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IGG INC

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 8002)

**ANNUAL RESULTS ANNOUNCEMENT
FOR THE YEAR ENDED 31 DECEMBER 2014
AND
CHANGE OF COMPANY LOGO**

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			
	2014		2013	
	US\$'000	HK\$'000 ⁽²⁾	US\$'000	HK\$'000 ⁽²⁾
Revenue	204,612	1,586,643	87,986	682,279
Profit for the year	66,392	514,830	6,948	53,878
Profit for the year attributable				
to owners of the parent	66,373	514,683	6,948	53,878
Adjusted net income ⁽¹⁾	68,642	532,278	22,145	171,721

- The Group's revenue for the year ended 31 December 2014 was approximately US\$204.6 million, representing an increase of approximately 132.5% over the revenue of approximately US\$88.0 million for the year ended 31 December 2013. Compared to the three months ended 30 September 2014, revenue increased by approximately 15.9% from approximately US\$52.2 million to approximately US\$60.5 million for the three months ended 31 December 2014.
- The Group's profit for the year ended 31 December 2014 was approximately US\$66.4 million, representing an increase of approximately 862.3% over approximately US\$6.9 million for the year ended 31 December 2013.
- The Group's profit attributable to owners of the parent for the year ended 31 December 2014 was approximately US\$66.4 million, representing an increase of approximately 862.3% over approximately US\$6.9 million for the year ended 31 December 2013.
- The Group's adjusted net income for the year ended 31 December 2014 was approximately US\$68.6 million, representing an increase of approximately 210.4% over approximately US\$22.1 million for the year ended 31 December 2013.
- The Board has resolved to declare a second interim dividend of HK5.7 cents per ordinary Share (equivalent to US0.7 cents per ordinary Share) and a special dividend of HK11.3 cents per ordinary Share (equivalent to US1.5 cents per ordinary Share), which are expected to be paid on or about 15 April 2015. Together with the first interim dividend of HK5.6 cents per ordinary Share (equivalent to US0.7 cents per ordinary Share) paid in September 2014, the total dividends per ordinary Share for the year ended 31 December 2014 would be HK22.6 cents per ordinary Share (equivalent to US2.9 cents per ordinary Share) (31 December 2013: final dividend of HK1.6 cents per ordinary Share, equivalent to US0.2 cents per ordinary Share).

- (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\$7.7544=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.*

ANNUAL RESULTS

The Board of IGG Inc is pleased to announce the audited consolidated financial results of the Group for the year ended 31 December 2014, together with the comparative figures for the corresponding year in 2013. These results have been reviewed by the Company's audit committee, comprising three independent non-executive Directors, one of whom chairs the audit committee, and two non-executive Directors.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

Year ended 31 December 2014

	<i>Notes</i>	2014 <i>US\$'000</i>	2013 <i>US\$'000</i>
REVENUE	4	204,612	87,986
Cost of sales		<u>(58,827)</u>	<u>(22,264)</u>
Gross profit		145,785	65,722
Other income and gains	4	4,110	592
Selling and distribution expenses		(43,064)	(23,246)
Administrative expenses		(16,672)	(10,855)
Research and development costs		(17,202)	(9,333)
Fair value loss of redeemable convertible preferred shares	12	—	(14,167)
Other expenses		<u>(1,342)</u>	<u>(452)</u>
PROFIT BEFORE TAX	5	71,615	8,261
Income tax expense	6	<u>(5,223)</u>	<u>(1,313)</u>
PROFIT FOR THE YEAR		<u><u>66,392</u></u>	<u><u>6,948</u></u>
Attributable to:			
Owners of the parent		66,373	6,948
Non-controlling interests		<u>19</u>	<u>—</u>
		<u><u>66,392</u></u>	<u><u>6,948</u></u>
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	8		
(expressed in US\$ per share)			
Basic			
- For profit for the year		<u>US\$0.0488</u>	<u>US\$0.0078</u>
Diluted			
- For profit for the year		<u>US\$0.0433</u>	<u>US\$0.0071</u>

Details of the dividends paid for the year are disclosed in note 7.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2014

	2014	2013
	<i>US\$'000</i>	<i>US\$'000</i>
PROFIT FOR THE YEAR	<u>66,392</u>	<u>6,948</u>
OTHER COMPREHENSIVE INCOME		
Other comprehensive income/(loss) to be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	(280)	17
Available-for-sale investments:		
Changes in fair value	(3,989)	—
Reclassification adjustments for gains included in the consolidated income statement — gain on disposal	<u>3,199</u>	<u>—</u>
OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR, NET OF TAX	<u>(1,070)</u>	<u>17</u>
TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR	<u><u>65,322</u></u>	<u><u>6,965</u></u>
Attributable to:		
Owners of the parent	65,303	6,965
Non-controlling interests	<u>19</u>	<u>—</u>
	<u><u>65,322</u></u>	<u><u>6,965</u></u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2014

	<i>Notes</i>	2014 <i>US\$'000</i>	2013 <i>US\$'000</i>
NON-CURRENT ASSETS			
Property, plant and equipment		2,896	1,674
Other intangible assets		905	97
Other non-current assets		2,004	157
Interests in an associate		3,323	—
Available-for-sale investments		4,497	—
Deferred tax assets		<u>115</u>	<u>435</u>
Total non-current assets		<u>13,740</u>	<u>2,363</u>
CURRENT ASSETS			
Accounts receivable	9	2,375	314
Due from related parties		—	114
Prepayments, deposits and other receivables		3,482	919
Funds receivable		16,889	12,248
Time deposits with original maturity of over three months		54,000	—
Cash and cash equivalents		<u>127,088</u>	<u>135,488</u>
Total current assets		<u>203,834</u>	<u>149,083</u>
CURRENT LIABILITIES			
Accounts payable	10	7,572	3,228
Other payables and accruals		4,476	3,006
Tax payable		4,820	1,317
Deferred revenue	11	<u>12,970</u>	<u>7,805</u>
Total current liabilities		<u>29,838</u>	<u>15,356</u>
NET CURRENT ASSETS		<u>173,996</u>	<u>133,727</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>187,736</u>	<u>136,090</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)*31 December 2014*

	<i>Notes</i>	2014 <i>US\$'000</i>	2013 <i>US\$'000</i>
NON-CURRENT LIABILITIES			
Deferred tax liabilities		<u>457</u>	<u>317</u>
Total non-current liabilities		<u>457</u>	<u>317</u>
NET ASSETS		<u>187,279</u>	<u>135,773</u>
EQUITY			
Issued capital	13	3	3
Reserves		186,777	132,891
Proposed final dividend	7	<u>—</u>	<u>2,879</u>
		186,780	135,773
Non-controlling interests		<u>499</u>	<u>—</u>
Total equity		<u>187,279</u>	<u>135,773</u>

