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IGG INC

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 799)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2015

HIGHLIGHTS

	Year ended 31 December			
	2015		2014	
	<i>US\$'000</i>	<i>HK\$'000²</i>	<i>US\$'000</i>	<i>HK\$'000²</i>
Revenue	202,546	1,570,177	204,612	1,586,643
Profit for the year	41,248	319,763	66,392	514,830
Profit for the year attributable to owners of the parent	41,492	321,654	66,373	514,683
Adjusted net income ¹	44,187	342,546	68,642	532,278

- The Group's revenue for the year ended 31 December 2015 was approximately US\$202.5 million and remained relatively stable over the revenue of approximately US\$204.6 million for the year ended 31 December 2014. Compared to the three months ended 30 September 2015, revenue increased by over 15.0% for the three months ended 31 December 2015.
- The Group's profit for the year ended 31 December 2015 was approximately US\$41.2 million, representing a decrease of approximately 38.0% as compared to the profit of approximately US\$66.4 million for the year ended 31 December 2014.
- The Group's profit attributable to owners of the parent for the year ended 31 December 2015 was approximately US\$41.5 million, representing a decrease of approximately 37.5% as compared to the profit attributable to owners of the parent of approximately US\$66.4 million for the year ended 31 December 2014.

- The Group's adjusted net income for the year ended 31 December 2015 was approximately US\$44.2 million, representing a decrease of approximately 35.6% as compared to the adjusted net income of approximately US\$68.6 million for the year ended 31 December 2014.
 - The Board of the Company has resolved to declare a second interim dividend of HK2.8 cents per ordinary Share (equivalent to US0.4 cents per ordinary Share) and a special dividend of HK14.2 cents per ordinary Share (equivalent to US1.8 cents per ordinary Share), which are expected to be paid on or about 29 April 2016. Together with the first interim dividend of HK4.0 cents per ordinary Share (equivalent to US0.5 cents per ordinary Share) paid in September 2015, the total dividends per ordinary Share for the year ended 31 December 2015 would be HK21.0 cents per ordinary Share (equivalent to US2.7 cents per ordinary Share) (31 December 2014: a total of HK22.6 cents per ordinary Share, equivalent to US2.9 cents per ordinary Share).
- 1 Adjusted net income represented profit excluding share-based compensation. 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\$7.7522=US\$1.00 for the year ended 31 December 2015 (the year ended 31 December 2014: 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 is pleased to announce the audited consolidated financial results of the Group for the year ended 31 December 2015, together with the comparative figures for the corresponding year of 2014. These results have been reviewed by the Company's audit committee, comprising three independent non-executive Directors, one of whom chairs the audit committee.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

Year ended 31 December 2015

	<i>Notes</i>	2015 <i>US\$'000</i>	2014 <i>US\$'000</i>
REVENUE	4	202,546	204,612
Cost of sales		<u>(62,007)</u>	<u>(58,827)</u>
Gross profit		140,539	145,785
Other income and gains	4	1,378	4,110
Selling and distribution expenses		(41,652)	(43,064)
Administrative expenses		(21,840)	(16,672)
Research and development costs		(26,944)	(17,202)
Other expenses		<u>(6,546)</u>	<u>(1,342)</u>
PROFIT BEFORE TAX	5	44,935	71,615
Income tax expense	6	<u>(3,687)</u>	<u>(5,223)</u>
PROFIT FOR THE YEAR		<u><u>41,248</u></u>	<u><u>66,392</u></u>
Attributable to:			
Owners of the parent		41,492	66,373
Non-controlling interests		<u>(244)</u>	<u>19</u>
		<u><u>41,248</u></u>	<u><u>66,392</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><u>US\$0.0300</u></u>	<u><u>US\$0.0488</u></u>
Diluted			
- For profit for the year		<u><u>US\$0.0290</u></u>	<u><u>US\$0.0462</u></u>

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2015

	2015 <i>US\$'000</i>	2014 <i>US\$'000</i>
PROFIT FOR THE YEAR	<u>41,248</u>	<u>66,392</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	(922)	(280)
Available-for-sale investments:		
Changes in fair value	555	(3,989)
Reclassification adjustments for gains included in the consolidated statement of profit or loss — gain on disposal	<u>67</u>	<u>3,199</u>
OTHER COMPREHENSIVE LOSS FOR THE YEAR, NET OF TAX	<u>(300)</u>	<u>(1,070)</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	<u><u>40,948</u></u>	<u><u>65,322</u></u>
Attributable to:		
Owners of the parent	41,192	65,303
Non-controlling interests	<u>(244)</u>	<u>19</u>
	<u><u>40,948</u></u>	<u><u>65,322</u></u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2015

	<i>Notes</i>	2015 <i>US\$'000</i>	2014 <i>US\$'000</i>
NON-CURRENT ASSETS			
Property, plant and equipment		5,379	2,896
Other intangible assets		903	905
Other non-current assets		2,531	2,004
Interest in an associate		—	3,323
Available-for-sale investments		8,215	4,497
Deferred tax assets		<u>6</u>	<u>115</u>
Total non-current assets		<u>17,034</u>	<u>13,740</u>
CURRENT ASSETS			
Accounts receivable	9	1,083	2,375
Prepayments, deposits and other receivables		3,028	3,482
Funds receivable		13,478	16,889
Time deposits with original maturity of over three months		—	54,000
Cash and cash equivalents		<u>185,503</u>	<u>127,088</u>
Total current assets		<u>203,092</u>	<u>203,834</u>
CURRENT LIABILITIES			
Accounts payable	10	4,586	7,572
Other payables and accruals		3,511	4,476
Tax payable		3,339	4,820
Deferred revenue	11	<u>16,982</u>	<u>12,970</u>
Total current liabilities		<u>28,418</u>	<u>29,838</u>

	<i>Notes</i>	2015 <i>US\$'000</i>	2014 <i>US\$'000</i>
NET CURRENT ASSETS		<u>174,674</u>	<u>173,996</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>191,708</u>	<u>187,736</u>
NON-CURRENT LIABILITIES			
Deferred tax liabilities		<u>454</u>	<u>457</u>
Total non-current liabilities		<u>454</u>	<u>457</u>
NET ASSETS		<u>191,254</u>	<u>187,279</u>
EQUITY			
Issued capital	12	3	3
Reserves		<u>190,521</u>	<u>186,777</u>
		<u>190,524</u>	<u>186,780</u>
Non-controlling interests		<u>730</u>	<u>499</u>
Total equity		<u>191,254</u>	<u>187,279</u>

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2015

	Attributable to owners of the parent												
	Share capital	Share premium	Shares held for Share Award Scheme	Share option reserve	Shares repurchased for cancellation	Available-for-sale equity investment for revaluation reserve	Reserve funds	Other reserve	Exchange fluctuation reserve	Retained profits	Total equity	Non-controlling interests	Total equity
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
At 1 January 2015	3	185,236	(4,300)	3,685	—	(790)	88	8	(373)	3,223	186,780	499	187,279
Profit for the year	—	—	—	—	—	—	—	—	—	41,492	41,492	(244)	41,248
Other comprehensive income for the year:													
Changes in fair value of available-for-sale equity investments, net of tax	—	—	—	—	—	555	—	—	—	—	555	—	555
Reclassification adjustments for gains included in the consolidated statement of profit or loss - gain on disposal	—	—	—	—	—	67	—	—	—	—	67	—	67
Exchange differences on translation of foreign operations	—	—	—	—	—	—	—	—	(922)	—	(922)	—	(922)
Total comprehensive income for the year	—	—	—	—	—	622	—	—	(922)	41,492	41,192	(244)	40,948
Control obtained over an associate	—	—	—	—	—	—	—	—	—	—	—	236	236
Contribution from non-controlling interests	—	—	—	—	—	—	—	—	—	—	—	239	239
Equity-settled share option arrangements	—	—	—	2,695	—	—	—	—	—	—	2,695	—	2,695
Shares purchased for Share Award Scheme (Note 13)	—	—	(1,999)	—	—	—	—	—	—	—	(1,999)	—	(1,999)
Repurchase for ordinary shares (Note 12)	—	—	—	—	(1,669)	—	—	—	—	—	(1,669)	—	(1,669)
Exercise of share options	—	1,563	—	(523)	—	—	—	—	—	—	1,040	—	1,040
Vesting of awarded shares	—	71	470	(541)	—	—	—	—	—	—	—	—	—
Dividend for Share Award Schemes	—	—	—	—	—	—	—	145	—	—	145	—	145
2014 second interim dividend paid	—	—	—	—	—	—	—	—	—	(10,213)	(10,213)	—	(10,213)
2014 special dividend paid	—	—	—	—	—	—	—	—	—	(20,247)	(20,247)	—	(20,247)
2015 interim dividend paid	—	—	—	—	—	—	—	—	—	(7,200)	(7,200)	—	(7,200)
At 31 December 2015	<u>3</u>	<u>186,870*</u>	<u>(5,829)*</u>	<u>5,316*</u>	<u>(1,669)*</u>	<u>(168)*</u>	<u>88*</u>	<u>153*</u>	<u>(1,295)*</u>	<u>7,055*</u>	<u>190,524</u>	<u>730</u>	<u>191,254</u>

