations of the PRC Operating Entities. Fuzhou Tianji has not provided any financial support that it was not previously contractually required to do so to the PRC Operating Entities during the year. Fuzhou Tianji intends continuously to provide to or assist the PRC Operating Entities in obtaining financial support when deemed necessary. Accordingly, the Group has rights to variable returns from its involvement with the PRC Operating Entities and has the ability to affect those returns through its power over the PRC Operating Entities.

As a result, Fuzhou Tianmeng was accounted for as a subsidiary of the Company. The formation of the Structured Contracts for Fuzhou Tianmeng was accounted for as a business combination between entities under common control by applying the pooling of interests method, where the assets and liabilities of Fuzhou Tianmeng are reflected at their existing carrying values at the date of consolidation. The Group acquired Fuzhou Online Game from independent third parties through formation of Structured Contracts which was accounted for as business combination by using the acquisition method where the assets and liabilities of Fuzhou Online Game are reflected at their fair values at the date of consolidation. This approach was adopted because in management's belief it best reflected the substance of the formation.

## 2. BASIS OF PREPARATION

These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRSs", which include all International Financial Reporting Standards, International Accounting Standards ("IAS") and Interpretations) issued by the International Accounting Standards Board (the "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 "Listing Rules"). All IFRSs effective for the accounting periods commencing from 1 January 2013 and Amendments to IAS 36 *Recoverable Amount Disclosures for Non-Financial Assets* which are effective for accounting periods commencing from 1 January 2014, together with the relevant transitional provisions, have been early adopted by the Group in the preparation of these financial statements throughout the year.

These financial statements have been prepared under the historical cost convention, except for redeemable convertible preferred shares which have been measured at fair value. These financial statements are presented in United States Dollar ("US$") and all values are rounded to the nearest thousand except when otherwise indicated.

**Basis of consolidation**

The consolidated financial statements include the financial statements of the Company, its subsidiaries and Fuzhou Tianmeng (collectively referred to as the "Group") for the year ended 31 December 2013. The financial statements of the subsidiaries and Fuzhou Tianmeng are prepared for the same reporting period as the Company, using consistent accounting policies. The results of subsidiaries and Fuzhou Tianmeng are consolidated from the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

As explained in note 1 above, the acquisition of subsidiaries and Fuzhou Tianmeng under common control has been accounted for using the pooling of interests method. The pooling of interests method involves incorporating the financial statement items of the combining entities or businesses in which the common control combination occurs as if they had been combined from the date when the combining entities or businesses first came under the control of the controlling party. The net assets of the combining entities or businesses are combined using the existing book value.

No amount is recognised in respect of goodwill or the excess of the acquirers' interest in the net fair value of acquirees' identifiable assets, liabilities and contingent liabilities over the cost of investment at the time of common control combination.

Profit or loss and each component of other comprehensive income are attributed to the owners of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control described in the accounting policy for subsidiaries and Fuzhou Tianmeng below. A change in the ownership interest of a subsidiary or Fuzhou Tianmeng, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary or Fuzhou Tianmeng, it derecognises (i) the assets (including goodwill) and liabilities of the subsidiary or Fuzhou Tianmeng, (ii) the carrying amount of any non-controlling interest and (iii) the cumulative translation differences recorded in equity; and recognises (i) the fair value of the consideration received, (ii) the fair value of any investment retained and (iii) any resulting surplus or deficit in profit or loss. The Group's share of components previously recognised in other comprehensive income is reclassified to profit or loss or retained profits, as appropriate, on the same basis as would be required if the Group had directly disposed of the related assets or liabilities.

3. **OPERATING SEGMENT INFORMATION**

The Group was principally engaged in the development and operation of online games and mobile 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 online games and mobile games and the directors reviewed the financial results of the Group as a whole reported under IFRSs. Therefore, no further information about the operating segment is presented.

**Geographical information**

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

| | **2013** | **2012** |
|---|---|---|
| | *US$'000* | *US$'000* |
| North America | 34,038 | 14,587 |
| Asia | 26,017 | 13,582 |
| Europe | 20,128 | 10,532 |
| Oceania | 4,215 | 2,297 |
| South America | 3,263 | 2,032 |
| Africa | 325 | 124 |
| | 87,986 | 43,154 |

(b) Non-current assets

| | **2013** | **2012** |
|---|---|---|
| | *US$'000* | *US$'000* |
| PRC (including Taiwan) | 1,051 | 959 |
| North America | 880 | 824 |
| Singapore | 415 | 403 |
| Philippines | 17 | — |
| | 2,363 | 2,186 |

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.

## 4. 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 from continuing operations is as follows:

| | **2013** | **2012** |
|---|---|---|
| | *US$'000* | *US$'000* |
| **Revenue** | | |
| Online game revenue | 85,251 | 41,810 |
| Licensing revenue | 234 | 548 |
| Joint operation revenue | 2,501 | 796 |
| | 87,986 | 43,154 |
| **Other income and gains** | | |
| Government grants* | 355 | 261 |
| Bank interest income | 160 | 24 |
| Gain on disposal of items of property, plant and equipment | — | 6 |
| Rental income** | — | 95 |
| Others | 77 | 36 |
| | 592 | 422 |

* 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.