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2014

	Attributable to owners of the parent												
	Share capital	Share premium	Shares held for		Available-for-sale equity investment revaluation reserve	Reserve funds	Other reserve	Exchange fluctuation reserve	(Accumulated deficits)/ Retained profits	Proposed dividends	Total equity	Non-controlling interests	Total equity
			Share Award Scheme	Share option reserve									
			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 year	—	—	—	—	—	—	—	—	66,373	—	66,373	19	66,392
Other comprehensive income for the year:													
Changes in fair value of available-for-sale equity investments, net of tax	—	—	—	—	(3,989)	—	—	—	—	—	(3,989)	—	(3,989)
Reclassification adjustments for gains included in the consolidated statement of profit or loss - gain on disposal	—	—	—	—	3,199	—	—	—	—	—	3,199	—	3,199
Exchange differences on translation of foreign operations	—	—	—	—	—	—	—	(280)	—	—	(280)	—	(280)
Total comprehensive income for the year	—	—	—	—	(790)	—	—	(280)	66,373	—	65,303	19	65,322
Contribution from non-controlling interests	—	—	—	—	—	—	—	—	—	—	—	480	480
Equity-settled share option arrangements	—	—	—	2,269	—	—	—	—	—	—	2,269	—	2,269
Shares purchased for Share Award Scheme (note 14)	—	—	(4,300)	—	—	—	—	—	—	—	(4,300)	—	(4,300)
Exercise of share options	—	636	—	(137)	—	—	—	—	—	—	499	—	499
Final 2013 dividend paid	—	—	—	—	—	—	—	—	—	(2,879)	(2,879)	—	(2,879)
2014 interim dividend paid	—	—	—	—	—	—	—	—	(9,885)	—	(9,885)	—	(9,885)
At 31 December 2014	<u>3</u>	<u>185,236*</u>	<u>(4,300)*</u>	<u>3,685*</u>	<u>(790)*</u>	<u>88*</u>	<u>8*</u>	<u>(373)*</u>	<u>3,223*</u>	<u>—</u>	<u>186,780</u>	<u>499</u>	<u>187,279</u>

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (continued)

Year ended 31 December 2013

	Share capital	Share premium	Share option reserve	Reserve funds	Other reserve	Exchange fluctuation reserve	Accumulated deficits	Proposed final dividend	Total equity
	<i>US\$'000</i>	<i>US\$'000</i>	<i>US\$'000</i>	<i>US\$'000</i>	<i>US\$'000</i>	<i>US\$'000</i>	<i>US\$'000</i>	<i>US\$'000</i>	<i>US\$'000</i>
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 12)	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	<u>3</u>	<u>184,600*</u>	<u>1,553*</u>	<u>88*</u>	<u>8*</u>	<u>(93)*</u>	<u>(53,265)*</u>	<u>2,879</u>	<u>135,773</u>

* These components of equity comprise the consolidated other reserves of US\$186,777,000 (2013: US\$132,891,000) in the consolidated statement of financial position as at 31 December 2014.

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 mobile, browser and client-based online games in the international market. There has been no significant change in the Group’s principal activities during the year.

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 80% 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 the 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 in Mainland China. The Group currently is operating its online games in Mainland China through Fuzhou Tianmeng, a structured entity.

Certain structured contracts (“Structured Contracts”) were effectuated among Fuzhou Tianmeng, Fuzhou Tianji and Mr. Zongjian Cai and Mr. Yuan Chi (the “Registered Shareholders”) who are the legal shareholders of Fuzhou Tianmeng and also the core founders of the Company. The Structured Contracts for Fuzhou Tianmeng were effectuated in November 2007.

The Structured Contracts provide the Group through Fuzhou Tianji with effective control over Fuzhou Tianmeng. In particular, Fuzhou Tianji undertakes to provide Fuzhou Tianmeng 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 Fuzhou Tianmeng through intercompany charges levied on these services rendered. The Registered Shareholders are also required to transfer their interests in Fuzhou Tianmeng 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 Fuzhou Tianmeng have also been pledged by the Registered Shareholders to the Group in respect of the continuing obligations of Fuzhou Tianmeng. Fuzhou Tianji has not provided any financial support that it was not previously contractually required to do so to Fuzhou Tianmeng during the year. Fuzhou Tianji intends continuously to provide to or assist Fuzhou Tianmeng in obtaining financial support when deemed necessary. Accordingly, the Group has rights to variable returns from its involvement with Fuzhou Tianmeng and has the ability to affect those returns through its power over Fuzhou Tianmeng.

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. 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") and the applicable disclosure provisions of the Rules Governing the Listing of Securities on the GEM of the Stock Exchange (the "Listing Rules"). These financial statements also comply with the applicable requirements of the Hong Kong Companies Ordinance relating to the preparation of financial statements, which for this financial year and the comparative period continue to be those of the predecessor Companies Ordinance (Cap. 32), in accordance with transitional and saving arrangements for Part 9 of the Hong Kong Companies Ordinance (Cap. 622), "Accounts and Audit", which are set out in sections 76 to 87 of Schedule 11 to that Ordinance. All IFRSs effective for the accounting period commencing from 1 January 2014, together with the relevant transitional provisions, have been adopted by the Group in the preparation of these financial statements throughout the year.

The financial statements have been prepared under the historical cost convention, except for redeemable convertible preferred shares, certain available-for-sale investments, equity investments at fair value through profit or loss and derivative financial assets which have been measured at fair value. 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 and its subsidiaries (collectively referred to as the “Group”) for the year ended 31 December 2014. The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The results of subsidiaries 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 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, it derecognises (i) the assets (including goodwill) and liabilities of the subsidiary, (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 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 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

	2014	2013
	<i>US\$'000</i>	<i>US\$'000</i>
North America	78,021	34,038
Asia	58,259	26,017
Europe	56,258	20,128
Oceania	6,989	4,215
South America	4,014	3,263
Africa	<u>1,071</u>	<u>325</u>
	<u>204,612</u>	<u>87,986</u>

(b) Non-current assets

	2014	2013
	<i>US\$'000</i>	<i>US\$'000</i>
PRC	1,075	1,051
North America	1,577	880
Singapore	218	415
Philippines	<u>26</u>	<u>17</u>
	<u>2,896</u>	<u>2,363</u>

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

Information about major customers

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

4. REVENUE, OTHER INCOME AND GAINS

Revenue, which is also the Group's turnover, represents the services rendered after allowances for chargebacks.