* These components of equity comprise the consolidated reserves of US\$190,521,000 (2014:US\$186,777,000) in the consolidated statement of financial position as at 31 December 2015.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2015

	Attributable to owners of the parent											
	Share capital	Share premium	Shares held for Award Scheme	Share option reserve	Available-for-sale equity investment revaluation reserve	Reserve funds	Other reserve	Exchange fluctuation reserve	(Accumulated deficits)/ retained profits	Total equity	Non-controlling interests	Total equity
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
At 1 January 2014	3	184,600	—	1,553	—	88	8	(93)	(50,386)	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 13)	—	—	(4,300)	—	—	—	—	—	—	(4,300)	—	(4,300)
Exercise of share options	—	636	—	(137)	—	—	—	—	—	499	—	499
2013 Final 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>186,780</u>	<u>499</u>	<u>187,279</u>

1. CORPORATE AND GROUP 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”).

On 7 July 2015, the shares of the Company were transferred to the Main Board of the Stock Exchange.

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 report, 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 report, 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.

Information about subsidiaries

Particulars of the Company’s principal subsidiaries are as follows:

Name	Place and date of incorporation/ registration and place of operation	Issued and paid-up/ registered capital	Percentage of equity attributable to the Company		Principal activities
			Direct %	Indirect %	
Skyunion Hong Kong Holdings Limited	Hong Kong 20 February 2006	HK\$1,500,000	100	—	Operation and licensing of online games in overseas markets
IGG Singapore Pte. Ltd. (“IGG Singapore”)	Singapore 30 June 2009	SGD1,500,000	100	—	Research and development of games, operation and licensing of online games in overseas markets
Sky Union, LLC (“IGG US”)	USA 21 October 2005	US\$266,236.86	100	—	Provision of sales and marketing, as well as server hosting services for group companies including collecting fees from players globally

Name	Place and date of incorporation/ registration and place of operation	Issued and paid-up/ registered capital	Percentage of equity attributable to the Company		Principal activities
			Direct %	Indirect %	
Fuzhou TJ Digital Entertainment Co., Ltd (“Fuzhou Tianji”)*	PRC 15 November 2007	US\$5,000,000	—	100	Research and development of games and provision of global customer support services
Fuzhou Skyunion Digital Co., Ltd (“Fuzhou Tianmeng”)**	PRC 12 December 2006	RMB10,000,000	—	100 [#]	Research and development of games and provision of global customer support services
Fuzhou Tianjie Information Technology Co., Ltd (“Fuzhou Tianjie”)**	PRC 3 June 2008	RMB1,000,000	—	100	Research and development of games
IGG Philippines Corp. (“IGG Philippines”)	Philippines 11 January 2013	PHP10,000,000	—	100	Provision of global customer support services
IGG.COM CANADA INC. (“IGG CAD”)	Canada 30 January 2014	US\$3,000,000	—	100	Research and development of games
Tap Media Technology Inc. (“Tapcash Cayman”)	Cayman Islands 11 November 2014	US\$12,500	60	—	Investment holding
Tapcash Inc. (“Tapcash Canada”)	Canada 30 January 2014	US\$1,200,000	—	60	Provision of sales support services and cash collection services
Tap Media Technology Pte. Ltd. (“Tapcash Singapore”)	Singapore 30 December 2014	US\$1	—	60	Provision of sales and marketing as well as collecting fees for advertising
Nerd Kingdom, Inc.	USA 20 May 2010	US\$488.8	61.7	—	Research and development of games
IGG Korea Ltd.	Korea 14 January 2015	KRW300,000,000	—	100	Operation of online games
株式會社G-BOX (IGG Japan)	Japan 5 February 2015	JPY40,000,000	—	100	Operation, research and development of games

* Registered as a wholly-foreign-owned enterprise under the law of the PRC.

** Registered as limited liability companies under the law of the PRC.

[#] Fuzhou Tianmeng was legally owned by the Registered Shareholders. Fuzhou Tianji entered into the Structured Contracts with Fuzhou Tianmeng and its Registered Shareholders. As a result of the contractual arrangements, Fuzhou Tianmeng was ultimately controlled by Fuzhou Tianji, which is a wholly-owned subsidiary of the Company.

The above table lists the subsidiaries of the Company which, in the opinion of the directors of the Company, principally affected the results for the year or formed a substantial portion of the net assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

2.1 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 disclosure requirements of the Hong Kong Companies Ordinance. All IFRSs effective for the accounting period commencing from 1 January 2015, together with the relevant transitional provisions, have been adopted by the Group in the preparation of these financial statements throughout the year.

They have been prepared under the historical cost convention, except for non-redeemable convertible preferred shares and certain available-for-sale investments which have been measured at fair value. These financial statements are presented in United States Dollars (“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 2015. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

When the Company has, directly or indirectly, less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including

- (a) the contractual arrangement with the other vote holders of the investee;
- (b) rights arising from other contractual arrangements; and
- (c) the Group’s voting rights and potential voting rights.

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.

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 above. A change in the ownership interest of a subsidiary, 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

	2015	2014
	<i>US\$'000</i>	<i>US\$'000</i>
North America	75,330	78,021
Europe	63,464	56,258
Asia	51,564	58,259
Oceania	6,074	6,989
South America	4,525	4,014
Africa	<u>1,589</u>	<u>1,071</u>
	<u>202,546</u>	<u>204,612</u>

(b) Non-current assets

	2015	2014
	<i>US\$'000</i>	<i>US\$'000</i>
PRC	3,873	1,075
North America	1,206	1,577
Singapore	143	218
Others	<u>157</u>	<u>26</u>
	<u>5,379</u>	<u>2,896</u>

The non-current asset information above is based on the locations of the assets and excludes financial instruments, intangible assets, interest in an associate and deferred tax assets.

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 represents the services rendered after allowances for chargebacks and deduction of value-added tax (VAT).