** Rental income was generated from the sub-lease to an unrelated party portion of our office spaces in Fuzhou.

## 5. PROFIT/(LOSS) BEFORE TAX

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

| | Note | 2013<br>US$'000 | 2012<br>US$'000 |
|---|---|---|---|
| Channel cost | | 17,246 | 5,636 |
| Royalty fee | | 1,413 | 1,598 |
| Depreciation | | 754 | 1,014 |
| Amortisation of other intangible assets | | 105 | 264 |
| Minimum lease payments under operating leases of buildings | | 2,645 | 2,228 |
| Auditors' remuneration | | | |
| - audit service | | 582 | 35 |
| - non audit service | | 490 | 7 |
| | | 1,072 | 42 |
| Employee benefit expense (including directors' and chief executive's remuneration): | | | |
| Salaries and wages | | 10,790 | 8,530 |
| Staff welfare expenses | | 787 | 343 |
| Equity-settled share compensation costs | | 1,030 | 126 |
| Pension scheme contributions | | 807 | 450 |
| Foreign exchange differences, net | | 346 | 18 |
| Fair value loss of redeemable convertible preferred shares | | 14,167 | 20,612 |
| Loss/(gain) on disposal of items of property, plant and equipment | | 10 | (6) |
| Bank interest income | 4 | (160) | (24) |
| Government grants | 4 | (355) | (261) |

## 6. 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. ("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 incentive period as a result of the Development and Expansion Incentive granted by the Singapore Economic Development Board for being an intellectual property owner and international headquarter for the Group's on-line game business. The incentive period covers a time frame of 7 years from 1 January 2010 to 31 December 2016, as long as IGG Singapore is able to meet certain conditions as set out in the letter of award issued by the Singapore Economic Development Board on 27 January 2010 and subsequently amended on 28 December 2012. Unless IGG Singapore reaches a subsequent agreement to extend the incentive period, IGG Singapore will not be entitled to the preferential tax rate of 5% from 1 January 2017 onwards. IGG Singapore met the requisite conditions and thus a 5% preferential tax rate will be applied during the years ended 31 December 2012 and 2013 and the year ending 31 December 2014.

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 year.

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 2013 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 2012, Fuzhou Tianmeng started generating taxable profit and therefore is exempted from income tax for the years ended 31 December 2012 and 2013.

For the years ended 31 December 2013 and 2012, Sky Union, LLC ("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%.

| | **2013** | **2012** |
|---|---|---|
| | *US$'000* | *US$'000* |
| Current year provision: | | |
| US | 45 | 11 |
| Hong Kong | — | — |
| Singapore | 832 | — |
| PRC | 437 | — |
| Subtotal of current tax | 1,314 | 11 |
| Deferred tax | | |
| US | 49 | 45 |
| Singapore | (114) | 116 |
| PRC | 64 | (9) |
| Subtotal of deferred tax | (1) | 152 |
| Total tax charge for the year | 1,313 | 163 |

During the years ended 31 December 2013 and 2012, IGG Singapore was the headquarter of the Group where it recorded majority of its revenue. A reconciliation of the tax expense applicable to loss before tax at IGG Singapore's statutory tax rate to the tax expense at the effective tax rate, and a reconciliation of the applicable rate (i.e., IGG Singapore's statutory tax rate) to the effective tax rate, are as follows:

| | **2013** | | **2012** | |
|---|---|---|---|---|
| | *US$'000* | *%* | *US$'000* | *%* |
| Profit/(loss) before tax from continuing operations | 8,261 | | (12,946) | |
| Tax at the applicable tax rate | 1,405 | 17.0 | (2,201) | 17.0 |
| Effect in tax rates for different tax jurisdictions or enacted by local authority | 3,536 | 42.8 | 3,548 | (27.4) |
| Effect of tax holidays applicable to the subsidiaries and Fuzhou Tianmeng | (1,595) | (19.3) | (1,868) | 14.4 |
| Tax losses not recognised | 974 | 11.8 | 892 | (6.9) |
| Tax losses utilised | (2,646) | (32.0) | — | — |
| Effect on different rates applicable to deferred tax and current tax | — | — | 24 | (0.2) |
| Income not subject to tax | (98) | (1.2) | (98) | 0.8 |
| Expenses not deductible for tax | 167 | 2.0 | 47 | (0.4) |
| Super deduction for qualifying spending under Productivity and Innovation Credit and qualifying research and development costs | (430) | (5.2) | (181) | 1.4 |
| Tax charge at the Group's effective rate | 1,313 | 15.9 | 163 | (1.3) |

## 7. DIVIDEND

| | **2013** | **2012** |
|---|---|---|
| | *US$'000* | *US$'000* |
| Proposed 2013 final dividend — HK1.6 cents (2012: Nil) per ordinary share | 2,879 | — |

The proposed 2013 final dividend for the year is subject to the approval of the Company's shareholders at the forthcoming annual general meeting.

On 29 July 2013, the Company declared a dividend in the amount of US$4,923,497 payable to the Company's then existing shareholders, amounting to US$0.19 per share not reflecting the Shares Subdivision described in note 14. The dividend has been paid during the year.

## 8. 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 years ended 31 December 2013 and 2012 have been adjusted retroactively as a result of the Shares Subdivision described in note 14.

The calculation of the basic earnings per share amount is based on the profit for the year ended 31 December 2013 attributable to ordinary equity holders of the parent of US$6,948,000 (2012: loss of US$13,435,000), and the weighted average number of ordinary shares of 896,386,767 (2012: 534,807,342) in issue during the year.

The calculation of diluted earnings per share is based on the profit for the year ended 31 December 2013 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 year ended 31 December 2013, 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 year ended 31 December 2012 in respect of a dilution as the impact of the share options and redeemable convertible preferred shares outstanding had an anti-dilutive effect on the basic loss per share amounts presented.

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

| | **2013** | **2012** |
|---|---|---|
| | *US$'000* | *US$'000* |
| **Earnings/(loss)** | | |
| Profit/(loss) attributable to ordinary equity holders of the parent used in the basic and diluted earnings/(loss) per share calculations: | | |
| From continuing operations | 6,948 | (13,109) |
| From a discontinued operation | — | (326) |
| | 6,948 | (13,435) |

| | Number of shares | |
|---|---|---|
| | **2013** | **2012** |
| **Shares** | | |
| Weighted average number of ordinary shares in issue during the year used in the basic earnings/(loss) per share calculation | 896,386,767 | 534,807,342 |
| Effect of dilution — weighted average number of ordinary shares: | | |
| Share options under the Pre-IPO Share Option Scheme | 86,681,125 | — |
| | 983,067,892 | 534,807,342 |

## 9. ACCOUNTS RECEIVABLE

| | **2013** | **2012** |
|---|---|---|
| | *US$'000* | *US$'000* |
| Accounts receivable | 314 | 496 |

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:

| | **2013** | **2012** |
|---|---|---|
| | *US$'000* | *US$'000* |
| Within 3 months | 314 | 450 |
| 3 to 6 months | — | 46 |
| | 314 | 496 |

No provision has been made for impairment of accounts receivable in the year ended 31 December 2013 (2012: Nil).