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

	Group	
	2014	2013
	<i>US\$'000</i>	<i>US\$'000</i>
Revenue		
Online game revenue	193,859	85,251
Joint operation revenue	8,088	2,501
Others	<u>2,665</u>	<u>234</u>
	<u>204,612</u>	<u>87,986</u>
Other income and gains		
Fair value gain, net:		
Available-for-sale investments (transfer from equity on disposal)	3,199	—
Government grants*	227	355
Bank interest income	557	160
Others	<u>127</u>	<u>77</u>
	<u>4,110</u>	<u>592</u>

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

5. PROFIT BEFORE TAX

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

		Group	
		2014	2013
	<i>Notes</i>	<i>US\$'000</i>	<i>US\$'000</i>
Channel cost		50,785	17,246
Royalty fee		1,781	1,413
Depreciation		1,025	754
Amortisation of other intangible assets		389	105
Minimum lease payments under operating leases of buildings		3,009	2,645
Auditors' remuneration			
- audit service		517	582
- non-audit service		<u>186</u>	<u>490</u>
		<u>703</u>	<u>1,072</u>
Employee benefit expense (including directors' and chief executive's remuneration):			
Salaries and wages		19,876	10,790
Staff welfare expenses		1,176	787
Equity-settled share compensation costs		2,269	1,030
Pension scheme contributions		917	807
Foreign exchange loss		280	346
Fair value loss of redeemable convertible preferred shares		—	14,167
Loss on disposal of items of property, plant and equipment		3	10
Bank interest income	4	(557)	(160)
Government grants	4	(227)	(355)

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 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 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 2014 (2013: 25%) on their respective taxable income, except for Fuzhou Tianmeng which was certified as a Software Enterprise 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 gradual rates ranging from 15% to 39%. In addition, IGG US is also subject to California state income tax at a rate of 8.84%.

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

	Group	
	2014	2013
	<i>US\$'000</i>	<i>US\$'000</i>
Current year provision:		
US	49	45
Singapore	4,657	832
PRC	2	437
Canada	<u>56</u>	<u>—</u>
Subtotal of current tax	<u>4,764</u>	<u>1,314</u>
Deferred tax:		
US	44	49
Singapore	416	(114)
PRC	<u>(1)</u>	<u>64</u>
Subtotal of deferred tax	<u>459</u>	<u>(1)</u>
Total tax charge for the year	<u><u>5,223</u></u>	<u><u>1,313</u></u>

During the years ended 31 December 2014 and 2013, IGG Singapore was the headquarter of the Group where it recorded majority of the Group's revenue. A reconciliation of the tax expense applicable to profit 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:

	2014		Group		2013	
	<i>US\$'000</i>	%	<i>US\$'000</i>	%	<i>US\$'000</i>	%
Profit before tax	<u>71,615</u>		<u>8,261</u>			
Tax at the applicable tax rate	12,175	17.0	1,405	17.0		
Effect in tax rates for different tax jurisdictions or enacted by local authority	530	0.7	3,536	42.8		
Effect of tax holidays applicable to the subsidiaries	(8,059)	(11.3)	(1,595)	(19.3)		
Tax losses not recognized	673	0.9	974	11.8		
Tax losses utilized	—	—	(2,646)	(32.0)		
Income not subject to tax	(62)	(0.1)	(98)	(1.2)		
Expenses not deductible for tax	333	0.5	167	2.0		
Super deduction for qualifying spending under Productivity and Innovation Credit and qualifying research and development costs	<u>(367)</u>	<u>(0.5)</u>	<u>(430)</u>	<u>(5.2)</u>		
Tax charge at the Group's effective rate	<u>5,223</u>	<u>7.2</u>	<u>1,313</u>	<u>15.9</u>		

7. DIVIDENDS

	2014	2013
	<i>US\$'000</i>	<i>US\$'000</i>
2013 final dividend — HK1.6 cents per ordinary share	—	2,879
2014 interim dividend — HK5.6 cents per ordinary share	<u>9,885</u>	<u>—</u>
	<u>9,885</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 the interim dividend of HK5.6 cents per ordinary share, aggregating a total of HK\$76,226,023 (equivalent to approximately US\$9,885,000) for the six months ended 30 June 2014, and was paid on 5 September 2014.

8. EARNINGS 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 2014 and 2013 have been adjusted retroactively as a result of the Shares Subdivision defined in note 13 to the financial statements.

The calculation of the basic earnings 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 the diluted earnings per share is based on the profit for the years ended 31 December 2014 and 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 years ended 31 December 2014 and 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.

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

	2014 <i>US\$'000</i>	2013 <i>US\$'000</i>
Earnings		
Earnings attributable to ordinary equity holders of the parent used in the basic and diluted earnings per share calculation	<u>66,373</u>	<u>6,948</u>
Shares		
Weighted average number of ordinary shares in issue during the year used in the basic earnings per share calculation	1,360,444,256	896,386,767
Effect of dilution — weighted average number of ordinary shares:		
Share options	172,901,433	86,681,125
Awarded shares	<u>299,642</u>	<u>—</u>
Weighted average number of ordinary shares used in the diluted earnings per share calculation	<u>1,533,645,331</u>	<u>983,067,892</u>

9. ACCOUNTS RECEIVABLE

	Group	
	2014 <i>US\$'000</i>	2013 <i>US\$'000</i>
Accounts receivable	<u>2,375</u>	<u>314</u>

The Group's trading terms with its customers are mainly cash settlement, except for well established corporate customers in the mobile 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 those 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:

	Group	
	2014	2013
	<i>US\$'000</i>	<i>US\$'000</i>
Within 3 months	1,944	314
3 to 6 months	<u>431</u>	<u>—</u>
	<u><u>2,375</u></u>	<u><u>314</u></u>

No provision has been made for impairment of accounts receivable in the year ended 31 December 2014 (2013: Nil).