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

	2015 <i>US\$'000</i>	2014 <i>US\$'000</i>
Revenue		
Online game revenue	197,072	193,859
Joint operation revenue	3,594	8,088
Others	<u>1,880</u>	<u>2,665</u>
	<u><u>202,546</u></u>	<u><u>204,612</u></u>
Other income and gains		
Dividend income from available-for-sale investments	460	—
Government grants*	258	227
Bank interest income	578	557
Fair value gain, net:		
Available-for-sale investments (transfer from equity on disposal)	—	3,199
Others	<u>82</u>	<u>127</u>
	<u><u>1,378</u></u>	<u><u>4,110</u></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):

	<i>Notes</i>	2015 <i>US\$'000</i>	2014 <i>US\$'000</i>
Channel cost		53,711	50,785
Royalty fee		1,421	1,781
Depreciation		1,498	1,025
Amortisation of other intangible assets		420	389
Minimum lease payments under operating leases		6,009	3,009
Auditor's remuneration			
- audit service		500	517
- non-audit service		<u>738</u>	<u>186</u>
		<u>1,238</u>	<u>703</u>
Employee benefit expense (including directors' and chief executive's remuneration):			
Salaries and wages		25,121	19,876
Staff welfare expenses		1,023	1,176
Equity-settled share compensation costs		2,695	2,269
Pension scheme contributions		1,024	917
Foreign exchange loss		1,504	280
Fair value loss/(gain), net			
- Available-for-sale investments (transfer from equity on disposal)		(67)	—
Impairment loss on available-for-sale investments		508	—
Impairment of interest in associates		4,294	—
Loss on disposal of items of property, plant and equipment		88	3
Bank interest income	4	(578)	(557)
Dividend income from available-for-sale investments	4	(460)	—
Government grants	4	(258)	(227)

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 2015 (2014: 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 2015 (2014: 25%) on their respective taxable income. Fuzhou Tianmeng was certified as a Software Enterprise and is entitled to 50% reduction in taxation for the year ended 31 December 2015. Fuzhou Tianji was certified as Software Enterprise and is exempted from income tax for two years starting from the first year in which it generate taxable profit, followed by a 50% reduction for the next three years. In the year ended 31 December 2014, Fuzhou Tianji started generating taxable profit and therefore is exempted from income tax for the years ended 31 December 2015 and 2014.

IGG US, a subsidiary of the Company in the United States, is 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%.

IGG Philippines was certified by and registered with Philippines Board of Investment (BOI), granting a 4-year income tax holiday for customer service income starting from 28 March, 2014. In the year ended 31 December 2015, provision for IGG Philippines' corporate income tax was from advertisement income which was not exempted.

IGG CAD and Tapcash Canada, 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%.

IGG Korea Ltd., a subsidiary of the Company registered in Korea, is subject to progressive corporate income tax rates ranging from 10% to 22%.

IGG Japan, a subsidiary of the Company registered in Japan, is subject to the corporate income tax rate at 25.5%. No provision for Japan corporate income tax has been made as IGG Japan has no taxable income earned during the year.

	Group	
	2015	2014
	<i>US\$'000</i>	<i>US\$'000</i>
Current year provision:		
Singapore	3,288	4,657
Canada	197	56
US	93	49
Korea	2	—
Philippines	1	—
PRC	<u>—</u>	<u>2</u>
Subtotal of current tax	<u>3,581</u>	<u>4,764</u>
Deferred tax:		
PRC	53	(1)
US	50	44
Singapore	<u>3</u>	<u>416</u>
Subtotal of deferred tax	<u>106</u>	<u>459</u>
Total tax charge for the year	<u><u>3,687</u></u>	<u><u>5,223</u></u>

During the years ended 31 December 2015 and 2014, 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:

	2015		2014	
	<i>US\$'000</i>	<i>%</i>	<i>US\$'000</i>	<i>%</i>
Profit before tax	<u>44,935</u>		<u>71,615</u>	
Tax at the applicable tax rate	7,639	17.0	12,175	17.0
Effect in tax rates for different tax jurisdictions or enacted by local authority	2,920	6.5	530	0.7
Effect of tax holidays applicable to the subsidiaries	(6,550)	(14.5)	(8,059)	(11.3)
Tax losses not recognised	653	1.5	673	0.9
Income not subject to tax	(7)	(0.1)	(62)	(0.1)
Expenses not deductible for tax	63	0.1	333	0.5
Super deduction for qualified spending under Productivity and Innovation Credit and qualified research and development costs	<u>(1,031)</u>	<u>(2.3)</u>	<u>(367)</u>	<u>(0.5)</u>
Tax charge at the Group's effective rate	<u>3,687</u>	<u>8.2</u>	<u>5,223</u>	<u>7.2</u>

7. DIVIDENDS

	<i>Notes</i>	2015 <i>US\$'000</i>	2014 <i>US\$'000</i>
Proposed and paid 2014 interim dividend — HK5.6 cents per ordinary share	(a)	—	9,885
Proposed and paid 2014 second interim dividend — HK5.7 cents per ordinary share	(b)	10,213	—
Proposed and paid 2014 special dividend — HK11.3 cents per ordinary share	(b)	20,247	—
Proposed and paid 2015 interim dividend — HK4.0 cents per ordinary share	(c)	7,200	—
Declared 2015 second interim dividend — HK2.8 cents per ordinary share	(d)	4,860	—
Declared 2015 special dividend — HK14.2 cents per ordinary share	(d)	<u>25,140</u>	<u>—</u>
		<u>67,660</u>	<u>9,885</u>

- (a) At a board meeting held on 8 August 2014, the directors declared an interim dividend of HK5.6 cents per ordinary share, totaling of HK\$76,226,023 (equivalent to approximately US\$9,885,000) for the six months ended 30 June 2014, which was paid on 5 September 2014.
- (b) At the board meeting held on 9 March 2015, the directors declared the second interim dividend of HK5.7 cents per ordinary share for the six months from 1 July to 31 December 2014 and a special dividend of HK11.3 cents per ordinary share, totaling HK\$236,065,080 (equivalent to approximately US\$30,460,010) which was subsequently paid on 30 April 2015.
- (c) At the board meeting held on 27 August 2015, the directors declared the interim dividend of HK4.0 cents per ordinary share for the six months from 1 January to 30 June 2015, amount to HK\$56,962,500 (equivalent to approximately US\$7,200,000) which was subsequently paid on 30 September 2015.
- (d) At the board meeting held on 25 March 2016, the directors declared the second interim dividend of HK2.8 cents per ordinary share for the six months from 1 July to 31 December 2015 and a special dividend of HK14.2 cents per ordinary share, totaling HK\$233,909,372 (equivalent to approximately US\$30,000,000).

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 2015 and 2014 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 attributable to ordinary equity holders of the parent, and the weighted average numbers of ordinary shares in issue.

The calculation of diluted earnings per share is based on the profit for the years ended 31 December 2015 and 2014 attributable to ordinary equity holders of the parent. The weighted average number of ordinary shares used in the calculation is the number of ordinary shares in issue during the years ended 31 December 2015 and 2014, as used in the basic earnings per share calculation, and the weighted average number of ordinary shares assumed to have been issued at no consideration on the deemed exercise of all dilutive potential ordinary shares into ordinary shares.

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

	2015 <i>US\$'000</i>	2014 <i>US\$'000</i>
<u>Earnings</u>		
Earnings attributable to ordinary equity holders of the parent used in the basic and diluted earnings per share calculations	<u>41,492</u>	<u>66,373</u>
<u>Shares</u>		
Weighted average number of ordinary shares in issue during the year used in the basic earnings per share calculation	1,382,435,492	1,360,444,256
Effect of dilution — weighted average number of ordinary shares:		
Share options	45,807,846	74,919,612
Awarded shares	<u>3,020,601</u>	<u>299,642</u>
Weighted average number of ordinary shares used in the diluted earnings per share calculation	<u>1,431,263,939</u>	<u>1,435,663,510</u>

9. ACCOUNTS RECEIVABLE

	2015 <i>US\$'000</i>	2014 <i>US\$'000</i>
Accounts receivable	<u>1,083</u>	<u>2,375</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:

	2015 <i>US\$'000</i>	2014 <i>US\$'000</i>
Within 3 months	1,083	1,944
3 to 6 months	<u>—</u>	<u>431</u>
	<u>1,083</u>	<u>2,375</u>

No provision has been made for impairment of accounts receivable in the year ended 31 December 2015 (2014: Nil).