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

| | 2013 | 2012 |
|---|---|---|
| | *US$'000* | *US$'000* |
| Neither past due nor impaired | 314 | 496 |

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.

## 10. 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 31 December 2013, no allowance for doubtful accounts was provided for the funds receivable (2012: Nil).

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

## 11. 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:

| | 2013 | 2012 |
|---|---|---|
| | *US$'000* | *US$'000* |
| Within 3 months | 2,998 | 1,742 |
| 3 to 6 months | 72 | 44 |
| 6 months to 1 year | 99 | 17 |
| Over 1 year | 59 | 38 |
| | 3,228 | 1,841 |

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

## 12. DEFERRED REVENUE

Deferred revenue mainly represents service fees prepaid by game players or licensees for online game and mobile game services to which related services have not been rendered as at the end of the reporting period.

## 13. 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 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.

Series A, B and A1 shares (collectively the "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 capitalisation 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 has decided to have the Company listed on the Stock Exchange or other recognised international securities exchanges (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 the 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. At 31 December 2012, the Series Shares were presented as current liability as they were subject to redemption at any time on the request of the holders of the Series Shares.

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 prices 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 statement of profit or loss. The Company determined the fair value of the Series Shares based on valuations performed by Jones Lang LaSalle.

On 31 May 2013, a written approval was signed by all holders of the 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:

| | **2013** | **2012** |
|---|---|---|
| | *US$'000* | *US$'000* |
| At 1 January | 66,596 | 45,984 |
| Fair value changes in the Series Shares recognised in the statement of profit or loss | 14,167 | 20,612 |
| Conversion of the Series Shares | (80,763) | — |
| At 31 December | — | 66,596 |

## 14. SHARE CAPITAL

**Shares**

| | **2013** | **2012** |
|---|---|---|
| | *US$'000* | *US$'000* |
| Authorised: | | |
| 2,000,000,000 (2012: 29,300,450) ordinary shares of US$0.0000025 (2012: US$0.0001) each | 5 | 3 |
| Issued and fully paid or credited as fully paid: 1,358,852,099 (2012: 13,463,000) ordinary shares of US$0.0000025 (2012: US$0.0001) each | 3 | 1 |

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

| | Notes | Number of shares in issue | Issued capital US$'000 | Share premium account US$'000 |
|---|---|---|---|---|
| At 1 January 2012 | | 13,200,000 | 1 | 3,453 |
| Share options exercised | | 263,000 | — | 127 |
| At 31 December 2012 and 1 January 2013 | | 13,463,000 | 1 | 3,580 |
| Share options exercised (note 15) | | 864,000 | — | 584 |
| Conversion of redeemable convertible preferred shares (note 13) | | 11,850,141 | 1 | 80,762 |
| Shares Subdivision | (a) | 1,020,908,499 | — | — |
| Issuance of shares for the IPO | (b) | 262,651,459 | 1 | 94,844 |
| Issuance of shares under the Over-allotment Option | (c) | 49,115,000 | — | 17,741 |
| | | 1,358,852,099 | 3 | 197,511 |
| Share issuance expenses | | — | — | (5,109) |
| Dividends declared and paid to then existing shareholders (note 7) | | — | — | (4,923) |
| Proposed 2013 final dividend | | — | — | (2,879) |
| At 31 December 2013 | | 1,358,852,099 | 3 | 184,600 |

*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 15.

## 15. SHARE OPTION SCHEME

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

**Pre-IPO Share Option Scheme**

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

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

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

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

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

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

| | **2013** | | **2012** | |
|---|---|---|---|---|
| | **Weighted average exercise price per share (Note)** *US$* | **Number of options (Note)** | **Weighted average exercise price per share (Note)** *US$* | **Number of options (Note)** |
| At 1 January | 0.0345 | 110,624,000 | 0.0255 | 121,040,000 |
| Granted during the year | 0.0865 | 13,200,000 | 0.0865 | 13,720,000 |
| Forfeited during the year | 0.0668 | (3,206,000) | 0.0283 | (10,816,000) |
| Lapsed during the year | — | — | 0.0038 | (2,800,000) |
| Exercised during the year | 0.0086 | (34,560,000) | 0.0040 | (10,520,000) |
| At 31 December | 0.0516 | 86,058,000 | 0.0345 | 110,624,000 |

*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 2012.

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 2012, as at the end of the reporting period are as follows:

**2013**

| **Number of options** | **Exercise price* per share** | **Exercise period** |
|---|---|---|
| | *US$* | |
| 1,200,000 | 0.0038 | Since IPO to 19-01-2017 |
| 11,640,000 | 0.0038 | 01-07-2008 to 30-06-2017 |
| 5,608,000 | 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 |
| 7,140,000 | 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 |
| 19,232,000 | 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 |
| 3,540,000 | 0.0865 | Since IPO to 13-08-2021 |
| 3,584,000 | 0.0865 | Since IPO to 14-01-2022 |
| 8,410,000 | 0.0865 | Since IPO to 21-05-2022 |
| 12,924,000 | 0.0865 | Since IPO to 31-03-2023 |
| 86,058,000 | | |