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

	Group	
	2014	2013
	<i>US\$'000</i>	<i>US\$'000</i>
Neither past due nor impaired	<u><u>2,375</u></u>	<u><u>314</u></u>

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

10. 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:

	Group	
	2014	2013
	<i>US\$'000</i>	<i>US\$'000</i>
Within 3 months	6,404	2,998
3 to 6 months	564	72
6 months to 1 year	544	99
Over 1 year	<u>60</u>	<u>59</u>
	<u><u>7,572</u></u>	<u><u>3,228</u></u>

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

11. DEFERRED REVENUE

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

12. 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 liabilities 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 a 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:

	Group	
	2014	2013
	<i>US\$'000</i>	<i>US\$'000</i>
At 1 January	—	66,596
Fair value changes in the Series Shares recognised in the statement of profit or loss	—	14,167
Conversion of the Series Shares	<u>—</u>	<u>(80,763)</u>
At 31 December	<u>—</u>	<u>—</u>

13. SHARE CAPITAL

Shares

	2014	2013
	<i>US\$'000</i>	<i>US\$'000</i>
Authorised:		
2,000,000,000 (2013: 2,000,000,000 ordinary shares of US\$0.0000025 each)	<u>5</u>	<u>5</u>
Issued and fully paid or credited as fully paid:		
1,370,485,599 (2013: 1,358,852,099) ordinary shares	<u>3</u>	<u>3</u>

A summary of movements in the Company's share capital is as follows:

	Number of shares in issue	Number of treasury shares	Number of shares outstanding	Share capital US\$'000	Share premium account US\$'000	Shares held for Share Award Scheme US\$'000
At 1 January 2013	13,463,000	—	13,463,000	1	3,580	—
Share options exercised (note 14)	864,000	—	864,000	—	584	—
Conversion of redeemable convertible preferred shares (note 12)	11,850,141	—	11,850,141	1	80,762	—
Shares Subdivision	1,020,908,499	—	1,020,908,499	—	—	—
Issuance of shares for the IPO	262,651,459	—	262,651,459	1	94,844	—
Issuance of shares under the Over-allotment Option	<u>49,115,000</u>	<u>—</u>	<u>49,115,000</u>	<u>—</u>	<u>17,741</u>	<u>—</u>
	<u>1,358,852,099</u>	<u>—</u>	<u>1,358,852,099</u>	<u>3</u>	<u>197,511</u>	<u>—</u>
Share issuance expenses	—	—	—	—	(5,109)	—
Dividends declared and paid to then existing shareholders	—	—	—	—	(4,923)	—
Proposed 2013 final dividend	—	—	—	—	(2,879)	—
At 31 December 2013	<u>1,358,852,099</u>	<u>—</u>	<u>1,358,852,099</u>	<u>3</u>	<u>184,600</u>	<u>—</u>
At 1 January 2014	1,358,852,099	—	1,358,852,099	3	184,600	—
Share options exercised (note 14)	11,633,500	—	11,633,500	—	636	—
Shares purchased for Share Award Scheme (note 14)	—	—	—	—	—	(4,300)
At 31 December 2014	<u>1,370,485,599</u>	<u>—</u>	<u>1,370,485,599</u>	<u>3</u>	<u>185,236</u>	<u>(4,300)</u>

Notes:

- (a) Pursuant to the written resolutions of the shareholders passed on 16 September 2013 (the "Resolutions"), the Company's shareholders approved the subdivision ("Share 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).

14. 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:

	2014		2013	
	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	0.0516	86,058,000	0.0345	110,624,000
Granted during the year	—	—	0.0865	13,200,000
Forfeited during the year	0.0761	(750,000)	0.0668	(3,206,000)
Exercised during the year	<u>0.0430</u>	<u>(11,633,500)</u>	<u>0.0086</u>	<u>(34,560,000)</u>
At 31 December	<u>0.0527</u>	<u>73,674,500</u>	<u>0.0516</u>	<u>86,058,000</u>

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

Nil consideration was payable by each grantee to the Company for grant of the options under the Pre-IPO Share Option Scheme. Save for the options which have been granted, no further option will be granted under the Pre-IPO Share Option Scheme.

The exercise prices and exercise periods of the share options outstanding, adjusted retroactively as a result of the Shares Subdivision as if the Shares Subdivision had taken place on 1 January 2013, as at the end of the reporting period are as follows:

2014

Number of options	Exercise price* per share <i>US\$</i>	Exercise period
1,200,000	0.0038	Since IPO to 19-01-2017
11,191,000	0.0038	01-07-2008 to 30-06-2017
4,548,000	0.0078	Since IPO to 30-06-2018
4,000,000	0.0378	05-12-2009 to 04-12-2018
7,020,000	0.0500	Since IPO to 31-07-2019
416,000	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
16,901,000	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
700,000	0.0525	Since IPO to 12-06-2021
400,000	0.0525	Since IPO to 02-07-2021
3,148,000	0.0865	Since IPO to 13-08-2021
3,546,000	0.0865	Since IPO to 14-01-2022
7,684,000	0.0865	Since IPO to 21-05-2022
<u>12,140,500</u>	0.0865	Since IPO to 31-03-2023
<u>73,674,500</u>		

2013

Number of options	Exercise price* per share <i>US\$</i>	Exercise period
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
<u>12,924,000</u>	0.0865	Since IPO to 31-03-2023
<u>86,058,000</u>		

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

No equity-settled share options under Pre-IPO Share Option Scheme have been granted during the year ended 31 December 2014.

After adjustment as a result of the Share Subdivision as if the Share Subdivision had taken place on 1 January 2013, the 11,633,500 (2013: 34,560,000) share options exercised during the year resulted in the issuance of 11,633,500 (2013: 34,560,000) ordinary shares of the Company and new share capital of US\$636,492 (2013: US\$584,086) (before share issuance expenses), as further detailed in note 13 to the financial statements.

At the end of the reporting period, the Company had 73,674,500 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 73,674,500 additional ordinary shares of the Company and additional share capital of US\$185 (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 and/or to reward them for their past contributions, to attract and retain or otherwise maintain on-going relationships with such eligible persons who are significant to and/or whose contributions are or will be beneficial to the performance, growth or success of the Group, and additionally in the case of Executives (defined as below), to enable the Group to attract and retain individuals with experience and ability and/or to reward them for their past contributions.

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

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

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

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

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

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

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

The following table lists the inputs to the model used for equity-settled share options granted under the Post-IPO Share Option Scheme I during the year ended 31 December 2014.

	2014
Dividend yield (%)	2.72-6.53
Expected volatility (%)	47.28-48.91
Risk-free interest rate (%)	1.85-2.28
Forfeiture rate (%)	5-6
Weighted average share price (HK\$ per share)	3.44-8.3

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

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

The following share options were outstanding under the Post-IPO Share Option Scheme I during the year ended 31 December 2014.