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

	2015 <i>US\$'000</i>	2014 <i>US\$'000</i>
Neither past due nor impaired	<u>1,083</u>	<u>2,375</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:

	2015 <i>US\$'000</i>	2014 <i>US\$'000</i>
Within 3 months	3,282	6,404
3 to 6 months	965	564
6 months to 1 year	242	544
Over 1 year	<u>97</u>	<u>60</u>
	<u>4,586</u>	<u>7,572</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. SHARE CAPITAL

Shares

	2015 <i>US\$'000</i>	2014 <i>US\$'000</i>
Issued and fully paid or credited as fully paid: 1,396,711,599 (2014: 1,370,485,599) ordinary shares (par value:US\$0.0000025)	<u>3</u>	<u>3</u>

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

	Number of shares in issue	Share capital <i>US\$'000</i>	Share premium account <i>US\$'000</i>	Shares held for Share Award Scheme <i>US\$'000</i>	Shares repurchased for cancellation <i>US\$'000</i>
At 1 January 2014	1,358,852,099	3	184,600	—	—
Share options exercised (note 13)	11,633,500	—	636	—	—
Share issuance expenses	—	—	—	—	—
Shares purchased for Share Award Scheme (note 13)	—	—	—	(4,300)	—
At 31 December 2014	<u>1,370,485,599</u>	<u>3</u>	<u>185,236</u>	<u>(4,300)</u>	<u>—</u>
At 1 January 2015	1,370,485,599	3	185,236	(4,300)	—
Share options exercised (note 13)	26,226,000	—	1,563	—	—
Rewarded shares exercised (note 13)	—	—	71	470	—
Shares purchased for Share Award Scheme (note 13)	—	—	—	(1,999)	—
Repurchase of ordinary shares	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>(1,669)</u>
At 31 December 2015	<u>1,396,711,599</u>	<u>3</u>	<u>186,870</u>	<u>(5,829)</u>	<u>(1,669)</u>

Pursuant to section 37(3) of the Companies Law of the Cayman Islands, 3,944,000 shares were repurchased in 2015 and the repurchased shares with carrying amount of US\$1,669,000 were subsequently cancelled in January 2016.

13. 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 number 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:

	2015		2014	
	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	0.0527	73,674,500	0.0516	86,058,000
Granted during the year	—	—	—	—
Forfeited during the year	0.0752	(767,000)	0.0761	(750,000)
Exercised during the year	<u>0.0394</u>	<u>(26,226,000)</u>	<u>0.0430</u>	<u>(11,633,500)</u>
At 31 December	<u>0.0599</u>	<u>46,681,500</u>	<u>0.0527</u>	<u>73,674,500</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:

2015

Number of options	Exercise price* per share US\$	Exercise period
3,235,000	0.0038	01-07-2008 to 30-06-2017
2,241,000	0.0078	Since IPO to 30-06-2018
4,000,000	0.0378	05-12-2009 to 04-12-2018
5,126,000	0.0500	Since IPO to 31-07-2019
20,000	0.0525	Since IPO to 17-04-2021
11,677,000	0.0525	Since IPO to 20-04-2021
30,000	0.0525	Since IPO to 24-04-2021
120,000	0.0525	Since IPO to 02-05-2021
148,000	0.0525	Since IPO to 15-05-2021
280,000	0.0525	Since IPO to 12-06-2021
2,188,000	0.0865	Since IPO to 13-08-2021
2,177,000	0.0865	Since IPO to 14-01-2022
5,970,000	0.0865	Since IPO to 21-05-2022
<u>9,469,500</u>	0.0865	Since IPO to 31-03-2023
<u><u>46,681,500</u></u>		

2014

Number of options	Exercise price* per share US\$	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><u>73,674,500</u></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 the Pre-IPO Share Option Scheme have been granted during the year ended 31 December 2015.

The 26,226,000 (2014: 11,633,500) share options exercised during the year resulted in the issuance of 26,226,000 (2014: 11,633,500) ordinary shares of the Company and new share premium of US\$1,562,802 (2014: US\$636,492) (before share issuance expenses), as further detailed in note 12 to the financial statements.

At the end of the reporting period, the Company had 46,681,500 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 46,681,500 additional ordinary shares of the Company and additional share capital of US\$117 (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 2015.

	2015
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)	3.44-8.30

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

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

On 23 March 2015, the Company's board of directors and remuneration committee approved to amend the terms of certain stock options under Post-IPO Share Option Scheme. The amendment comprised of two parts. Firstly, 6,769,000 options with exercise prices from HK\$5.47 to HK\$8.96 were replaced by 5,899,000 options with exercise prices of HK\$3.9. Secondly, every three options were converted into one rewarded shares ("RS") with its vesting schedule unchanged, which lead to the conversion of 2,973,500 options into 991,165 rewarded shares vesting from 23 March 2015. These amendments were accounted for as a share option modification and required the remeasurement of these share options. This remeasurement resulted in a total incremental share-based compensation of US\$480,650, of which, US\$90,122 was recognised in the year ended 31 December 2015 and the remaining will be recognised ratably over the remaining vesting period of the awards.

The following share options were outstanding under the Post-IPO Share Option Scheme I during the year ended 31 December 2015.

	2015		2014	
	Weighted average exercise price per share HK\$	Number of options	Weighted average exercise price per share HK\$	Number of options
At 1 January	6.40	11,674,500	—	—
Granted during the year	3.72	540,000	6.44	11,881,000
Replacement options granted during the period (<i>Note</i>)	3.90	5,899,000	—	—
Cancelled during the period (<i>Note</i>)	6.78	(9,742,500)	—	—
Forfeited during the year	<u>6.33</u>	<u>(405,000)</u>	<u>8.96</u>	<u>(206,500)</u>
At 31 December	<u>3.90</u>	<u>7,966,000</u>	<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 2015

Number of options	Exercise price per share <i>HK\$</i>	Exercise period
360,000	5.47	11-08-2015 to 11-08-2024
1,167,000	3.51	21-11-2015 to 21-11-2024
440,000	3.90	23-03-2016 to 23-03-2025
5,899,000	3.90	23-03-2016 to 23-03-2025
<u>100,000</u>	2.94	10-09-2016 to 10-09-2025
<u><u>7,966,000</u></u>		

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><u>11,674,500</u></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 shares 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 years ended 31 December 2015 and 2014 are as follows:

	Number of shares held for the Share Award Scheme	Number of awarded shares	Total
At 1 January 2015	3,098,848	2,630,152	5,729,000
Purchased and withheld	4,865,000	—	4,865,000
Granted	(2,944,079)	2,944,079	—
Forfeited	331,511	(331,511)	—
Replacement awarded shares granted (Note)	(991,165)	991,165	—
Vested	<u>—</u>	<u>(640,954)</u>	<u>(640,954)</u>
At 31 December 2015	<u>4,360,115</u>	<u>5,592,931</u>	<u>9,953,046</u>
Vested but not transferred as at 31 December 2015			<u>—</u>

	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 the awarded shares granted during the year ended 31 December 2015 was HK\$3.71 per share.

The awarded shares granted during the year ended 31 December 2015 and outstanding as at the year end will vest upon the anniversary of the grant date with each of 25% being vested annually.

Note: modification of stock option

On 23 March 2015, the Company's board of directors and remuneration committee approved to amend the terms of 9,742,500 stock options, among which:

- 5,899,000 options with exercise price from HK\$5.47 to HK\$8.96 were replaced by 5,899,000 options with exercise price of HK\$3.9 and new graded vesting term of four years. The options would vest as to 25% annually since 23 March 2015;
- 2,973,500 options with exercise price from HK\$3.51 to HK\$8.96 were replaced by 991,165 rewarded shares with graded vesting term of four years. The rewarded shares would vest as to 25% annually since 23 March 2015.

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

The Group is a renowned developer and publisher of mobile online games with a global presence and international customer base. The Group has its headquarters in Singapore with regional offices in the United States, Mainland China, Hong Kong, Canada, Japan, Korea, Thailand and the Philippines, and 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. The bulk of the Group's technical and game development personnel are based in China to tap the large talent pool there and to leverage cost advantages. This has enabled the Group to develop games more cost-effectively compared to other companies. At the same time, to ensure that its games are of the highest quality and suit the tastes of gamers worldwide, the Group has been expanding game producers, designers, art directors and other high caliber creative talents in the United States, Canada, Korea and Singapore.