**2012**

| Number of options | Exercise price* per share | Exercise period |
|---|---|---|
| | *US$* | |
| 20,000,000 | 0.0018 | Since IPO to 19-12-2016 |
| 2,200,000 | 0.0038 | Since IPO to 19-01-2017 |
| 2,000,000 | 0.0038 | 01-07-2008 to 30-06-2017 |
| 17,840,000 | 0.0038 | Since IPO to 30-06-2017 |
| 6,568,000 | 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 |
| 3,720,000 | 0.0500 | 01-08-2010 to 01-08-2013 |
| 4,020,000 | 0.0500 | Since IPO to 31-07-2019 |
| 1,200,000 | 0.0378 | 01-08-2009 to 31-07-2014 |
| 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 |
| 20,332,000 | 0.0525 | Since IPO to 20-04-2021 |
| 3,200,000 | 0.0525 | 21-04-2012 to 20-04-2015 |
| 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 |
| 3,720,000 | 0.0865 | Since IPO to 13-08-2021 |
| 212,000 | 0.0865 | 15-01-2013 to 14-01-2016 |
| 3,512,000 | 0.0865 | Since IPO to 14-01-2022 |
| 4,480,000 | 0.0865 | 21-05-2013 to 21-05-2016 |
| 4,840,000 | 0.0865 | Since IPO to 21-05-2022 |
| 110,624,000 | | |

* 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.

The fair value of the share options granted during the year was US$1,016,000 (2012: US$495,000), of which the Group recognised a share option expense US$390,000 (2012: US$83,000) during the year ended 31 December 2013.

The fair value of equity-settled share options granted during the year was estimated as at the date of grant, by Jones Lang LaSalle, using a binomial model, taking into account the terms and conditions upon which the options were granted.

The following table lists the inputs to the model used for equity-settled share options granted during the year:

| | 2013 | 2012 |
|---|---|---|
| Dividend yield (%) | 0 | 0 |
| Expected volatility (%) | 54.77 | 56.94 |
| Risk-free interest rate (%) | 1.93 | 1.64 |
| Forfeiture rate (%) | 8 | 8 |
| Weighted average share price (US$ per share) | 5.48 | 3.38 |

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.

After adjustment as a result of the Shares Subdivision as if the Shares Subdivision had taken place on 1 January 2012, the 34,560,000 (2012: 10,520,000) share options exercised during the year resulted in the issuance of 34,560,000 (2012: 10,520,000) ordinary shares of the Company and new share capital of US$86 (2012: US$26) and share premium of US$584,000 (2012: US$127,000) (before share issuance expenses), as further detailed in note 14.

At the end of the reporting period, the Company had 86,058,000 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 86,058,000 additional ordinary shares of the Company and additional share capital of US$215 and share premium of US$4,440,378 (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 of directors, will contribute to or have contributed to the Group.

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

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

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

The offer of a grant of share options may be accepted within 28 days from the date of offer, upon payment of a nominal consideration of HK$1 in total by the grantee. The exercise period of the share options granted is determinable by the board of directors in its absolute discretion, and commences after a certain vesting period and ends on a date which is not later than ten years from the date of grant of the share options.

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

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

As at 31 December 2013, no share option was granted and outstanding under the Post-IPO Share Option Scheme I.

## MANAGEMENT DISCUSSION AND ANALYSIS

## BUSINESS REVIEW

The Group is a fast-growing global online games (especially mobile games) developer and operator with headquarter in Singapore and regional offices in the United States, China, Canada and the Philippines. The Group offers multi-language mobile games, browser games and client-based games to players around the world. In addition to the Group's international presence, the Group places most of its development personnel in China, which allows the Group to leverage cost advantage and develop its games in a cost-effective manner.

During the year ended 31 December 2013, the global game industry remained highly competitive. In pursuance of the overall corporate strategy of the Group for the year, the Group continued to focus on (i) mobile games development, and (ii) global marketing and operation of the games of the Group.

### Successful migration to mobile games

During the year ended 31 December 2013, 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 80% of its research and development force to mobile game development. 14 mobile games were launched during the year ended 31 December 2013.

Revenue from mobile games accounted for approximately 49.7% of the total revenue for the year ended 31 December 2013, comparing to 5.1% from the year ended 31 December 2012. Especially, in July 2013, we launched "Castle Clash", which is a fast-paced tower defense game and quickly rose in popularity to become a top ten game in 31 countries and regions and a top five game in 13 countries and regions in terms of daily revenue as at 31 December 2013, according to Appannie.com, an independent third party provider of mobile application analytics. During the year ended 31 December 2013, the revenue of "Castle Clash" derived from Google Play, iOS and other systems were US$25.5 million, US$2.9 million and US$0.5 million, respectively, totaled US$28.9 million and accounted for approximately 66.1% of the total revenue from mobile games. The MAU (monthly active users: the number of individuals who login to a particular game during the 30-day period ending with the measurement date) for this game was approximately 8.9 million as at 31 December 2013.

From the beginning of 2014 to the date of this announcement, we have launched 7 mobile games, among which, 3 mobile games were developed in-house and 4 mobile games were licensed from independent third parties.

**Global presence**

During the year ended 31 December 2013, the Group continued to generate a substantial portion of revenue from players with IP addresses in more than 180 countries. Development and distribution of the games was demonstrated by the strong game development capability and successful multi-language game design and marketing strategy of the Group. As at 31 December 2013, the player community of the Group consisted of over 120 million player accounts around the world, including a total MAU of approximately 13.1 million. For the year ended 31 December 2013, 38.7%, 22.9% and 29.5% of the total revenue of the Group was generated from players with IP addresses in North America, Europe and Asia, respectively.

As of the fourth quarter ended 31 December 2013, according to Distimo.com, an independent third party provider of mobile application analytics, the Group ranked among top 10 over 26 countries in terms of quarterly gross sales generated at Google Play.

**Prospects**

To further expand the business in the Chinese market, on 7 January 2014, the Group entered into a cooperation agreement with Shenzhen Tencent Computer Systems Company Limited (深圳市騰訊計算機系統有限公司) ("Tencent"), a subsidiary of Tencent Holdings Limited, a listed company on the Stock Exchange, to grant the exclusive right to Tencent for the marketing, promotion and operation of such mobile game, "Castle Clash" (simplified Chinese version) on the Tencent mobile game platform in China. Please refer to the announcement of the Company dated 8 January 2014 for further details. The Group foresees our growth in the Chinese market from this cooperation.