	2014	
	Weighted average exercise price per share HK\$	Number of options
At 1 January	—	—
Granted during the year	6.44	11,881,000
Forfeited during the year	<u>8.96</u>	<u>(206,500)</u>
At 31 December	<u>6.40</u>	<u>11,674,500</u>

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

31 December 2014

Number of options	Exercise price* per share <i>HK\$</i>	Exercise period
3,493,500	8.96	25-03-2015 to 25-03-2024
2,750,000	5.88	12-05-2015 to 12-05-2024
4,164,000	5.47	11-08-2015 to 11-08-2024
<u>1,267,000</u>	3.51	21-11-2015 to 21-11-2024
<u>11,674,500</u>		

Share Award Scheme

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

Movements in the number of shares held for the Share Award Scheme and awarded shares for the year ended 31 December 2014 are as follows:

	Number of shares held for the Share Award Scheme	Number of awarded shares	Total
At 1 January 2014	—	—	—
Purchased and withheld	5,729,000	—	5,729,000
Granted	(2,794,819)	2,794,819	—
Forfeited	<u>164,667</u>	<u>(164,667)</u>	<u>—</u>
At 31 December 2014	<u>3,098,848</u>	<u>2,630,152</u>	<u>5,729,000</u>
Vested but not transferred as at 31 December 2014			<u>—</u>

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

The weighted average fair value of awarded shares granted during the year ended 31 December 2014 was HK\$6.3 per share.

The awarded shares granted during the year ended 31 December 2014 and outstanding as at year end will vest upon anniversary of the grant date with each of 25% being vested annually.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW AND OUTLOOK

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 headquarter in Singapore with regional offices in the United States, China, Canada, Japan, Korea, Thailand and the Philippines, with customers from over 200 countries and regions around the world.

The Group offers free-to-play mobile, browser and client-based online games in 15 different languages, the majority of which are produced by its own development teams. Most of the development personnel are based in China to tap the large talent pool there and to leverage cost advantages, which has enabled the Group to develop games more cost-effectively. To further enrich our games variety and to include more international elements, we set up a development team in Canada in January 2014. The team shall further strengthen our Group's game development capability, enhance our capacity to produce and launch higher quality games in the years ahead.

During the year ended 31 December 2014, the global game industry remained highly competitive. Following the overall corporate strategy of the Group for the year, the Group continued to focus on: (i) developing mobile games; and (ii) marketing and operating the Group's mobile games globally, including setting up local teams in key markets around the world to tap into local knowledge for more effective game operations, using the Group's mobile advertising platform and game publishing expertise to market the third party developers' games globally.

Mobile games

During the year ended 31 December 2014, the Group, based on its strong game research and development capabilities and spirit of continuous innovation, kept on developing new games. By the end of 2014, the Group focused fully on the development of mobile games applications.

Revenue generated from mobile games accounted for approximately 85.3% of the total revenue for the year ended 31 December 2014, as compared to approximately 50.7% for the year ended 31 December 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 14 countries and regions and top ten in 33 countries and regions in terms of daily revenue rankings generated at Google Play as at 31 December 2014, according to Appannie. com, an independent third party provider of mobile application analytics. In May 2014, the simplified Chinese version of Castle Clash was officially launched on all the Tencent's mobile social platforms, which facilitated

to draw greater attention from the gamers in Mainland China. The Group has been able to extend the lifespan of Castle Clash by regularly introducing new game features, rapidly resolving technical issues, and consistently providing excellent customer service, and building a large community of loyal gamers around the world along the way. Since its launch at the end of July 2013, monthly revenue for Castle Clash has grown steadily from approximately US\$2.0 million in August 2013 to more than US\$12.0 million in December 2014. The game available on the Android, iOS, Amazon Kindle and Windows Phone platforms, has been localized into 13 different languages, and has more than 9 million MAU.

The Group's another mobile game, "Clash of Lords II", which is a fantasy strategy game with a wide array of cannons, traps and defenses, has also gained widespread popularity with gamers since the launch of its English version in March 2014. It ranked top ten in 2 countries and regions and top twenty in 7 countries and regions in terms of daily revenue rankings generated at Google Play as at 31 December 2014, according to Appannie.com. Revenue from "Clash of Lords" series has been rising steadily and the revenue was approximately US\$10.0 million for the three months ended 31 December 2014, and the MAU for this game was approximately 3.1 million as at 31 December 2014.

During the fourth quarter of 2014, the Group launched four major games, namely "Clash of Gangs", "Gods Rush", "Deck Heroes" (English version) and "Galaxy Online III", all 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. "Gods Rush" is a card-based strategy game based on Greek mythology. "Deck Heroes" is a card-based strategy game with a western mythology theme. "Galaxy Online III" is a strategy mobile game with turn-based combat set in a science fiction galaxy of advanced space travelers.

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

Global Presence

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. We believe that incorporation of these subsidiaries will facilitate the Group's mobile game expansion, reinforce the Group's competitiveness in the mobile game market and strengthen the Group's global reputation.

During the year ended 31 December 2014, the Group's customers consisted of users with IP addresses from more than 200 countries and regions around the world, emphasizing the Group's international reach. The Group continued to design, develop and launch games in multiple languages, distribute and promote the games in different countries in accordance with its global marketing strategy. As at 31 December 2014, the user community of the Group consisted of over 210 million user accounts around the world, including a total MAU of approximately 21.7 million. During the year ended 31 December 2014, approximately 38.1%, 28.5% and 27.5% of the total revenue of the Group was generated from users with IP addresses in North America, Asia and Europe, respectively.

As of 31 December 2014, according to Distimo.com, an independent third party provider of mobile application analytics, in terms of quarterly gross billing generated at Google Play, the Group went up to 9th from 17th in the third quarter of 2014 among global publishers; and was among the top three in 17 countries and regions including the United States and Russia, top five in 34 countries and regions and the top ten in 48 countries and regions.

PROSPECTS

To diversify business

The Group will continue to enhance its game development capabilities. Apart from improving the research and development ("R&D") capability of the in-house team, the Group will also outsource game development to more game studios across Asia to increase the variety of games in its portfolio and cater to the different tastes of its global user base. In addition, the Group will seek to license high quality and innovative mobile games from independent third party developers.

By the end of 2015, more than 30 self-developed and licensed mobile games are expected to be launched by the Group to cater to a variety of demand of global game players. The game genres will be diversified, including mid-core games like SLG, Trading Card and ARPG types, as well as casual games like Shooting and Marble types.

To facilitate interaction and communication among gamers and offer maximum value to users, the Group launched LINK, an instant messaging mobile application, in August 2014. Location-based communities function is the major feature of LINK, the Group's development team has been working on improving and refining the application's community management function, content sharing and private chat functions over the past several months, as well as adding more alternative languages in the application. These efforts have not only improved user experience but also converted an increasing number of non-gamers into users, and make the interaction between the two groups possible. At the same time, LINK's location-based functionality has helped users go beyond virtual friendships to meet each other in real life, further enhancing their relationships and sense of community.