During the year ended 31 December 2015, the global games industry remained highly competitive. To pursue its overall corporate strategy for 2015, the Group has maintained its 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 third party developers' games globally.

Mobile Games

During the year ended 31 December 2015, the Group kept on developing new games based on its strong game research and development capabilities and unremitting drive for innovation.

Revenue from mobile games accounted for approximately 94.0% of the total revenue for the year ended 31 December 2015, as compared to 85.3% for the year ended 31 December 2014. In particular, the Group's hit title "Castle Clash", a fast-paced tower defense game, continued to perform well, with monthly revenue setting record high in December 2015. It ranked top five in 17 countries and regions and top ten in 48 countries and regions in terms of daily revenue rankings generated at Google Play as at 31 December 2015, according to the independent third-party analysis platform App Annie. 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. The game is now available in 15 languages on Android, iOS, Amazon and Windows Phone platforms, making it easily accessible to a majority of gamers in many parts of the world. As of 31 December 2015, the MAU of the game was over 10 million.

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 continued to enjoy widespread popularity among gamers. With the release of Spanish, Italian, Thai and Turkish versions of "Clash of Lords II" in 2015, the game is now available in 11 languages. The MAU for the "Clash of Lords" series was approximately 3.0 million as at 31 December 2015.

"Deck Heroes", a card-based strategy game with a western mythology theme, has been performing well since its English and traditional Chinese versions were released in 2014. In addition, this game was made available in German, French, Korean, Russian, Spanish and Japanese versions in 2015. The monthly gross billing of "Deck Heroes" steadily remained above US\$1.0 million since March 2015.

Texas HoldEm Poker Deluxe, our first self-developed mobile game which was launched in October 2011, and Slot Machines by IGG, have both proven to be stable revenue generators. Both have regularly maintained their ranking among the top five grossing games in the Group, demonstrating their longevity.

In addition to self-publishing, the Group also co-published its games on game platforms in selected markets, including Mainland China, Japan, Korea, Taiwan and the Middle East. Each of these platforms had their own community of gamers, making them a fast and effective channel to reach the target audience. Working with game platforms complemented the Group's self-publishing efforts.

Global Presence

In an ongoing effort to add game development capabilities overseas and produce games of different styles and genres, the Group made additional investment in Nerd Kingdom and completed the consolidation in the second half of 2015. Nerd Kingdom is a game developer in the United States that has created the Eternus engine, on which its flagship game, TUG, is being built. TUG is a multiplayer, open-world, sandbox RPG using social sciences to allow players to impact how the game evolves.

To strengthen its presence in Asia, the Group has set up regional offices in Korea, Japan and Thailand in the year of 2015, recruiting local talent for game development and operations. It will boost the Group's ability to produce and launch games to suit

local market tastes and demands effectively. As at 31 December 2015, the Group has regional offices in 9 countries and regions. The Group also has outsourcing arrangements with companies in Mainland China, Korea and Taiwan to develop new games and operate its own games.

During the year ended 31 December 2015, the Group's customers consisted of players 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 2015, the user community of the Group consisted of approximately 300 million player accounts around the world, including a total MAU of approximately 18 million. During the year ended 31 December 2015, approximately 37.2%, 31.3% and 25.5% of the total revenue of the Group was generated from North America, Europe and Asia, respectively.

According to the independent third-party analysis platform App Annie, among the mobile game developers, IGG ranked 34th globally in terms of revenue of year 2015. After experiencing high growth and being widely recognized, the Group will leverage its global reach in R&D and operation, and continue to seek worldwide partners in aim to achieve the state-of-the-art in gaming quality, player experience, revenue level etc.

New value-added tax changes

The new value-added tax (VAT) changes took effect on 1 January 2015 in European Union. Game revenue derived by the Group are subject to VAT starting from 1 January 2015 at respective tax rates in different EU countries, ranging from 17% to 27%. In addition, the new VAT changes also took effect in Korea and Japan on 1 July 2015 and 1 October 2015, respectively, at respective tax rates of 10% and 8%. The imposition of the new VAT rules has resulted in the Group paying additional VAT and had an impact on the Group's business. Similar to the new VAT changes in EU, Korea and Japan, more tax authorities worldwide are contemplating similar VAT practices which could have an adverse effect on the online gaming industry as well as the Group's operations.

Prospects

For existing games, the Group will focus on increasing revenue from iOS platform, where the games still have considerable growth potential. At the same time, the development team will continue to introduce new modes of play for the games. The Group will also release its games in more languages, and continue to seek co-publishing opportunities with game platforms. In the short-to-mid term, the games should see continuing revenue growth from newly-acquired users.

Looking ahead, the Group expects to develop approximately 15 to 20 games by the end of 2016, consisting both self-developed and outsourced mobile games ranging from mid-core games such as SLG, Trading Card and APRG types to casual games such as shooting and marble types. The Group is also planning a sequel to Castle Clash and Clash of Lords, building on the success and popularity of the games to provide stable revenue growth.

Following the release of the location-based social networking app LINK in August 2014, the Group launched a new instant messaging app, LINK Messenger, targeting interaction among friends and family. Recently, the Group will market these two apps in selected countries and regions to build awareness and grow their user base. Word of mouth plays an important role in a game's success. The Group intends for these two apps to facilitate interaction among its existing gamers, and be a platform to attract new potential players to its games.

The business of the Group depends on effective advertising, distribution and promotional strategies to attract customers. During the year ended 31 December 2015, the Group has continued to set up its advertisement platform, as compared to its previous reliance on third-party advertisement platforms. The Group expects to further expand its advertising business to further stimulate the Group's online game business.

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

During the year ended 31 December 2015, the Group has made several strategic investments into companies in the gaming industry that either has high growth potential, or with products and services that are complementary to the Group's business. The Group will continue to seek potential merger and acquisition opportunities that could create synergies, accelerate its growth, or provide breakthroughs in its business.

Financial Review

The Group's revenue for the year ended 31 December 2015 was approximately US\$202.5 million, remained relatively stable compared to approximately US\$204.6 million for the year ended 31 December 2014. However, the Group's revenue base was more diversified for the year ended 31 December 2015 as compared to the year ended 31 December 2014, primarily due to (i) excellent performance of "Clash of Lords" series and "Deck Heroes", which led to the increase of the contribution of

these two titles to the total revenue of approximately 11.8% from 12.5% for the year ended 31 December 2014 to 24.3% for the year ended 31 December 2015, and (ii) the contribution of “Castle Clash” to the total revenue decreased to 59.7% for the year ended 31 December 2015 from 62.0% for the year ended 31 December 2014.

Contribution of mobile games to the Group’s revenue increased to approximately 94.0% for the year ended 31 December 2015 from approximately 85.3% for the year ended 31 December 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 2015 and 2014, respectively:

	Year ended 31 December 2015		2014	
	<i>US\$'000</i>	<i>%</i>	<i>US\$'000</i>	<i>%</i>
Mobile games	190,479	94.0	174,622	85.3
Browser games	8,652	4.3	24,043	11.8
Client-based games	1,535	0.8	3,501	1.7
Others	<u>1,880</u>	<u>0.9</u>	<u>2,446</u>	<u>1.2</u>
Total	<u><u>202,546</u></u>	<u><u>100.0</u></u>	<u><u>204,612</u></u>	<u><u>100.0</u></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 2015 and 2014, respectively:

	Year ended 31 December		2015		2014	
	<i>US\$'000</i>	<i>%</i>	<i>US\$'000</i>	<i>%</i>	<i>US\$'000</i>	<i>%</i>
North America	75,330	37.2	78,021	38.1		
Europe	63,464	31.3	56,258	27.5		
Asia	51,564	25.5	58,259	28.5		
Oceania	6,074	3.0	6,989	3.4		
South America	4,525	2.2	4,014	2.0		
Africa	<u>1,589</u>	<u>0.8</u>	<u>1,071</u>	<u>0.5</u>		
Total	<u>202,546</u>	<u>100.0</u>	<u>204,612</u>	<u>100.0</u>		