In the first quarter of 2014, the Group has incorporated two subsidiaries in Canada to engage in mobile game development and mobile advertising business, respectively. It is believed that incorporation of these subsidiaries will facilitate the diversification of the Group's business scope, reinforce the Group's competitiveness in the mobile game market and strengthen the Group's global reputation.

To cater for the diversified preferences of game players around the world, the Group will continue to license high quality mobile games from independent third-party developers for releasing in the global market.

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

Besides, the Group will continue to seek potential mergers and acquisitions opportunities to explore business breakthrough and create synergy for further development.

## USE OF PROCEEDS FROM THE PLACING

The net proceeds from the Company's Placing in October 2013, after deducting underwriting commission and expenses in connection with the Placing, were approximately US$105.0 million. After the Listing, these proceeds were used for the purposes in accordance with the future plans and prospects as set out in the Prospectus.

An analysis of the utilisation of the net proceeds from the Placing and the unused amount as at 31 December 2013 is set out below:

| | **Net proceeds from the Placing** | **Utilised amount as at 31 December 2013** | **Unutilised amount as at 31 December 2013** |
|---|---|---|---|
| | *US$'000* | *US$'000* | *US$'000* |
| 1. Continue the promotion of existing or new online games on various Internet application platforms, social network platforms and other online game promotional platforms. | 36,759.1 | 3,475.8 | 33,283.3 |
| 2. Acquisition of/investment in online game developers. | 36,759.1 | Nil | 36,759.1 |
| 3. Enhance and diversify the game development capabilities. | 21,000.5 | 1,290.4 | 19,710.1 |
| 4. Working capital and other general corporate purposes. | 10,500.3 | 645.2 | 9,855.1 |
| **Total** | **105,019.0** | **5,411.4** | **99,607.6** |

## FINANCIAL REVIEW

The Group witnessed a considerable growth of revenue and continued to benefit from steady profitability. During the year ended 31 December 2013, the Group recorded the revenue of approximately US$88.0 million and gross profit of approximately US$65.7 million, achieving growth rate of approximately 103.7% and 100.3%, respectively, as compared to those for the year ended 31 December 2012, respectively. The adjusted profit of the Group for the year ended 31 December 2013 amounted to approximately US$21.1 million, excluding the fair value loss of the redeemable convertible Preferred Shares, representing an approximately 193.1% growth comparing with that for the year ended 31 December 2012.

## REVENUE

The Group's revenue for the year ended 31 December 2013 was approximately US$88.0 million, representing an increase of approximately 103.7% over US$43.2 million for the year ended 31 December 2012, primarily due to (i) a significant increase in the revenue generated from the mobile games, mainly attributable to the hit title — "Castle Clash", which was launched in July 2013, (ii) an increase in the revenue generated from the in-house developed game "Wings of Destiny", and (iii) an increase in the revenue generated from the joint operation of several games of the Group.

***Revenue by operating segments and game types***

The following table sets out the breakdown of the revenue by game types for the years ended 31 December 2013 and 31 December 2012, respectively:

| | Year ended 31 December | | | |
|---|---|---|---|---|
| | **2013** | | **2012** | |
| | *US$'000* | % | *US$'000* | % |
| **Games operated by us** | | | | |
| Mobile games | 43,717 | 49.7 | 2,192 | 5.1 |
| Browser games | 35,889 | 40.8 | 32,627 | 75.6 |
| Client-based games | 5,645 | 6.4 | 6,991 | 16.2 |
| **Joint operation** | 2,501 | 2.8 | 796 | 1.8 |
| **Games licensing** | 234 | 0.3 | 548 | 1.3 |
| **Total** | 87,986 | 100.0 | 43,154 | 100.0 |

*Revenue by geographical markets*

The following table sets forth a breakdown of the revenue by geographical markets based on IP location of the players for the years ended 31 December 2013 and 31 December 2012, respectively:

| | Year ended 31 December | | | |
|---|---|---|---|---|
| | **2013** | | **2012** | |
| | *US$'000* | *%* | *US$'000* | *%* |
| North America | 34,038 | 38.7 | 14,587 | 33.8 |
| Asia | 26,017 | 29.5 | 13,582 | 31.5 |
| Europe | 20,128 | 22.9 | 10,532 | 24.4 |
| Oceania | 4,215 | 4.8 | 2,297 | 5.3 |
| South America | 3,263 | 3.7 | 2,032 | 4.7 |
| Africa | 325 | 0.4 | 124 | 0.3 |
| **Total** | 87,986 | 100.0 | 43,154 | 100.0 |

*Revenue by games*

The following table sets forth a breakdown of the revenue by games for the years ended 31 December 2013 and 31 December 2012, respectively:

| | Year ended 31 December | | | |
|---|---|---|---|---|
| | **2013** | | **2012** | |
| | *US$'000* | *%* | *US$'000* | *%* |
| Castle Clash | 28,926 | 32.9 | — | — |
| Galaxy Online II | 17,469 | 19.9 | 21,319 | 49.4 |
| Texas HoldEm Poker Deluxe | 11,608 | 13.2 | 4,727 | 10.9 |
| Wings of Destiny | 10,001 | 11.4 | 1,487 | 3.4 |
| Godswar | 5,031 | 5.7 | 6,728 | 15.6 |
| Slot Machines by IGG | 3,568 | 4.0 | — | — |
| Clash of Lords | 978 | 1.1 | — | — |
| Others | 10,405 | 11.8 | 8,893 | 20.7 |
| **Total** | 87,986 | 100.0 | 43,154 | 100.0 |

**Cost of sales**

The Group's cost of sales for the year ended 31 December 2013 was approximately US$22.3 million, representing an increase of approximately 114.4% over US$10.4 million for the year ended 31 December 2012, primarily due to the increase of channel costs paid to the payment channel providers for their payment channel service as a result of the expansion of mobile game business.