The business of the Group depends on effective advertising, distribution and promotional strategies to attract customers. In early 2014, the Group has commenced to set up its advertisement platform, as compared to its previous reliance on third-party advertisement platforms. The Group expects to further expand its advertisement to further stimulate the Group's online game business.

To strengthen global presence

In early 2015, the Group set up regional offices in Korea, Japan and Thailand and recruited a number of local talents for game operation and development. This will allow the Group to offer localized games that better suit gamers in these countries, and to more effectively tap the potential of these important Asian mobile games markets. The Group will continue to strengthen its local presence in key markets around the world and raise its global operational capabilities to the next level.

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

The new European Union (EU) value-added tax (VAT) changes started on 1 January 2015. They affect companies in the business of telecommunications broadcast/media and electronically delivered content to individuals who are resident in EU. Instead of paying VAT at the country of the company resides, the company is required to collect and pay VAT based on the VAT rates of the country where the customer is located. The 2015 VAT changes are expected to have wide business implications in our industry.

To make strategic investments and seek potential acquisitions opportunity

During the year ended 31 December 2014, the Group has made several strategic investments into companies in the game industry that either have high growth potential, or with products and services that are complementary to the Group's business. The Group expects to benefit from the growth of these companies in the near future.

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

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 unutilised amount as at 31 December 2014 is set out below:

	Net proceeds from the Placing US\$' 000	Utilised amount as at 31 December 2014 US\$' 000	Unutilised amount as at 31 December 2014 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	36,759.1	—
2. Acquisition of/investment in online game developers	36,759.1	18,981.0 ⁽¹⁾	17,778.1
3. Enhance and diversify the game development capabilities	21,000.5	18,684.7	2,315.8
4. Working capital and other general corporate purposes	10,500.3	10,500.3	—
	<hr/>	<hr/>	<hr/>
Total	<u>105,019.0</u>	<u>84,925.1</u>	<u>20,093.9</u>

Note:

- (1) The Group acquired interest in several online game developing companies, none of which constitutes a notifiable transaction under Chapter 19 of the GEM Listing Rules.

FINANCIAL REVIEW

Revenue

The Group's revenue for the year ended 31 December 2014 was approximately US\$204.6 million, representing an increase of approximately 132.5% over approximately US\$88.0 million for the year ended 31 December 2013, primarily due to the significant increase in revenue generated from mobile games, particularly the hit title "Castle Clash" and "Clash of Lords" series. Contribution from mobile games to the Group's revenue was increased to approximately 85.3% for the year ended 31 December 2014 from approximately 50.7% for the year ended 31 December 2013.

The Group's revenue for the three months ended 31 December 2014 was approximately US\$60.5 million, representing an increase of approximately 15.9% over approximately US\$52.2 million for the three months ended 30 September 2014, primarily contributed by "Castle Clash", "Clash of Lords" series as well as several new titles launched in the fourth quarter of 2014.

Revenue by operating segment and game type

The following table sets out the breakdown of the revenue by operating segment and game type for the years ended 31 December 2014 and 31 December 2013, respectively:

	Year ended 31 December			
	2014		2013	
	US\$'000	%	US\$'000	%
Mobile games	174,622	85.3	44,620	50.7
Browser games	24,043	11.8	37,520	42.6
Client-based games	3,501	1.7	5,846	6.7
Others	<u>2,446</u>	<u>1.2</u>	<u>0</u>	<u>0</u>
Total	<u>204,612</u>	<u>100.0</u>	<u>87,986</u>	<u>100.0</u>

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 2014 and 31 December 2013, respectively:

	Year ended 31 December			
	2014		2013	
	US\$'000	%	US\$'000	%
North America	78,021	38.1	34,038	38.7
Asia	58,259	28.5	26,017	29.5
Europe	56,258	27.5	20,128	22.9
Oceania	6,989	3.4	4,215	4.8
South America	4,014	2.0	3,263	3.7
Africa	<u>1,071</u>	<u>0.5</u>	<u>325</u>	<u>0.4</u>
Total	<u>204,612</u>	<u>100.0</u>	<u>87,986</u>	<u>100.0</u>

Revenue by games

The following table sets forth a breakdown of the revenue by games for the years ended 31 December 2014 and 31 December 2013, respectively:

	Year ended 31 December			
	2014		2013	
	US\$'000	%	US\$'000	%
Castle Clash	126,792	62.0	28,926	32.9
Clash of Lords series	24,506	12.0	1,406	1.6
Texas HoldEm Poker Deluxe	11,055	5.4	11,608	13.2
Galaxy Online II	9,136	4.5	17,469	19.9
Wings of Destiny	8,042	3.9	10,001	11.4
Slot Machines by IGG	5,875	2.9	3,568	4.1
Others	<u>19,206</u>	<u>9.3</u>	<u>15,008</u>	<u>16.9</u>
Total	<u>204,612</u>	<u>100</u>	<u>87,986</u>	<u>100</u>

Cost of sales

The Group's cost of sales for the year ended 31 December 2014 was approximately US\$58.8 million, representing an increase of approximately 163.7% over approximately US\$22.3 million for the year ended 31 December 2013, primarily due to the expansion of mobile game business which has the higher channel costs.

Gross profit and gross profit margin

The Group's gross profit for the year ended 31 December 2014 was approximately US\$145.8 million, representing an increase of approximately 121.9% over approximately US\$65.7 million for the year ended 31 December 2013, primarily due to the increase in the revenue generated from mobile games.

The Group's gross profit margin for the year ended 31 December 2014 was approximately 71.3%, representing a decrease by approximately 3.4% over approximately 74.7% for the year ended 31 December 2013, primarily due to higher channel costs in relation to mobile games compared to browser games and client-based games.

Other income and gains

The Group's other income and gains for the year ended 31 December 2014 was approximately US\$4.1 million, compared to approximately US\$0.6 million for the year ended 31 December 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 year ended 31 December 2014 were approximately US\$43.1 million, representing an increase of approximately 85.8% over approximately US\$23.2 million for the year ended 31 December 2013, primarily due to (i) the enhanced advertising and promotional activities for our mobile games, in particular "Castle Clash", "Clash of Lords" series, and several new titles launched in late 2014, and (ii) a total of US\$2.8 million advertising spending on the new application "LINK", a self-developed social networking platform launched in August 2014.