Revenue by games

The following table sets forth a breakdown of the revenue by games of the players for the years ended 31 December 2015 and 2014, respectively:

	Year ended 31 December		2015		2014	
	<i>US\$'000</i>	<i>%</i>	<i>US\$'000</i>	<i>%</i>	<i>US\$'000</i>	<i>%</i>
Castle Clash	120,997	59.7	126,792	62.0		
Clash of Lords series	34,644	17.1	24,506	12.0		
Deck Heroes	14,593	7.2	997	0.5		
Texas HoldEm Poker Deluxe	7,057	3.5	11,055	5.4		
Slot Machines by IGG	3,568	1.8	5,875	2.9		
Others	<u>21,687</u>	<u>10.7</u>	<u>35,387</u>	<u>17.2</u>		
Total	<u>202,546</u>	<u>100.0</u>	<u>204,612</u>	<u>100.0</u>		

Cost of sales

The Group's cost of sales for the year ended 31 December 2015 was approximately US\$62.0 million, representing an increase of approximately 5.4% as compared to that of approximately US\$58.8 million for the year ended 31 December 2014, primarily due to the increase in channel costs and server costs as a result of the expansion of mobile game business.

Gross profit and gross profit margin

The Group's gross profit for the year ended 31 December 2015 was approximately US\$140.5 million, representing a decrease of approximately 3.6% as compared to that of approximately US\$145.8 million for the year ended 31 December 2014, primarily due to the increase in channel costs and server costs as a result of the expansion of mobile game business.

The Group's gross profit margin for the year ended 31 December 2015 was approximately 69.4%, representing a decrease of approximately 1.9% as compared to that of approximately 71.3% for the year ended 31 December 2014, primarily due to higher channel costs in relation to mobile games compared to browser games and client-based games, and the higher royalty cost in relation to licensed games.

Selling and distribution expenses

The Group's selling and distribution expenses for the year ended 31 December 2015 were approximately US\$41.7 million, representing a decrease of approximately 3.2% as compared to that of approximately US\$43.1 million for the year ended 31 December 2014, primarily due to the reduced advertising and promotional activities for mobile games.

Administrative expenses

The Group's administrative expenses for the year ended 31 December 2015 were approximately US\$21.8 million, representing an increase of approximately 30.5% as compared to that of approximately US\$16.7 million for the year ended 31 December 2014, primarily due to (i) expenses in relation to the Transfer of Listing, (ii) the increase in rental fee and staff costs as a result of business expansion and (iii) due diligence expenses incurred in connection with potential strategy investment activities.

Research and development costs

The Group's research and development costs for the year ended 31 December 2015 were approximately US\$26.9 million, representing an increase of approximately 56.4% as compared to that of approximately US\$17.2 million for the year ended 31 December 2014, primarily due to (i) the increase in research and development outsourcing expenses attributable to the enrichment of our game portfolio, and (ii) the increase in salaries, performance-based bonus and share-based payments expenses in connection with the game development team.

Other expenses

The Group's other expenses for the year ended 31 December 2015 were approximately US\$6.5 million, representing an increase of approximately 400.0% over approximately US\$1.3 million for the year ended 31 December 2014, primarily due to the recognition of impairment loss with respect to the Group's investments in several online gaming companies given the uncertainty in future cash flow of those companies, as well as the increase of exchange loss in 2015.

Income tax expenses

The Group's income tax expenses for the year ended 31 December 2015 were approximately US\$3.7 million, representing a decrease of approximately 28.8% as compared to that of approximately US\$5.2 million for the year ended 31 December 2014, primarily due to the decrease in profit before tax.

Capital expenditure

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 2015 and 2014 are set forth as below:

	Year ended 31 December	
	2015	2014
	<i>US\$'000</i>	<i>US\$'000</i>
Purchase of property, plant and equipment	4,137	2,327
Purchase of intangible assets	312	1,472

Capital commitment

As at 31 December 2015, the Group had a capital commitment of approximately US\$0.8 million (31 December 2014: US\$0.3 million).

Liquidity and capital resources and gearing ratios

As at 31 December 2015, the Group had net current assets of approximately US\$174.7 million (31 December 2014: US\$174.0 million), and the gearing ratio of the Group, calculated as total liabilities divided by total assets, was 13.1% (31 December 2014: 13.9%).

As at 31 December 2015, the Group had cash and cash equivalents of approximately US\$185.5 million (31 December 2014: US\$127.1 million).

The Group did not have any bank borrowings or other financing facilities as at 31 December 2015 (31 December 2014: nil). The table below sets forth selected cash flow data from our consolidated statement of cash flows:

	2015	2014
	<i>US\$'000</i>	<i>US\$'000</i>
Net cash flows from operating activities	53,562	70,823
Net cash flows from/(used in) investing activities	45,604	(53,148)
Net cash flows used in financing activities	<u>(39,904)</u>	<u>(16,085)</u>
NET INCREASE IN CASH AND CASH		
EQUIVALENTS	59,262	1,590
Cash and cash equivalents at beginning of year as stated		
in the consolidated statement of cash flows	127,088	125,488
Effect of foreign exchange rate changes, net	<u>(847)</u>	<u>10</u>
Cash and cash equivalents at end of year as stated in		
the consolidated statement of cash flows	<u><u>185,503</u></u>	<u><u>127,088</u></u>

Operating activities

Net cash flows from operating activities decreased from approximately US\$70.8 million for the year ended 31 December 2014 to approximately US\$53.6 million for the year ended 31 December 2015, which was primarily attributable to the increased investments in research and development as well as increase in rental fee and staff costs as a result of business expansion while on the other hand the Group maintained relatively stable revenue.

Investing activities

Net cash flows from investing activities was approximately US\$45.6 million for the year ended 31 December 2015, compared to net cash flows used in investing activities of approximately US\$53.1 million for the year ended 31 December 2014, which was primarily attributable to the decrease of investments in time deposits with original maturity of over three months.

Financing activities

Net cash flows used in financing activities was approximately US\$39.9 million for the year ended 31 December 2015, representing an increase by US\$23.8 million as compared to US\$16.1 million for the year ended 31 December 2014, which was primarily attributable to the payment of 2014 second interim dividend, 2014 special dividend and 2015 interim dividend as well as the share repurchase at the end of 2015.

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. 64.4% 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 2015 (31 December 2014: 23.4%).

The major foreign currency risk of the Group arises from Singapore Dollar deposit. However, as a control measure, the Group has been converting most of its Singapore Dollar deposits into U.S. Dollars on a regular basis, to reduce its exposure to foreign currency exchange risk.

Capital structure

The capital structure of the Company comprised of ordinary Shares.

Dividend

The Board resolved to declare a second interim dividend of HK2.8 cents per ordinary Share (equivalent to US0.4 cents per ordinary Share) and a special dividend of HK14.2 cents per ordinary Share (equivalent to US1.8 cents per ordinary Share). Together with the first interim dividend of HK4.0 cents per ordinary Share (equivalent to US0.5 cents per ordinary Share) paid in September 2015, the total dividends per ordinary Share for the year ended 31 December 2015 would be HK21.0 cents per ordinary Share (equivalent to US2.7 cents per ordinary Share) (31 December 2014: the total dividends of HK22.6 cents per ordinary Share, equivalent to US2.9 cents per ordinary Share).

Human Resources

As at 31 December 2015, the Group had 860 employees (31 December 2014: 796), of which 617 were based in China and the remaining were based in the US, Singapore, Canada, the Philippines, Korea and Japan.

Personnel expenses (including salary, bonuses, social insurance and provident funds, excluding share option expenses) for the year ended 31 December 2015 were approximately US\$27.8 million, representing an increase of 14.4% over US\$24.3 million for the year ended 31 December 2014, primarily due to the increase in salary level and the increase in headcount of the Group.