**Gross profit and gross profit margin**

The Group's gross profit for the year ended 31 December 2013 was approximately US$65.7 million, representing an increase of approximately 100.3% over US$32.8 million for the year ended 31 December 2012, primarily due to the increase in revenue, especially the revenue generated from the mobile games.

The Group's gross profit margin for the year ended 31 December 2013 was approximately 74.7%, representing a decrease by approximately 1.2% over 75.9% for the year ended 31 December 2012, primarily due to the increase of costs in relation to the mobile games.

**Selling and distribution expenses**

The Group's selling and distribution expenses for the year ended 31 December 2013 were approximately US$23.2 million, representing an increase of approximately 91.7% over US$12.1 million for the year ended 31 December 2012, primarily due to the significant increase of advertising campaign expenses incurred for the mobile games, especially "Castle Clash", as well as the increase of advertising and promotion expenses for "Slot Machines by IGG", "Clash of Lords" and "Freesky II".

**Administrative expenses**

The Group's administrative expenses for the year ended 31 December 2013 were approximately US$10.9 million, representing an increase of approximately 53.5% over US$7.1 million for the year ended 31 December 2012, primarily due to (i) one-off listing expenses of approximately US$2.1 million; (ii) the increase of salaries and performance-based bonus paid to an enlarged team of administrative staff; and (iii) the increase in expenses related to the share options granted to administrative staff.

### Research and development costs

The Group's research and development costs for the year ended 31 December 2013 were approximately US$9.3 million, representing an increase of approximately 47.6% over US$6.3 million for the year ended 31 December 2012, primarily due to (i) the increase of staff expenses, including salaries and performance-based bonus payable to our game developing personnel and expenses relating to recruitment of more staff to cope with our business expansion; (ii) the increase in share option expenses in relation to game developing employees; and (iii) the increase in research and development outsourcing expenses.

### Income tax expense

The Group's income tax expense for the year ended 31 December 2013 was approximately US$1.3 million, representing an increase of approximately 550% over US$0.2 million for the year ended 31 December 2012, primarily attributable to the significant increase of profit before tax.

## CAPITAL EXPENDITURES

As a game development and operation company, the Group's capital expenditures were mainly related to purchases of property, plant and equipment such as servers, computer equipments and intangible assets, such as software and trademark. Capital expenditures for the years ended 31 December 2013 and 2012 are set forth as below:

| | **Year ended 31 December** | |
|---|---|---|
| | **2013** | **2012** |
| | *US$'000* | *US$'000* |
| Purchase of property, plant and equipment | 940 | 658 |
| Purchase of intangible assets | 46 | 112 |

## CAPITAL COMMITMENT

Except for the operating lease commitment, the Group had no capital commitment as at 31 December 2013. Our operating lease commitment as at 31 December 2013 was US$2.2 million (31 December 2012: US$3.7 million).

## LIQUIDITY AND FINANCIAL RESOURCES

As at 31 December 2013, we had net current assets of approximately US$133.7 million, as compared to the net current liabilities of approximately US$57.8 million as at 31 December 2012.

As at 31 December 2013, we had cash and cash equivalents of approximately US$135.5 million (31 December 2012: approximately US$15.1 million).

Our Group did not have any bank borrowings or other financing facilities during the year. The table below sets forth selected cash flow data from our consolidated statement of cash flows:

| | **2013** | **2012** |
|---|---|---|
| | *US$'000* | *US$'000* |
| Net cash flows from operating activities | 18,458 | 9,748 |
| Net cash flows used in investing activities | (10,953) | (863) |
| Net cash flows from financing activities | 102,856 | 42 |
| NET INCREASE IN CASH AND CASH EQUIVALENTS | 110,361 | 8,927 |
| Cash and cash equivalents at beginning of year as stated in the consolidated statement of cash flows | 15,135 | 6,248 |
| Effect of foreign exchange rate changes, net | (8) | (40) |
| Cash and cash equivalents at end of year as stated in the consolidated statement of cash flows | 125,488 | 15,135 |
| Add: Time deposits with original maturity of over three months | 10,000 | — |
| Cash and cash equivalents as stated in the consolidated statement of financial position | 135,488 | 15,135 |

### Operating activities

Net cash flows from operating activities increased from US$9.7 million in 2012 to US$18.5 million in 2013, which was primarily attributable to (i) the operating cash inflows before charges in working capital of US$24.2 million (2012: US$9.1 million); and (ii) changes in working capital represented decreased of cash of US$5.9 million (2012: increase of US$0.6 million).

**Investing activities**

Net cash flows used in investing activities was US$11.0 million in 2013, representing an increase by US$10.1 million compared to 2012. The increase was primarily attributable to an increase of investments in time deposits with original maturity of over three months, which was in line with the Group's treasury management strategy to earn a higher return on cash.

**Financing activities**

The significant increase in net cash flows from financing activities by approximately US$102.9 million was primarily attributable to the net proceeds from the Listing.

## 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. 11.7% of the sales are denominated in currencies other than the functional currency of the operating units making the sales for the year ended 31 December 2013 (31 December 2012: 24.5%). 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.

## GEARING RATIO

As at 31 December 2013, the gearing ratio of the Group, calculated as total liabilities, excluding the redeemable convertible Preferred Shares, divided by total assets, was 10.3% (31 December 2012: 50.0%).

## CAPITAL STRUCTURE

The Shares of the Company were listed on GEM of the Stock Exchange on 18 October 2013. The capital structure of the Company comprised ordinary Shares.