Administrative expenses

The Group's administrative expenses for the year ended 31 December 2014 were approximately US\$16.7 million, representing an increase of approximately 53.2% over approximately US\$10.9 million for the year ended 31 December 2013, primarily due to (i) the increase in personnel expenses, including salaries, performance-based bonus and welfare, and (ii) the increase in Share-based payments expenses in connection with the share options and awarded shares granted to administrative staff during the year.

Research and development costs

The Group's research and development costs for the year ended 31 December 2014 were approximately US\$17.2 million, representing an increase of approximately 84.9% over approximately US\$9.3 million for the year ended 31 December 2013, primarily due to (i) an increase in salaries and performance-based bonus payable to our game developing team, (ii) an increase in research and development outsourcing expenses attributable to the enrichment of our product portfolio, and (iii) an increase in Share-based payments expenses in connection with the share options and awarded shares granted to game developing team during the year.

Income tax expenses

The Group's income tax expenses for the year ended 31 December 2014 were approximately US\$5.2 million, representing an increase of approximately 300.0% over approximately US\$1.3 million for the year ended 31 December 2013, primarily due to an increase in 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 2014 and 2013 are set forth as below:

	Year ended	
	31 December	
	2014	2013
	<i>US\$'000</i>	<i>US\$'000</i>
Purchase of property, plant and equipment	2,327	940
Purchase of intangible assets	1,472	46

Capital Commitment

The Group had a capital commitment of approximately US\$0.3 million as at 31 December 2014 (31 December 2013: Nil).

Liquidity and Capital Resources and Gearing Ratios

As at 31 December 2014, the Group had net current assets of approximately US\$174.0 million (31 December 2013: US\$133.7 million), and the gearing ratio of the Group, calculated as total liabilities divided by total assets, was 13.9% (31 December 2013: 10.3%).

As at 31 December 2014, the Group had cash and cash equivalents of approximately US\$127.1 million (31 December 2013: US\$135.5 million).

The 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:

	2014	2013
	<i>US\$' 000</i>	<i>US\$' 000</i>
Net cash flows from operating activities	70,823	18,458
Net cash flows used in investing activities	(53,148)	(10,953)
Net cash flows (used in)/from financing activities	<u>(16,085)</u>	<u>102,856</u>
NET INCREASE IN CASH AND CASH		
EQUIVALENTS	1,590	110,361
Cash and cash equivalents at beginning of year as stated in the consolidated statement of cash flows	125,488	15,135
Effect of foreign exchange rate changes, net	<u>10</u>	<u>(8)</u>
 Cash and cash equivalents at end of year as stated in the consolidated statement of cash flows	 <u>127,088</u>	 <u>125,488</u>
 Add: Time deposits with original maturity of over three months	 <u>0</u>	 <u>10,000</u>
 Cash and cash equivalents as stated in the consolidated statement of financial position	 <u>127,088</u>	 <u>135,488</u>

Operating activities

Net cash flows from operating activities increased from approximately US\$18.5 million in 2013 to US\$70.8 million in 2014, which was primarily attributable to the better operating performance in 2014.

Investing activities

Net cash flows used in investing activities was approximately US\$53.1 million in 2014, representing an increase by approximately US\$42.1 million as compared to US\$11.0 million in 2013, which was primarily attributable to (i) 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; and (ii) the strategic investments in several online game developing companies.

Financing activities

Net cash flows used in financing activities was approximately US\$16.1 million in 2014, compared to net cash flows from financing activities of approximately US\$102.9 million in 2013, which was primarily attributable to the net proceeds from the Listing of the Company in 2013.

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. 23.4% 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 2014 (31 December 2013: 11.7%). The Group currently does not have hedging policy in respect of the foreign currency risk. However, the management team closely monitors foreign exchange exposure to ensure appropriate measures are implemented in a timely and effective manner. In this respect, the Group is not exposed to any significant foreign currency exchange risk in its operation.

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 of ordinary Shares.

Dividends

The Board has resolved to declare a second interim dividend of HK5.7 cents per ordinary Share (equivalent to US0.7 cents per ordinary Share) and a special dividend of HK11.3 cents per ordinary Share (equivalent to US1.5 cents per ordinary Share) which will be paid on or about 15 April 2015. Together with the first interim dividend of HK5.6 cents per ordinary Share (equivalent to US0.7 cents per ordinary Share) paid in September 2014, the total dividends per ordinary Share for the year ended 31 December 2014 would be HK22.6 cents per ordinary Share (equivalent to US2.9 cents per ordinary Share) (31 December 2013: final dividend of HK1.6 cents per ordinary Share, equivalent to US0.2 cents per ordinary Share).

Human Resources

As at 31 December 2014, the Group had 796 employees (31 December 2013: 651), of which 613 were based in China and the remaining were based in the US, Singapore, Canada and the Philippines.

Personnel expenses (including salary, bonuses, social insurance and provident funds, excluding share option expenses) for the year ended 31 December 2014 were approximately US\$24.3 million, representing an increase of 79% over US\$13.6 million for the year ended 31 December 2013, primarily due to the increase of the salaries and welfares due to an increase in headcount and the increase in our performance-based bonus.

Share-based payments expenses in connection with the Company's Pre-IPO Share Option Scheme, Share Option Scheme and Share Award Scheme for the year ended 31 December 2014 were US\$2.3 million, representing an increase of 130.0% over US\$1.0 million for the year ended 31 December 2013, primarily due to (i) the grant of 11,881,000 share options during the year ended 31 December 2014 under the Share Option Scheme, and (ii) the grant of 2,794,819 awarded shares during the year ended 31 December 2014 under the Share Award Scheme.

Significant Investment

During the year ended 31 December 2014, the Group did not hold any significant investment in equity interest in any other company (31 December 2013: nil).

Interest Capitalised

No interest was capitalised by the Group for year ended 31 December 2014 (31 December 2013: nil).

Material Acquisition and Disposal of Subsidiaries and Affiliated Companies

For the year ended 31 December 2014, the Group did not have any material acquisitions and disposals of subsidiaries and affiliated companies (31 December 2013: nil).

Charge on Assets

As at 31 December 2014, no asset of the Group was pledged as a security for bank borrowing or any other financing facilities (31 December 2013: nil).

Contingent Liabilities

The Group had no contingent liabilities or any litigation against it as at 31 December 2014 and 2013, respectively.

CORPORATE GOVERNANCE CODE

The Company is committed to maintaining high standards of corporate governance in the interests of Shareholders. For the year ended 31 December 2014 and up to the date hereof, except for the deviation from code provision A.2.1 as disclosed below, the Company has complied with the code provisions of the Corporate Governance Code as set out in Appendix 15 to the GEM Listing Rules.