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 2015 were US\$2.7 million, representing an increase of 17.4% over US\$2.3 million for the year ended 31 December 2014, primarily due to (i) the grant of 540,000 share options during the year ended 31 December 2015 under the Share Option Scheme, and (ii) the grant of 2,944,079 awarded shares during the year ended 31 December 2015 under the Share Award Scheme.

Significant investment

During the year ended 31 December 2015, the Group did not hold any significant investment in equity interest in any other company (31 December 2014: nil).

Interest capitalised

No interest was capitalised by the Group for the year ended 31 December 2015 (31 December 2014: nil).

Material acquisition and disposal of subsidiaries and associates and joint ventures

During the year ended 31 December 2015, the Group did not have any material acquisitions and disposals of subsidiaries, associates and joint ventures (31 December 2014: nil).

Charges on assets

As at 31 December 2015, no asset of the Group was pledged as a security for bank borrowing or any other financing activities (31 December 2014: nil).

Contingent liabilities

The Group had no significant contingent liabilities as at 31 December 2015 (31 December 2014: nil).

Certain subsidiary of the Group is subject to legal proceedings and claims arising in the ordinary course of business. The Directors are reviewing the allegations of the complaint, and consider the outcome of such proceedings and claims as quite uncertain and any possible loss is not reasonably estimable. Consequently, no provision has been made for any expenses that might arise from such legal proceedings and claims.

TRANSFER OF LISTING FROM GEM TO THE MAIN BOARD

The Company applied for the Transfer of Listing from GEM to Main Board on 16 March 2015. The approval-in-principle with respect to the Transfer of Listing was granted by the Stock Exchange on 25 June 2015. Dealings in the Shares on the Main Board commenced on 7 July 2015.

CORPORATE GOVERNANCE CODE

The Company is committed to maintaining high standards of corporate governance in the interests of Shareholders. During the year ended 31 December 2015, except for the deviation from code provision A.2.1 as disclosed below, the Company has complied with the code provisions of the Corporate Governance Code.

Under provision A.2.1 of the Corporate Governance Code, the roles of the chairman and chief executive officer should be separate and should not be performed by the same individual. The Group does not at present separate the roles of the chairman and chief executive officer. Mr. Zongjian Cai is the chairman and chief executive officer of the Group. He has extensive experience in online game industry and is responsible for the overall corporate strategic planning and overall business development of the Group. The Board considers that vesting the roles of chairman and chief executive officer in the same individual is beneficial to the business prospects and management of the Group. The balance of power and authorities is ensured by the operation of the Board and the senior management, which comprise experienced and high caliber individuals. The Board currently comprises three executive Directors, one non-executive Director 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 also adopted the Model Code set out in Appendix 10 of the Listing Rules as its code of conduct regarding securities transactions by the Directors. Having made specific enquiry with all Directors, all Directors confirmed that they have complied with the required standards set out in the Model Code regarding Directors’ securities transactions during the year ended 31 December 2015.

DIRECTORS’ RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Except for the Pre-IPO Share Option Scheme, the Share Option Scheme, the Share Award Scheme and the Tapcash Subsidiary Share Option Scheme, during the year ended 31 December 2015, none of the Company or any of its subsidiaries was a party to any arrangement to enable the Directors to acquire benefits by means of the acquisition of Shares in or debentures of the Company or any other body corporate.

During the year and up until the date of this announcement, except that on 23 March 2015 (1) Mr. Zongjian Cai, Mr. Yuan Xu and Mr. Hong Zhang, all of whom are executive Directors, were granted with 332,000, 613,000 and 605,000 share options under the Share Option Scheme, respectively, (2) Mr. Yuan Chi, a non-executive Director, were granted with 486,000 share options under the Share Option Scheme,

(3) each of the independent non-executive Directors was granted 250,000 share options under the Share Option Scheme, (4) Mr. Kee Lock Chua, who was a non-executive Director during the year but subsequently resigned on 4 August 2015, was granted with 350,000 share options under the Share Option Scheme (on 27 August 2015, the Board resolved that Mr. Kee Lock Chua shall continue to be entitled to exercise the share options granted to him under the Share Option Scheme after his resignation as a non-executive Director of the Company), and (5) Mr. Xiaojun Li, who was a non-executive Director during the year but subsequently resigned on 31 December 2015, was granted with 350,000 share options under the Share Option Scheme (on 31 December 2015, the Board resolved that Mr. Xiaojun Li shall continue to be entitled to exercise the share options granted to him under the Share Option Scheme after his resignation as a non-executive Director of the Company), none of the Directors or chief executives of the Company was granted 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 the Pre-IPO Share Option Scheme on 12 November 2008 and amended it on 16 September 2013, the principal terms of which are summarised in 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 2015, except that 26,226,000 share options were exercised and 767,000 share options were lapsed due to the employment termination of the employees of the Group pursuant to the Pre-IPO Share Option Scheme, no other share options granted under the Pre-IPO Share Option Scheme have been exercised, lapsed or cancelled.

SHARE OPTION SCHEME

The Company adopted the Share Option Scheme on 16 September 2013, the principal terms of which are summarised in Appendix IV to the Prospectus.

During the year ended 31 December 2015, the Company granted a total of 6,439,000 share options with details as followings:

23 March 2015

On 23 March 2015, the Company granted a total of 6,339,000 share options to certain eligible persons pursuant to the Share Option Scheme. Among the total 6,339,000 share options, 5,378,000 share options were granted to the connected persons of the Company, including the 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\$3.90 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 date	Percentage of share options to vest
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
On or after the date of the annual general meeting to be convened in 2018	One-third of the total number of share options granted

The remaining 4,889,000 share options shall be subject to a vesting period as follows:

Share option vesting date	Percentage of share options to vest
On or after 23 March 2016	25% of the total number of share options granted
On or after 23 March 2017	25% of the total number of share options granted
On or after 23 March 2018	25% of the total number of share options granted
On or after 23 March 2019	25% of the total number of share options granted

On the same date, the Company irrevocably cancelled an aggregate of 9,742,500 share options previously granted by the Company pursuant to the Share Option Scheme on 25 March 2014, 12 May 2014, 11 August 2014 and 21 November 2014, following the Company's receipt of irrevocable written requests to cancel from the relevant share option grantees.

10 September 2015

On 10 September 2015, the Company granted a total of 100,000 share options to certain eligible persons pursuant to the Share Option Scheme. 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\$2.94 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 date	Percentage of share options to vest
10 September 2016	25% of the total number of share options granted
10 September 2017	25% of the total number of share options granted
10 September 2018	25% of the total number of share options granted
10 September 2019	25% of the total number of share options granted

Save as disclosed above, during the year ended 31 December 2015, no share options under the Share Option Scheme have been granted, exercised, lapsed or cancelled.

SHARE AWARD SCHEME

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

During the year ended 31 December 2015, the Company has granted a total of 3,935,244 awarded shares to certain selected grantees at nil consideration pursuant to the Share Award Scheme on 23 March 2015 and 10 September 2015, all of whom are third parties independent from the Company and its connected persons.

23 March 2015

On 23 March 2015, the Company granted 2,935,244 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 23 March 2016	25% of the total number of awarded shares granted
On 23 March 2017	25% of the total number of awarded shares granted
On 23 March 2018	25% of the total number of awarded shares granted
On 23 March 2019	25% of the total number of awarded shares granted

10 September 2015

On 10 September 2015, the Company granted 1,000,000 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 10 September 2016	25% of the total number of awarded shares granted
On 10 September 2017	25% of the total number of awarded shares granted
On 10 September 2018	25% of the total number of awarded shares granted
On 10 September 2019	25% of the total number of awarded shares granted

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

TAPCASH SUBSIDIARY SHARE OPTION SCHEME

The Company adopted the Tapcash Subsidiary Share Option Scheme on 5 May 2015, the principal terms of which are summarised in the circular of the Company dated 31 March 2015.