## PREFERRED SHARES AND CONVERSION

The Group issued Series A Preferred Shares and Series A-1 Preferred Shares on 30 November 2007 and Series B Preferred Shares subsequently on 12 November 2008 to certain corporate investors, which were measured at fair value. The Preferred Shares have been classified as financial liability at fair value. The initial carrying value of the Series A and Series B Preferred Shares is their issuance price at their respective issuance dates. The initial carrying value of the Series A-1 Preferred Shares is the fair value of the warrants on the exercise date plus the cash proceeds from the exercise. While the Group incurred losses on changes in fair value of the Preferred Shares and such loss negatively impacted the income statement, such losses had no impact on the cash flows of the Group. Furthermore, the Preferred Shares were converted to ordinary Shares on 31 May 2013 in accordance with the then applicable Articles of Association and have been transferred to equity. We have presented adjusted profit for the year ended 31 December 2013 in this announcement as we believe that adjusted profit for the year is a useful supplement to consolidated statement of profit or loss because it enable us to measure our profitability without taking into consideration of the fair value loss of the Preferred Shares, which were converted to our ordinary Shares on 31 May 2013. We believe adjusted profit for the year ended 31 December 2013 is a more accurate indicator of our profitability and operational performance for the year. However, adjusted profit for the year ended 31 December 2013 should not be considered in isolation or construed as an alternative to net income or operating income, or as an indicator of our operating performance or other consolidated operations or cash flow data prepared in accordance with IFRS, or as an alternative to cash flow as a measurement of liquidity. Potential investors should be aware that the adjusted profit for the financial periods presented in this announcement may not be comparable to similarly titled measures reported by other companies due to differences in the components of the calculation.

## DIVIDEND

During the year ended 31 December 2013, the Group declared a dividend in the amount of US$4,923,497 payable to the Group's then existing shareholders. Such dividend has been paid on 8 October 2013.

The declaration of the final dividend of US0.2 cents per ordinary Share (equivalent to HK1.6 cents per ordinary Share), amounting to approximately US$2.9 million (31 December 2012: Nil) is proposed by the Directors, subject to the approval by the Shareholders in the upcoming annual general meeting.

## HUMAN RESOURCES

As at 31 December 2013, the Group had 651 employees (31 December 2012: 582), of which 565 were based in China and the remaining were based in the US, Singapore and the Philippines.

Personnel expenses (including salary, bonuses, social insurance and provident funds, excluding share option expenses) for the year ended 31 December 2013 were approximately US$13.6 million, representing an increase of 34.7% over US$10.1 million for the year ended 31 December 2012, 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.

Share option expenses in connection with the Company's Pre-IPO Share Option Scheme for the year ended 31 December 2013 were US$1.0 million, representing an increase of 900.0% over US$0.1 million for the year ended 31 December 2012, primarily due to an accelerated recognition of share option expenses upon the Listing on 18 October 2013.

## SIGNIFICANT INVESTMENT

During the year ended 31 December 2013, the Group did not hold any significant investment in equity interest in any other company.

## MATERIAL ACQUISITION AND DISPOSALS OF SUBSIDIARIES AND AFFILIATED COMPANIES

From the Listing Date to 31 December 2013, the Group did not have any material acquisitions and disposals of subsidiaries and affiliated companies.

## CHARGE ON ASSETS

As at 31 December 2013, no asset of the Group was pledged as a security for bank borrowing or any other financing facilities (31 December 2012: Nil).

## CONTINGENT LIABILITIES

The Group had no contingent liabilities as at 31 December 2013 and 2012.

## CORPORATE GOVERNANCE CODE

The Company is committed to maintaining high standards of corporate governance in the interests of Shareholders. From the Listing Date to 31 December 2013, except for the deviations from code provisions A.1.1, A.2.1 and A.2.7 as disclosed below, the Company has complied with the code provisions of the Corporate Governance Code as set out in Appendix 15 to the GEM Listing Rules.

Under provision A.2.1 of the Corporate Governance Code, the roles of the chairman and chief executive officer should be separate and should not be performed by the same individual. The Group does not at present separate the roles of the chairman and chief executive officer. Mr. Zongjian Cai is the chairman and chief executive officer of the Group. He has extensive experience in online game industry and is responsible for the overall corporate strategic planning and overall business development of the Group. The Board considers that vesting the roles of chairman and chief executive officer in the same individual is beneficial to the business prospects and management of the Group. The balance of power and authorities is ensured by the operation of the Board and the senior management, which comprise experienced and high caliber individuals. The Board currently comprises two executive Directors, two non-executive Directors and three independent non-executive Directors and has a strong independence element in its composition.

As the Company was listed on the Stock Exchange on 18 October 2013, during the year ended 31 December 2013, (1) the Board has only held two meetings after the Listing, and (2) the chairman of the Board has not held meetings with non-executive Directors (including the independent non-executive Directors) without the executive Directors after the Listing, which deviated from code provisions A1.1 and A2.7 of the Corporate Governance Code, respectively. Going onward, (1) the Board will meet regularly and Board meetings will be held at least four times a year at approximately quarterly intervals, and (2) the chairman of the Board will at least annually hold meetings with the non-executive Directors (including independent non-executive Directors) without the executive Directors, in compliance with code provisions under the Corporate Governance Code.

## MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code as its code of conduct regarding securities transactions by the Directors. Having made specific enquiry with all Directors of the Company, all Directors confirmed that they have complied with the required standard set out in the Model Code from the Listing Date to 31 December 2013 and up to the date hereof.

## AUDIT COMMITTEE

The Company has established an audit committee on 5 December 2008 and adjusted composition of the audit committee on 16 September 2013 with written terms of reference in compliance with the GEM Listing Rules. The primary duties of the audit committee are, among others, to review and to supervise the financial reporting process and internal control systems of the Group. The audit committee of the Company 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 Group's consolidated financial statements for the year ended 31 December 2013 have been reviewed by the audit committee of the Company. The audit committee is of the opinion that the consolidated financial statements of the Group for the year ended 31 December 2013 comply with applicable accounting standards, GEM Listing Rules and that adequate disclosures have been made.