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

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS OF LISTED ISSUERS (THE “MODEL CODE”)

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 for the year ended 31 December 2014 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, for the year ended 31 December 2014, 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.

For the year ended 31 December 2014, 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 year ended 31 December 2014, except that 11,633,500 share options were exercised and 750,000 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

For the year ended 31 December 2014, the Company granted a total of 11,881,000 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, directors of the subsidiaries, substantial shareholders and associates of any of them. Each share option shall entitle the holder of the share option to subscribe for one Share upon exercise of such share option at an exercise price of HK\$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.

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

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:

Share option vesting period	Percentage of share options to vest
On or after the date of the annual general meeting to be convened in 2015	One-third of the total number of share options granted
On or after the date of the annual general meeting to be convened in 2016	One-third of the total number of share options granted
On or after the date of the annual general meeting to be convened in 2017	One-third of the total number of share options granted

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

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

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, a director of the subsidiary, substantial shareholders 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.

Share option vesting period	Percentage of share options to vest
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

21 November 2014

On 21 November 2014, the Company has granted a total of 1,267,000 share options to certain eligible persons pursuant to the Share Option Scheme. None of the Share Option Grantees is a Director, chief executive or substantial shareholder of the Company, or any of their respective associates. Each share option shall entitle the holder of the share option to subscribe for one Share upon exercise of such share option at an exercise price of HK\$3.51 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.

Share option vesting period	Percentage of share options to vest
On or after 21 November 2015	25% of the total number of share options granted
On or after 21 November 2016	25% of the total number of share options granted
On or after 21 November 2017	25% of the total number of share options granted
On or after 21 November 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.

For the year ended 31 December 2014, the Company has granted a total of 2,794,819 awarded shares to certain selected grantees at nil consideration pursuant to the Share Award Scheme on 25 March 2014, 11 August 2014 and 21 November 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:

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

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:

Share award vesting date	Percentage of awarded shares to vest
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

21 November 2014

On 21 November 2014, the Company granted 331,600 awarded shares to certain selected grantees at nil consideration. The awarded shares granted shall vest in the share award grantees in accordance with the schedule below:

Share award vesting date	Percentage of awarded shares to vest
On 21 November 2015	25% of the total number of awarded shares granted
On 21 November 2016	25% of the total number of awarded shares granted
On 21 November 2017	25% of the total number of awarded shares granted
On 21 November 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 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 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 2014 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 2014 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 of the Company or their respective associates has any interest in any business which competed or may compete with the business of the Group for the year ended 31 December 2014.

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 for the year ended 31 December 2014 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.hkex.com.hk) and the Company (<http://www.igg.com>). The annual report for the year ended 31 December 2014 containing all the information required by the GEM Listing Rules will be dispatched to Shareholders of the Company 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 2014 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 Tuesday, 5 May 2015. 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 Thursday, 30 April 2015 to Tuesday, 5 May 2015, 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 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 Wednesday, 29 April 2015.

The record date for entitlement to the second interim and special dividend is Wednesday, 1 April 2015. For determining the entitlement to the second interim and special dividend, the register of members of the Company will be closed from Monday, 30 March 2015 to Wednesday, 1 April 2015, both days inclusive, during which period no transfer of Shares will be effected. In order to qualify for the second interim and special 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 Friday, 27 March 2015. The payment of the second interim and special dividend will be made and despatched on or about Wednesday, 15 April 2015.

CHANGE OF COMPANY LOGO

On 9 March 2015, the Company has adopted a new logo which will be printed on relevant corporate documents of the Company, including but not limited to the Company's share certificates, promotional materials, quarterly, interim and annual reports, announcements, circulars and corporate stationery to strengthen the Company's identification by replacing the cartoon pattern with easily recognizable letters. The Company's existing logo and new logo are set out below:

The existing logo



The new logo



The change of Company logo will not affect any rights of the shareholders. All existing share certificates of the Company in issue bearing the existing logo of the Company will, after the change of Company logo becoming effective, continue to be effective as documents of title to the shares of the Company and will continue to be valid for trading, settlement, registration and delivery purposes. Accordingly, there will not be any arrangement for free exchange of the existing share certificates of the Company for new share certificates bearing the new logo of the Company. The Company will continue to issue the existing form of share certificates which are still in inventory until all the existing form of share certificates have been used up, and thereafter share certificates bearing the new Company logo will be issued.

DEFINITION

“associate(s)”	has the meaning ascribed thereto in the GEM Listing Rules
“Board” or “Board of Directors”	the board of Directors
“Company”	IGG Inc, an exempt company incorporated in the Cayman Islands whose shares are listed on the GEM
“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
“Fuzhou Tianji”	Fuzhou TJ Digital Entertainment Co., Ltd* (福州天極數碼有限公司), a limited liability company established under the laws of the PRC on 15 November 2007, a wholly-owned subsidiary of the Group
“Fuzhou Tianmeng”	Fuzhou Skyunion Digital Co., Ltd* (福州天盟數碼有限公司), a limited liability company established under the laws of the PRC on 12 December 2006, which is owned as to 50% by Mr. Zongjian Cai and 50% by Mr. Yuan Chi, respectively
“GEM ”	Growth Enterprise Market
“GEM Listing Rules”	the Rules Governing the Listing of Securities on the GEM
“Group”, “Our” and “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 Philippines”	IGG Philippines Corp., a company incorporated under the laws of the Philippines on 11 January 2013, which is wholly owned by IGG Singapore
“IGG Singapore”	IGG Singapore Pte. Ltd. (formerly known as Skyunion Pte. Ltd.), a company incorporated under the laws of Singapore on 30 June 2009, a wholly-owned subsidiary of the Group
“IGG US”	Sky Union, LLC, a limited liability company formed in the State of Nevada, the United States, on 21 October 2005, a wholly-owned subsidiary of the Group
“Listing” or “Placing”	the Shares of the Company are listed on the GEM of the Stock Exchange
“MAU”	monthly active users
“Model Code”	the required standard of dealings for securities transactions by directors of listed issuers as set out in Rules 5.48 to 5.67 of the GEM Listing Rules adopted by the Company on 16 September 2013
“PRC” or “China”	the People’s Republic of China, excluding for the purpose of the announcement, Hong Kong, Macau and Taiwan
“Prospectus”	the prospectus of the Company dated 11 October 2013
“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
“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 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
“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
“U.S. dollar(s)” or “US\$” or “USD” and “cents”	United States dollars and cents, respectively, 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 of
IGG INC
Zongjian Cai
Chairman

Hong Kong, 9 March 2015

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>.