During the year ended 31 December 2015, the board of directors of Tapcash Cayman has granted a total of 1,480,000 share options pursuant to the Tapcash Subsidiary Share Option Scheme with details as followings:

10 September 2015

On 10 September 2015, the board of directors of Tapcash Cayman granted a total of 1,480,000 share options to certain eligible persons pursuant to the Tapcash Subsidiary Share Option Scheme. 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 date	Percentage of share options to vest
On 10 September 2016	25% of the total number of share options granted
On 10 September 2017	25% of the total number of share options granted
On 10 September 2018	25% of the total number of share options granted
On 10 September 2019	25% of the total number of share options granted

HEADQUARTERS AND PRINCIPAL PLACE OF BUSINESS IN SINGAPORE AND PRC

The headquarters and principal place of business in Singapore of the Company were changed to 315 Alexandra Road #04-03 Sime Darby Business Centre Singapore 159944 with effect from 30 April 2015.

The principal place of business of the Company in the PRC was changed to 20 Jinjishan Road, Jin'an District, Fuzhou, Fujian 350013, the PRC with effect from 7 December 2015.

AUDIT COMMITTEE

The Company has established an audit committee with written terms of reference in compliance with the Listing Rules. The primary duties of the audit committee are to review and to supervise the financial reporting process and risk management and internal control systems of the Group. The audit committee comprises all independent non-executive Directors, namely, Dr. Horn Kee Leong (chairman of the audit committee), Mr. Dajian Yu and Ms. Zhao Lu.

The audit committee has reviewed the audited consolidated financial statements of the Group for the year ended 31 December 2015 and was of the opinion that the preparation of such statements complied with applicable accounting standards and that adequate disclosure in accordance with the Listing Rules has been made in respect thereof.

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 2015.

USE OF PROCEEDS

The Company's Shares were listed on the GEM of the Stock Exchange on 18 October 2013. The net proceeds received by the Company by way of Placing amounted to approximately US\$105.0 million, all of which have been fully utilized in accordance with the disclosures set out in the section headed "Statement of Business Objective and Use of Proceeds" in the Prospectus.

An analysis of the utilisation of the net proceeds from the Placing as at 31 December 2015 is set out below:

	Net proceeds from the Placing <i>US\$'000</i>	Utilised amount as at 31 December 2015 <i>US\$'000</i>
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	36,759.1
3. Enhance and diversify the game development capabilities	21,000.5	21,000.5
4. Working capital and other general corporate purposes	10,500.3	10,500.3
Total:	<u>105,019.0</u>	<u>105,019.0</u>

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

The Company had bought back the Shares on the Stock Exchange during the year ended 31 December 2015 with details as follows:

Trading Day	Number of Shares Purchased	Price per Share		Total Paid <i>HKD</i>
		Highest Price Paid <i>HKD</i>	Lowest Price Paid <i>HKD</i>	
22 December 2015	1,265,000	3.19	3.13	4,017,240
23 December 2015	1,626,000	3.25	3.22	5,260,140
30 December 2015	437,000	3.48	3.44	1,513,160
31 December 2015	<u>616,000</u>	3.50	3.46	2,149,734
Total	<u>3,944,000</u>			

All of the shares bought back were cancelled in January 2016. Save as disclosed above, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the year ended 31 December 2015.

IMPORTANT EVENT SINCE THE END OF THE FINANCIAL YEAR

There was no important event of the Company since the end of the year ended 31 December 2015 up to the date of this announcement.

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 2015 containing all the information required by the Listing Rules will be despatched to Shareholders of the Company and available on the same websites in due course.

SCOPE OF WORK ON THE ANNUAL RESULTS ANNOUNCEMENT BY AUDITOR

The figures in respect of the annual announcement of the Group's results for the year ended 31 December 2015 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 of the Company is scheduled to be held on Friday, 3 June 2016. A notice convening the annual general meeting will be despatched to the Shareholders in due course.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Wednesday, 1 June 2016 to Friday, 3 June 2016, 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 Tuesday, 31 May 2016.

The record date for entitlement to the second interim and special dividend is Friday, 15 April 2016. For determining the entitlement to the second interim and special dividend, the register of members of the Company will be closed from Wednesday, 13 April 2016 to Friday, 15 April 2016, 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 Tuesday, 12 April 2016. The payment of the second interim and special dividend will be made on or about Friday, 29 April 2016.

DEFINITIONS

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

“associate(s)”	has the meaning ascribed thereto in the Listing Rules
“Board”	the board of Directors of the Company
“Company”, “IGG”	IGG Inc, an exempted company incorporated in the Cayman Islands whose shares are listed on the Stock Exchange
“connected person(s)”	has the meaning ascribed thereto in the Listing Rules
“Controlling Shareholders”	has the meaning ascribed thereto in the 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”	Code on corporate governance practices contained in Appendix 15 to the GEM Listing Rules (applicable to the Company prior to the Transfer of Listing) and Appendix 14 of the Listing Rules (applicable to the Company after the Transfer of Listing)
“Director(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”	the Growth Enterprise Market of the Stock Exchange
“GEM Listing Rules”	the Rules Governing the Listing of Securities on the GEM
“Group”, “we”, “us” or “our”	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 Company
“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 Company
“Independent Third Party(ies)”	individual(s) or company(ies) who is/are not connected with (within the meaning of the Listing Rules) any of the Company, Directors, chief executive or substantial shareholders of the Company, our subsidiaries or any of their respective associates
“Listing” or “Placing”	the listing of the Shares on the GEM

“Listing Date”	18 October 2013, on which dealings in the Shares first commence on the GEM
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Main Board”	stock market operated by the Stock Exchange prior to the establishment of GEM (excluding the options market) which stock market continues to be operated by the Stock Exchange in parallel with GEM. For the avoidance of doubt, the Main Board excludes GEM
“MAU”	monthly active users
“Model Code”	the required standard of dealings for securities transactions by directors of listed issuers as set out in Rules 5.48 to 5.67 of the GEM Listing Rules adopted by the Company on 16 September 2013 (applicable to the Company prior to the Transfer of Listing) and Appendix 10 to the Listing Rules (applicable to the Company immediately after the Transfer of Listing)
“Nerd Kingdom”	Nerd Kingdom, Inc., a company incorporated under the laws of the United States with limited liability, on 20 May 2010, a subsidiary of the Company
“PRC” or “China”	the People’s Republic of China
“Pre-IPO Share Option Scheme”	the share option scheme adopted by the Company on 12 November 2008 and amended by written resolutions of all Shareholders passed on 16 September 2013, certain principal terms of which are summarised in the paragraph headed “Pre-IPO Share Option Scheme” in Appendix IV to the Prospectus
“Prospectus”	the prospectus of the Company dated 11 October 2013
“RMB”	Renminbi, the lawful currency of the PRC
“Share(s)”	means 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

“Shareholder(s)”	the shareholder(s) of the Company
“Share Option Scheme”	the share option scheme conditionally adopted by the Company on 16 September 2013, the principal terms of which are summarised under the paragraph headed “Share Option Scheme” in Appendix IV to the Prospectus
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“substantial shareholder(s)”	has the meaning ascribed thereto in the Listing Rules
“Tapcash Cayman”	Tap Media Technology Inc., an exempted company incorporated under the laws of the Cayman Islands with limited liability on 11 November 2014, a subsidiary of the Company
“Tapcash Subsidiary Share Option Scheme”	the share option scheme of Tapcash Cayman and its subsidiaries, the principal terms of which were summarized in the circular of the Company dated 31 March 2015
“Transfer of Listing”	the transfer of listing of the Shares from GEM to the Main Board pursuant to Chapter 9A of the Listing Rules
“U.S. dollar(s)” or “US\$” or “USD” and “US cents”	United States dollars, and cents, respectively, the lawful currency of the United States
“%”	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, 25 March 2016

As at the date of this announcement, the Board comprises three executive Directors, namely, Mr. Zongjian Cai, Mr. Yuan Xu and Mr. Hong Zhang; one non-executive Director, namely, Mr. Yuan Chi; and three independent non-executive Directors, namely, Dr. Horn Kee Leong, Mr. Dajian Yu and Ms. Zhao Lu.