## COMPETING INTEREST

None of the Directors or the Controlling Shareholders or the substantial shareholders (as defined in the GEM Listing Rules) of the Company or their respective associates (as defined in the GEM Listing Rules) has any interest in any business which competed or may compete with the business of the Group for the year ended 31 December 2013.

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

Since the Shares of the Company have been listed on the Stock Exchange on 18 October 2013, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

## SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors as at the date of this announcement, the Company has maintained the prescribed public float of not less than 25% of the Company's issued Shares as required under the GEM Listing Rules from the Listing Date to 31 December 2013 and up to the date hereof.

## PUBLICATION OF ANNUAL RESULTS AND ANNUAL REPORT

This annual results announcement is published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.igg.com). The annual report for the year ended 31 December 2013 containing all the information required by the GEM Listing Rules will be dispatched to the Shareholders and available on the same websites in due course.

## SCOPE OF WORK ON THE ANNUAL RESULTS ANNOUNCEMENT BY AUDITORS

The figures in respect of the annual announcement of the Group's results for the year ended 31 December 2013 have been agreed by the Group's auditor, Ernst & Young, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by Ernst & Young in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by Ernst & Young on the annual results announcement.

## ANNUAL GENERAL MEETING

The annual general meeting is scheduled to be held on Friday, 9 May 2014. A notice convening the annual general meeting will be despatched to the Shareholders in due course.

## CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Wednesday, 7 May 2014 to Friday, 9 May 2014 both days inclusive, during which period no transfer of shares will be effected. In order to qualify for attending and voting at the annual general meeting, all transfer of Shares, accompanied by the relevant share certificates must be lodged with the Company' s Hong Kong branch share registrar, Computershare Hong Kong Investor Services Limited, Shops 1712-1716, 17th Floor, Hopewell Centre 183 Queen's Road East, Wanchai, Hong Kong, for registration not later than 4:30 p.m. on Monday, 5 May 2014.

The proposed final dividend is subject to the passing of an ordinary resolution by the Shareholders at the annual general meeting. The record date for entitlement to the proposed final dividend is Tuesday, 20 May 2014. For determining the entitlement to the proposed final dividend, the register of members of the Company will be closed from Friday, 16 May 2014 to Tuesday, 20 May 2014, both days inclusive, during which period no transfer of Shares will be effected. In order to qualify for the proposed final dividend, all transfers of Shares, accompanied by the relevant share certificates, must be lodged with the Company's Hong Kong branch share registrar, Computershare Hong Kong Investor Services Limited, Shops 1712-1716, 17th Floor, Hopewell Centre 183 Queen's Road East, Wanchai, Hong Kong, for registration not later than 4:30 p.m. on Thursday, 15 May 2014. The payment of final dividend will be made and despatched on or about Thursday, 29 May 2014.

## DEFINITIONS

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

| | |
|---|---|
| "Board" | the board of directors of the Company |
| "Company" | IGG Inc, an exempt company incorporated in the Cayman Islands whose shares are listed on the GEM of the Stock Exchange |
| "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 (which is wholly owned by Mr. Zhongjian Cai), Edmond Online Holdings Limited (which is wholly owned by Mr. Yuan Chi), Ms. Kai Chen (spouse of Mr. Zongjian Cai), Mr. Zhixiang Chen, Mr. Yuan Xu and Mr. Hong Zhang |

| | |
|---|---|
| "connected person(s)" | has the meaning ascribed thereto in the GEM Listing Rules |
| "Corporate Governance Code" | code on corporate governance practices contained in Appendix 15 to the GEM Listing Rules |
| "Director(s)" | the director(s) of the Company |
| "GEM" | the Growth Enterprise Market of the Stock Exchange |
| "GEM Listing Rules" | the Rules Governing the Listing of Securities on the Growth Enterprise Market of the Stock Exchange |
| "Group", "our" or "us" | the Company and its subsidiaries |
| "HK$" and "HK cents" | Hong Kong dollars and cents respectively, the lawful currency of Hong Kong |
| "Hong Kong" | The Hong Kong Special Administrative Region of the PRC |
| "IGG Singapore" | IGG Singapore Pte. Ltd. (formerly known as Skyunion Pte. Ltd.), a company incorporated under the laws of Singapore on 30 June 2009, a wholly-owned subsidiary of the Group |
| "Listing" or "Placing" | the listing of the Shares on the GEM |
| "Listing Date" | 18 October 2013, on which dealings in the Shares first commence on the Stock Exchange |
| "Model Code" | the model code 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 |
| "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, the 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 |
| "Preferred Shares" | collectively, refer to Series A Preferred Share, Series A-1 Preferred Shares and Series B Preferred Shares prior to the conversion into ordinary Shares |
| "Share(s)" | means share(s) of US$0.0001 each in the share capital of the Company prior to the Subdivision or US$0.0000025 each in the share capital of the Company after the Subdivision becoming effective |
| "Share Award Scheme" | the share award scheme adopted by the Company on 24 December 2013, the principal terms of which are summarised in the announcement of the Company dated 24 December 2013 |
| "Shareholder(s)" | the shareholder(s) of the Company |
| "Share Option Scheme" | the share option scheme conditionally adopted by the Company on 16 September 2013, the principal terms of which are summarised under the paragraph headed "Share Option Scheme" in Appendix IV to the Prospectus |
| "Stock Exchange" | The Stock Exchange of Hong Kong Limited |
| "Subdivision" | each issued and unissued share of a par value of US$0.0001 in the share capital of the Company was sub-divided into 40 Shares of a par value of US$0.0000025 each pursuant to the Shareholders' resolution passed on 16 September 2013 |

| | |
|---|---|
| "U.S. dollar(s)" or "US$" or "USD" and "US cents" | United States dollars and cents, the lawful currency of the United States of America |
| "%" | per cent. |

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

Hong Kong, 21 March 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 www.hkgem.com for at least 7 days from the date of its posting and be posted on the website of the Company at www.igg.com.*